

WIPRO LTD
Form 6-K
February 12, 2008

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

**FORM 6-K
REPORT OF FOREIGN PRIVATE ISSUER
Pursuant to Rule 13a-16 or 15d-16 of the Securities Exchange Act of 1934
For the Quarter ended December 31, 2007
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 - 560035, Karnataka, India
+91-80-2844-0011**

(Address of principal executive offices)

Indicate by check mark if registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F Form 40-F

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g-3-2(b) under the Securities Exchange Act of 1934.

Yes No

If Yes is marked, indicate below the file number assigned to registrant in connection with Rule 12g-3-2(b) Not applicable.

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Currency of Presentation and Certain Defined Terms

In this Quarterly Report 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 the United Kingdom. Reference to \$ or US\$ or dollars or U.S. dollars are to the legal currency of the United States, references to £ or Sterling are to the legal currency of the United Kingdom and references to Rs. or Rupees or Indian rupees are 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 Quarterly Report on Form 6K are the property of the respective owners.

Except as otherwise stated in this Quarterly Report, all translations from Indian rupees to U.S. dollars are based on the noon buying rate in the City of New York on December 31, 2007, for cable transfers in Indian rupees as certified for customs purposes by the Federal Reserve Bank of New York which was Rs. 39.41 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 Quarterly Report.

Forward-Looking Statements May Prove Inaccurate

IN ADDITION TO HISTORICAL INFORMATION, THIS QUARTERLY 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 MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS 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 QUARTERLY REPORT AND IN THE COMPANY S PERIODIC REPORTS AND OTHER DOCUMENTS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION (SEC) FROM TIME TO TIME.

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WIPRO LIMITED AND SUBSIDIARIES
UNAUDITED CONSOLIDATED BALANCE SHEETS
(in millions, except share data)

	2006	As of December 31,			As of March
		2007	2007	Convenience translation into US\$	31, 2007
	(Unaudited)	(Unaudited)	(Unaudited)		
ASSETS					
Current assets:					
Cash and cash equivalents (Note 4)	Rs. 4,752	Rs. 15,999	\$ 406		Rs. 12,412
Restricted cash		509	13		7,238
Investments in liquid and short-term mutual funds (Note 8)	37,608	17,738	450		32,410
Accounts receivable, net of allowances (Note 5)	26,663	34,773	882		28,083
Unbilled revenue	5,117	8,860	225		5,096
Inventories (Note 6)	3,985	6,628	168		4,150
Deferred income taxes	423	637	16		382
Other current assets (Note 7)	7,713	18,260	463		11,479
Total current assets	86,261	103,404	2,624		101,250
Property, plant and equipment, net (Note 9)	24,352	35,872	910		26,541
Investments in affiliates (Note 13)	1,203	1,243	32		1,242
Investment securities	357	358	9		357
Deferred income taxes	53	65	2		49
Intangible assets, net (Note 10)	2,622	12,034	306		2,663
Goodwill (Note 3,10)	12,799	37,798	959		12,706
Other assets (Note 7)	1,554	2,727	69		1,959
Total assets	Rs. 129,201	Rs. 193,501	\$ 4,910		Rs. 146,767
LIABILITIES AND STOCKHOLDERS EQUITY					
Current liabilities:					
Short term borrowings from banks (Note 15)	Rs. 2,145	Rs. 25,019	\$ 635		Rs. 2,893
Current portion of long-term debt (Note 15)	229	552	14		328
Current portion of obligations under capital leases		341	9		
Accounts payable	6,188	12,258	311		10,202
Accrued expenses	8,050	7,667	195		5,139
Accrued employee costs	5,153	4,855	123		5,187

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Advances from customers	1,362	1,775	45	1,315
Unearned revenue	1,753	3,984	101	1,818
Other current liabilities (Note 11)	6,048	9,337	237	16,623
Total current liabilities	30,929	65,788	1,670	43,505
Long-term debt, excluding current portion(Note 15)	800	238	5	560
Obligations under capital leases, excluding current portion		734	19	
Deferred income taxes	462	2,462	63	464
Other liabilities	860	2,698	68	770
Total liabilities	33,051	71,920	1,825	45,299
Minority interest		126	3	
Stockholders' equity:				
Equity shares at Rs. 2 par value: 1,650,000,000 shares authorized; Issued and outstanding: 1,458,999,650, 1,439,802,322 and 1,460,529,013 shares as of March 31, 2007, December 31, 2006 and 2007 (Note 16)	2,880	2,921	74	2,918
Additional paid-in capital (Note 21)	19,194	26,089	662	24,508
Accumulated other comprehensive income	484	139	4	94
Retained earnings (Note 17)	73,593	92,306	2,342	73,948
Equity shares held by a controlled Trust: 7,961,760, 7,869,060 and 7,961,760 shares as of March 31, 2007, December 31, 2006 and 2007 (Note 21)				
Total stockholders' equity	96,150	121,455	3,082	101,468
Total liabilities and stockholders' equity	Rs. 129,201	Rs. 193,501	\$ 4,910	Rs. 146,767

See accompanying notes to the unaudited consolidated financial statements.

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WIPRO LIMITED AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME
(in millions, except share data)

	Three months ended December 31,			Nine months ended December 31,		
	2006	2007	2007	2006	2007	2007
			Convenience			Convenience
			translation			translation
			into			into
			US\$			US\$
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenues:						
Global IT Services and Products						
IT Services	26,501	32,975	837	73,790	89,917	2,282
BPO Services	2,372	2,998	76	6,774	8,371	212
India and AsiaPac						
IT Services and Products						
Services	2,223	3,220	82	5,908	8,607	218
Products	4,511	5,987	152	10,181	15,938	404
Consumer Care and Lighting	1,931	4,050	103	5,451	9,832	249
Others	2,099	3,131	79	3,982	8,809	224
Total	39,636	52,361	1,329	106,086	141,474	3,590
Cost of revenues:						
Global IT Services and Products						
IT Services	17,512	22,878	581	48,597	61,250	1,554
BPO Services	1,529	2,063	52	4,521	5,566	141
India and AsiaPac						
IT Services and Product						
Services	1,148	1,796	46	3,231	4,959	126
Products	4,102	5,327	135	9,233	14,119	358
Consumer Care and Lighting	1,296	2,472	63	3,559	6,011	153
Others	1,809	2,584	66	3,243	7,320	186
Total	27,360	37,120	942	72,383	99,225	2,518
Gross profit	12,276	15,241	387	33,703	42,249	1,072
Operating expenses:						

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Selling and marketing expenses	(2,192)	(3,535)	(90)	(6,389)	(9,584)	(243)
General and administrative expenses	(2,068)	(2,874)	(73)	(5,340)	(7,589)	(193)
Research and development expenses	(76)	(296)	(8)	(204)	(626)	(16)
Amortization of intangible assets (Note 10)	(90)	(220)	(6)	(232)	(424)	(11)
Foreign exchange gains/(losses), net	(211)	169	4	(227)	(625)	(16)
Others, net	65	414	11	370	526	13
Operating income	7,703	8,898	226	21,681	23,927	607
Other income, net (Note 18)	705	455	12	1,683	2,189	56
Equity in earnings/(losses) of affiliates (Note 13)	121	(14)		279	157	4
Income before income taxes, minority interest and cumulative effect of change in accounting principle	8,529	9,340	237	23,643	26,273	667
Income taxes (Note 20)	(1,080)	(1,074)	(27)	(3,127)	(2,778)	(70)
Minority interest		(5)			(8)	
Income before cumulative effect of change in accounting principle	7,450	8,261	210	20,516	23,487	596
Cumulative effect of change in accounting principle				39		
Net income	7,450	8,261	210	20,555	23,487	596
Earnings per equity share: (Note 22)						
Basic						
Income before cumulative effect of change in accounting principle	5.21	5.69	0.14	14.40	16.20	0.41
Cumulative effect of change in				0.03		

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accounting principle Net income Diluted	5.21	5.69	0.14	14.43	16.20	0.41
Income before cumulative effect of change in accounting principle	5.14	5.68	0.14	14.22	16.14	0.41
Cumulative effect of change in accounting principle				0.03		
Net income	5.14	5.68	0.14	14.25	16.14	0.41
Weighted average number of equity shares used in computing earnings per equity share:						
Basic	1,428,718,122	1,450,673,837		1,424,271,318	1,450,201,056	
Diluted	1,449,669,389	1,453,954,740		1,442,901,237	1,454,954,227	

See accompanying notes to the unaudited consolidated financial statements.

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WIPRO LIMITED AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY AND
COMPREHENSIVE INCOME
(in millions, except share data)

	Equity Shares		Accumulated				Equity Shares held by a		Total
	No. of Shares	Amount	Additional Paid in Capital	Deferred Stock Compensation	Other Comprehensive Income/(loss)	Retained Earnings	Controlled Trust	Stockholders	
	No. of Shares	Amount	Capital	Compensation	Income/(loss)	Earnings	No. of Shares	Amount	Equity
Balance as of March 31, 2006	1,425,754,267	2,852	16,521	(2,202)	434	61,161	(7,869,060)		78,764
Elimination of deferred stock compensation balance on adoption of SFAS 123 No. (R) (unaudited) (Note 2)			(2,202)	2,202					
Cumulative effect of change in accounting principle (unaudited) (Note 2)			(39)						(39)
Cash dividend (unaudited)						(8,123)			(8,123)
Issuance of equity shares on exercise of options (unaudited)	14,048,055	28	3,952						3,980
Compensation cost related to employee stock incentive plan (unaudited) (Note 21)			898						898
Excess income tax benefit related to employee stock incentive plan			65						65

(unaudited) Comprehensive Income Net income								
(unaudited) Other comprehensive income/(loss)				20,555		20,555		20,555
Translation adjustments (unaudited) Unrealised gain/(loss) on investment securities, net (net of tax effect of Rs. 59) (unaudited)				21				
Unrealised gain/(loss) on cash flow hedging derivatives, net (unaudited)				116				
				(87)				
Total other comprehensive income/(loss) (unaudited)				50	50			50
Comprehensive income (unaudited)				20,605				
Balance as of December 31, 2006 (unaudited)	1,439,802,322	2,880	19,194		484	73,593	(7,869,060)	96,150
Balance as of March 31, 2007	1,458,999,650	Rs. 2,918	Rs. 24,508		Rs. 94	Rs. 73,948	(7,961,760)	Rs. Rs. 101,468
Cash dividend (unaudited)						(5,129)		(5,129)
Issuance of equity shares on exercise of options (unaudited)	1,529,363	3	485 926					488 926

Compensation cost related to employee stock incentive plan (unaudited) (Note 21)				
Sale of long-lived asset to the controlling shareholder, (net of tax effect of Rs. 52) (unaudited)	102			102
Excess income tax benefit related to employee stock incentive plan (unaudited)	68			68
Comprehensive income				
Net income (unaudited)		23,487	23,487	23,487
Other comprehensive income / (loss)				
Translation adjustments (unaudited)		(793)		
Unrealized gain/(loss) on investment securities, net (net of tax effect of Rs. (16)) (unaudited)		(32)		
Unrealized gain/(loss) on cash flow hedging derivatives, net (net of tax effect of Rs.199) (unaudited)		870		
Total other comprehensive income / (loss)		45	45	45

(unaudited)									
Comprehensive income (unaudited)				25,532					
Balance as of December 31, 2007 (unaudited)	1,460,529,013	Rs. 2,921	Rs. 26,089		Rs. 139	Rs. 92,306	(7,961,760)	Rs.	Rs. 121,455
Balance as of December 31, 2007 (unaudited) (\$)		\$ 74	\$ 662		\$ 4	\$ 2,342		\$	\$ 3,082

See accompanying notes to the unaudited consolidated financial statements.

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WIPRO LIMITED AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)

	Nine months ended December 31,		
	2006	2007	2007
	(Unaudited)	(Unaudited)	(Unaudited)
			Convenience translation into US\$
Cash flows from operating activities:			
Net income	Rs. 20,555	Rs. 23,487	\$ 596
Adjustments to reconcile net income to net cash provided by operating activities:			
Gain on sale of property, plant and equipment	(8)	(18)	
Cumulative effect of change in accounting principle	(39)		
Depreciation and amortization	3,170	4,305	109
Deferred tax charge/(benefit)	(40)	(32)	(1)
Unrealised exchange (gain)/loss	235	(2,117)	(54)
(Gain)/loss on sale of investment securities	(316)	(596)	(15)
Stock based compensation	962	926	23
Equity in earnings of affiliates	(279)	(157)	(4)
Changes in operating assets and liabilities:			
Accounts receivable	(4,892)	(4,116)	(104)
Unbilled revenue	(781)	(3,763)	(95)
Inventories	(769)	(1,551)	(39)
Other assets	(1060)	(3,680)	(93)
Accounts payable	93	1,649	42
Accrued expenses and employee costs	1,280	3,411	87
Unearned revenue & Advances from customer	1,290	2,625	67
Other liabilities	2,141	(3,133)	(80)
Net cash provided by operating activities	21,541	17,239	437
Cash flows from investing activities:			
Expenditure on property, plant and equipment	(8,228)	(9,739)	(247)
Proceeds from sale of property, plant and equipment	118	392	10
Purchase of investments	(84,092)	(180,821)	(4,588)
Proceeds from sale of investments	77,083	196,195	4,978
Investment in interest bearing inter-corporate deposits		50	1
Payment for acquisitions, net of cash acquired	(7713)	(32,837)	(833)
Net cash used investing activities	(22,833)	(26,760)	(679)
Cash flows from financing activities:			
Proceeds from issuance of equity shares	3,905	502	13

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Proceeds from issuance of equity shares by a subsidiary		55		1
Proceeds/(repayment) from/of short-term borrowings from banks, net		17,686		449
Repayment of long-term debt	(6,285)	(499)		(13)
Proceeds from long-term debt	7,649	663		17
Payment of cash dividends	(8,123)	(5,399)		(137)
Excess income tax benefits related to employee stock incentive plan	65	68		2
Net cash provided/(used) in financing activities	(2,789)	13,076		332
Net increase in cash and cash equivalents during the period	(4,080)	3,556		90
Effect of exchange rate changes on cash	(26)	31		1
Cash and cash equivalents at the beginning of the period	8,858	12,412		315
Cash and cash equivalents at the end of the period	Rs. 4,752	Rs. 15,999	\$	406
Supplementary information:				
Cash paid for interest		84	1,221	31
Cash paid for taxes		3,236	2,834	72

See accompanying notes to the unaudited consolidated financial statements.

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WIPRO LIMITED AND SUBSIDIARIES
NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(in millions, except share data and where otherwise stated)

1. Overview

Wipro Limited (Wipro), together with its subsidiaries (collectively, the Company) is a leading India based provider of IT Services and Products, including Business Process Outsourcing (BPO) services, globally. Further, Wipro has other businesses such as India and AsiaPac IT Services and Products and Consumer Care and Lighting. Wipro is headquartered in Bangalore, India.

2. Significant Accounting Policies

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses and disclosure of contingent assets and liabilities. Actual results could differ from these estimates.

Basis of preparation of financial statements. The accompanying unaudited consolidated financial statements of the Company have been prepared in accordance with U.S. GAAP.

Interim information presented in the consolidated financial statements has been prepared by the management without audit and, in the opinion of management, includes all adjustments of a normal recurring nature that are necessary for the fair presentation of the financial position, results of operations and cash flows for the periods shown, and is in accordance with U.S. GAAP. These financial statements should be read in conjunction with the consolidated financial statements and related notes included in the Company's annual report on Form 20-F for the fiscal year ended March 31, 2007.

Functional currency and exchange rate translation. The functional currency of Wipro and its domestic subsidiaries is the Indian rupees, the national currency of India. The functional currency of Wipro's foreign subsidiaries is determined based on an evaluation of the individual and collective economic factors as discussed in Statement of Financial Accounting Standard (SFAS) No. 52, Foreign Currency Translation. The assets and liabilities of subsidiaries that have local functional currency are translated into Indian rupees at the exchange rate in effect at the balance sheet date. Revenue and expense accounts are translated at monthly weighted-average exchange rate for the respective periods. The gains or losses resulting from such translation are reported as a separate component of stockholders equity.

Foreign currency transactions are translated into the functional currency at the rates of exchange prevailing on the date of respective transactions. Monetary assets and liabilities in foreign currency are translated into functional currency at the exchange rates prevailing on the balance sheet date. The resulting exchange gains/losses are included in the statement of income.

Convenience translation. The accompanying consolidated financial statements have been reported in Indian rupees, the national currency of India. Solely for the convenience of the readers, the financial statements as of and for the period ended December 31, 2007, have been translated into U.S. dollars at the noon buying rate in New York City on December 31, 2007, for cable transfers in Indian rupees, as certified for customs purposes by the Federal Reserve Bank of New York of \$1 = Rs. 39.41. 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.

Principles of consolidation. The consolidated financial statements include the financial statements of Wipro and all of its subsidiaries, which are more than 50% owned and controlled. All inter-company accounts and transactions are eliminated on consolidation. The Company accounts for investments by the equity method where its investment in the voting stock gives it the ability to exercise significant influence over the investee.

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Cash equivalents. The Company considers investments in highly liquid instruments with remaining maturities, at the date of purchase/investment, of three months or less to be cash equivalents.

Revenue recognition. Revenue from services, as rendered, are recognized when persuasive evidence of an arrangement exists, the sales price is fixed or determinable and collectibility is reasonably assured. Revenues from software development services comprise revenues from time-and-material and fixed-price contracts. Revenue on time-and-material contracts is recognized as the related services are performed. Revenue from fixed-price, fixed-time frame contracts is recognized in accordance with the percentage of completion method. Guidance has been drawn from the Accounting Standards Executive Committee's conclusion in paragraph 95 of Statement of Position (SOP) 97-2, Software Revenue Recognition, to account for revenue from fixed price arrangements for software development and related services in conformity with SOP 81-1, Accounting for Performance of Construction-Type and Certain Production-Type Contracts. The input (cost expended) method has been used to measure progress towards completion as there is a direct relationship between input and productivity. Provisions for estimated losses on contracts-in-progress are recorded in the period in which such losses become probable based on the current contract estimates. Maintenance revenue is deferred and recognized ratably over the term of the agreement. Revenue from customer training, support and other services is recognized as the related service is performed. Costs that are incurred for a specific anticipated contract and that will result in no future benefits unless the contract is obtained are not included in contract costs. However, such costs are deferred if the cost can be directly associated with a specific anticipated contract and the recoverability from that contract are deemed to be probable.

Revenue from sale of products is recognized when persuasive evidence of an arrangement exists, the product has been delivered in accordance with sales contract, the sales price is fixed or determinable and collectibility is reasonably assured.

For all revenue arrangements with multiple deliverables, based on the guidance in EITF Issue No. 00-21 the Company recognizes 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 control of the Company.

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 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.

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

Revenues are shown net of excise duty, sales tax, value added tax, service tax and applicable discounts and allowances

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When the Company receives advance payments from customers for sale of products or provision of services, such payments are reported as advances from customers until all conditions for revenue recognition are met.

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

Warranty costs. The Company accrues the estimated cost of warranties at the time when the revenue is recognized. The accruals are based on the Company's historical experience of material usage and service delivery costs.

Shipping and handling costs. Shipping and handling costs are included in selling and marketing expenses.

Inventories. Inventories are stated at the lower of cost and market value. Cost is determined using the weighted-average method for all categories of inventories.

Investment securities. The Company classifies its debt and equity securities in one of the three categories: trading, held-to-maturity or available-for-sale, at the time of purchase and re-evaluates such classifications as of each balance sheet date. Trading and available-for-sale securities are recorded at fair value. Held-to-maturity securities are recorded at amortized cost, adjusted for the amortization or accretion of premiums or discounts. Unrealized holding gains and losses on trading securities are included in income. Temporary unrealized holding gains and losses, net of the related tax effect, on available-for-sale securities are excluded from income and are reported as a part of other comprehensive income in stockholders' equity until realized. Realized gains and losses from the sale of trading and available-for-sale securities are determined on a first-in-first out basis and are included in income. A decline in the fair value of any available-for-sale or held-to-maturity security below cost that is deemed to be other than temporary results in a reduction in carrying amount to fair value with a charge to the income statement. Fair value for mutual fund units is based on published per unit value, which is the basis for current transactions. Non-readily marketable equity securities for which there is no readily determinable fair value are recorded at cost, subject to an impairment charge to the income statement for any other than temporary decline in value.

Investments in affiliates. The Company's equity in the earnings/(losses) of affiliates is included in the statement of income and the Company's share of net assets of affiliates is included in the balance sheet.

Shares issued by subsidiary/affiliate. The issuance of stock by a subsidiary/affiliate to third parties reduces the proportionate ownership interest in the investee. Unless the issuance of such stock is part of a broader corporate reorganization or unless realization is not assured, the Company recognizes a gain or loss, equal to the difference between the issuance price per share and the Company's carrying amount per share. Such gain or loss is recognized in the statement of income when the transaction occurs.

Property, plant and equipment. Property, plant and equipment are stated at cost. The Company depreciates property, plant and equipment over the estimated useful life using the straight-line method. Assets under capital lease and leasehold improvements are amortized over the shorter of estimated useful life and the related lease term. The estimated useful lives of assets are as follows:

Buildings	30 to 60 years
Plant and machinery	2 to 21 years
Computer equipment	2 to 6 years
Furniture, fixtures and equipment	3 to 10 years
Vehicles	4 years
Computer software	2 to 6 years

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Software for internal use is primarily acquired from third-party vendors and is in ready to use condition. Costs for acquiring this software are capitalized and subsequent costs are charged to the statement of income. The capitalized costs are amortized on a straight-line basis over the estimated useful life of the software.

Deposits paid towards the acquisition of property, plant and equipment outstanding as of each balance sheet date and the cost of property, plant and equipment not ready for use before such date are disclosed under capital work-in-progress. The interest cost incurred for funding an asset during its construction period is capitalized based on the actual investment in the asset and the average cost of funds. The capitalized interest is included in the cost of the relevant asset and is depreciated over the estimated useful life of the asset.

Business combinations, goodwill and intangible assets. In accordance with Statement of Financial Accounting Standards (SFAS) No. 141, Business Combinations, the Company uses the purchase method of accounting for all business combinations consummated after June 30, 2001. Intangible assets acquired in a business combination are recognized and reported apart from goodwill if they meet the criteria specified in SFAS No. 141. Any purchase price allocated to an assembled workforce is not accounted separately.

In accordance with SFAS No. 142, Goodwill and Other Intangible Assets, all assets and liabilities of the acquired business including goodwill are assigned to the reporting units. The Company does not amortize goodwill but instead tests goodwill for impairment at least annually, using a two step impairment process.

The fair value of the reporting unit is first compared to its carrying value. The fair value of reporting units is determined using the income approach. If the fair value of the reporting unit exceeds the carrying value of the net assets assigned to that unit, goodwill is not impaired. If the carrying value of the net assets assigned to the reporting unit exceeds the fair value of the reporting unit, then the implied fair value of the reporting unit's goodwill is compared with 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. If the carrying value of a reporting unit's goodwill exceeds its implied fair value, then an impairment loss equal to the difference is recorded.

The Company amortizes intangible assets over their estimated useful lives unless such lives are determined to be indefinite. Amortizable intangible assets are amortized over their estimated useful lives in proportion to the economic benefits consumed in each period. Intangible assets with indefinite lives are tested at least annually for impairment and written down to the fair value as required. The estimated useful lives of the amortizable intangible assets are as follows:

Customer-related intangibles	2 to 5 years
Marketing-related intangibles	2 to 30 years
Technology-based intangibles	5 years

Start-up costs. Cost of start-up activities including organization costs are expensed as incurred.

Research and development. Revenue expenditure on research and development is expensed as incurred. Capital expenditure incurred on equipment and facilities that are acquired or constructed for research and development activities and having alternative future uses is capitalized as tangible assets when acquired or constructed. Software product development costs are expensed as incurred until technological feasibility is achieved.

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Impairment or disposal of long-lived assets. Long-lived assets, including certain identifiable intangible assets, to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Such assets are considered to be impaired if the carrying amount of the assets is higher than the future undiscounted net cash flows expected to be generated from the assets. The impairment amount to be recognized is measured by the amount by which the carrying value of the assets exceeds its fair value.

The Company measures long-lived assets held-for-sale, at the lower of carrying amount or fair value, less costs to sell.

Earnings per share. In accordance with SFAS No. 128, Earnings per Share, basic earnings per share is computed using the weighted-average number of common shares outstanding during the period. Diluted earnings per share is computed using the weighted-average number of common and dilutive common equivalent shares outstanding during the period, using the treasury stock method for options and warrants, except where the results would be anti-dilutive.

Income taxes. Income taxes are accounted for using the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The deferred tax asset is reduced by a valuation allowance if it is more likely than not that some portion or all of the asset will not be realized. Excess income tax benefit on exercise of employee stock options is credited to additional paid-in capital.

The Company adopted FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes - an Interpretation of FASB Statement No. 109 (FIN 48) on April 1, 2007. FIN 48 clarifies the accounting and reporting for uncertainties in income tax law. This Interpretation prescribes a comprehensive model for the financial statement recognition, measurement, presentation and disclosure of uncertain tax positions considered or to be considered in income tax returns. The Company recognizes penalties and interest related to unrecognized tax benefits as a component of other income, net. Refer note 20 for additional information relating to impact of adoption of FIN 48.

The income tax provision for the interim periods is based on the best estimate of the effective tax rate expected to be applicable for the full fiscal year. Changes in interim periods to tax provisions, for changes in judgments or settlements relating to tax exposure items of earlier years, are recorded as discrete items in the interim period of change.

Stock-based compensation. Effective April 1, 2006, the Company adopted SFAS No. 123 (revised 2004), Share-Based Payment, (SFAS No. 123 (R)), which requires the measurement and recognition of compensation expense for all stock-based payment awards based on the grant-date fair value of those awards. The Company adopted SFAS No.123(R) using the modified prospective application method. Under this approach, the Company has recognized compensation expense for share-based payment awards granted prior to, but not yet vested as of April 1, 2006, based on the grant date fair value estimated in accordance with the provisions of SFAS No. 123.

SFAS No. 123(R) requires that deferred stock-based compensation previously recorded under APB Opinion No. 25 and outstanding on the date of adoption be eliminated against additional paid-in capital. Accordingly, the deferred compensation balance of Rs. 2,202 was eliminated against additional paid-in capital on April 1, 2006. Under APB Opinion No. 25, the Company had a policy of recognizing the effect of forfeitures only as they occurred. Accordingly, as required by SFAS No. 123 (R), on April 1, 2006, the Company estimated the number of outstanding instruments, which are not expected to vest and recognized a gain of Rs. 39 representing the reversal of compensation cost for such instruments previously recognized in income as cumulative effect of changes in accounting principle. For awards with a graded-vesting schedule, if vesting is based only on a service condition, the Company recognizes the compensation cost on a straight-line basis over the requisite service period of the entire award.

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Derivatives and hedge accounting. The Company purchases forward foreign exchange contracts/option contracts (derivatives) to mitigate the risk of changes in foreign exchange rates on accounts receivable and forecasted cash flows denominated in certain foreign currencies. The strategy also includes purchase of series of short term forward foreign exchange contracts which are replaced with successive new contracts up to the period in which the forecasted transactions are expected to occur (roll-over hedging). The Company also designates zero-cost collars, which qualify as net purchased options, to hedge the exposure to variability in expected future foreign currency cash inflows.

In accordance with SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended, the Company recognizes all derivatives as assets or liabilities measured at their fair value, regardless of the purpose or intent of holding them. In respect of derivatives designated and effective as cash flow hedges, gains or losses resulting from changes in the fair value are deferred and recorded as a component of accumulated other comprehensive income within stockholder's equity until the hedged transaction occurs and are then recognized in the consolidated statements of income along with the hedged item. The Company assesses hedge effectiveness based on the overall change in fair value of the derivative instrument. However, for derivatives acquired pursuant to roll-over hedging strategies, the forward premium/discount points are excluded from assessing hedge effectiveness.

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 and are reported within foreign exchange gains/ (losses), net under operating expenses.

In respect of derivatives designated as hedges, the Company formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Company also formally assesses both at the inception of the hedge and on an ongoing basis, whether each derivative is highly effective in offsetting changes in fair values or cash flows of the hedged item. If it is determined that a derivative is not highly effective as a hedge, or if a derivative ceases to be a highly effective hedge, the Company, prospectively, discontinues hedge accounting with respect to that derivative.

Reclassifications. Certain amounts in the consolidated financial statements have been reclassified to conform to the current period's presentation.

Recent accounting pronouncement

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

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

SFAS No. 141R. In December 2007, the FASB issued SFAS No. 141 (revised 2007), Business Combinations (SFAS No. 141R), which is a revision of SFAS No. 141, Business Combinations. This statement establishes principles and requirements for how an acquirer: recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed and any noncontrolling interest in the acquiree; recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase; and determines what information to disclose to enable users of the financial statements to

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evaluate the nature and financial effects of the business combination. The Company will be required to apply this new standard prospectively to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after December 15, 2008. Early adoption is prohibited. The Company is currently evaluating the impact of SFAS No. 141R on its consolidated financial statements.

SFAS No. 160. In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements (SFAS No. 160 (an amendment of ARB No. 51)). SFAS No. 160 establishes accounting and reporting standards for ownership interests in subsidiaries held by parties other than the parent, the amount of consolidated net income attributable to the parent and to the noncontrolling interest, changes in a parent's ownership interest and the valuation of retained noncontrolling equity investments when a subsidiary is deconsolidated. SFAS No. 160 also establishes disclosure requirements that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. The Company will be required to adopt this new standard prospectively, for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. The Company is currently evaluating the impact of the adoption of SFAS No. 160 on its consolidated financial statements.

3. Acquisitions*Unza Holdings Limited*

On July 30, 2007, the Company acquired 100% of the equity of Unza Holdings Limited (Unza) and subsidiaries. Unza is an independent manufacturer and marketer of personal care products in South East Asia. Unza markets a wide portfolio of personal care and detergent brands in several countries. The consideration (including direct acquisition costs) included a cash payment of Rs. 9,273 and a deferred payment of Rs. 981 which was paid during the quarter ended December 31, 2007.

The Company believes that this acquisition would strengthen the Company's brand portfolio and market presence in South East Asia and provide synergy in terms of access to common vendors, formulation and brands.

The majority of marketing-related intangibles relate to brands. The Company is in the process of determining brands, which have indefinite life, and those, which have determinable life based on a number of factors, including the competitive environment, market share, brand history and macro economic environment of the countries in which the brands are sold.

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

Description	Fair value
Tangible assets	Rs. 4,204
Liabilities	(4,718)
Marketing-related intangibles	7,691
Deferred tax liabilities	(1,407)
Goodwill	4,484
Total	Rs. 10,254

Infocrossing Inc.

On September 20, 2007, the Company acquired Infocrossing Inc. and subsidiaries (Infocrossing). The acquisition was conducted by means of a tender offer for all the outstanding shares of Infocrossing. Infocrossing is a U.S.-based IT infrastructure management, enterprise application and business process outsourcing services provider. The total consideration (including direct acquisition costs) amounted to Rs. 17,640.

The Company believes that the acquisition of Infocrossing broadens the Company's data center and mainframe capabilities and strengthens its competitive positioning in offering infrastructure management services.

As of the date of acquisition, Infocrossing had net operating losses, which are available for carry-forward and set-off against taxable profits in the future. The Company believes that it is more likely than not

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that approximately US\$ 73 of net operating losses will be available for carry-forward and set-off against taxable income in the future. Accordingly, in the preliminary purchase price allocation, the Company has recorded deferred tax assets of US\$ 32 representing the tax benefits that can be availed.

In addition, pursuant to the terms of an indenture agreement, the convertible debt of Infocrossing has been cancelled on acquisition. Liabilities assumed upon acquisition include Rs. 4,278 payable to the holders of convertible debt. Further, pursuant to the terms of the stock option plan, all the outstanding stock options of Infocrossing have been cancelled. Liabilities assumed upon acquisition include Rs. 823 payable to the stock option holders. These liabilities have been paid during the quarter ended December 31, 2007.

Infocrossing has tax deductible goodwill of approximately US\$ 90 arising from its earlier acquisitions. This goodwill is deductible for tax purposes over 15 years.

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

Description	Fair value
Tangible assets	Rs. 4,800
Liabilities	(10,484)
Customer-related intangibles	2,425
Deferred tax liabilities	(214)
Goodwill	21,113
Total	Rs. 17,640

The purchase consideration has been allocated on a preliminary basis based on management's estimates. The Company is in the process of making a final determination of the carrying value of assets and liabilities, which may result in changes in the carrying value of net assets recorded. Finalization of the purchase price allocation may result in certain adjustments to the above allocation.

Unaudited pro forma financial information

The following table provides pro forma results of operations for the three and nine months ended December 31, 2006 and 2007 as if Unza and Infocrossing had been acquired as of the beginning of each of the fiscal year presented. The proforma results include certain purchase accounting adjustments such as the estimated changes in depreciation and amortization expense on acquired tangible and intangible assets. The pro forma results exclude effects of certain material non-recurring charges of Rs. 1,717 incurred solely in connection with the acquisition transaction (transaction costs incurred by the acquiree, payments relating to employment contracts of key employees on change of control and write-off of unamortized discount on convertible debt extinguished on acquisition). Such amounts are not necessarily indicative of the results that would have occurred if the acquisition had occurred on dates indicated or that may result in the future.

	Three months ended		Nine months ended	
	December 31,		December 31,	
	2006	2007	2006	2007
	(in millions)		(in millions)	
Revenue	Rs.44,177	Rs.52,361	Rs.119,302	148,325
Net income	7,672	8,261	21,103	23,452
Basic net income per share	5.37	5.69	14.82	16.17
Diluted net income per share	5.29	5.68	14.63	16.12

Others

During the period ended December 31, 2007, the Company has paid Rs. 266 towards earn-out determined on achievement of specific financial metrics for Retailbox B.V and Saraware Oy.

The Company has also finalized the purchase price allocation for the acquisitions of RetailBox BV (Enabler), Saraware Oy, Quantech, cMango Inc., 3D Networks and Hydrauto Group during the period ended December 31, 2007. On finalization, the Company did not record any significant adjustment to the preliminary purchase price allocation.

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Cash and cash equivalents comprise cash, cash on deposit with banks and highly liquid investments.

5. Accounts Receivable

Accounts receivable are stated net of allowance for doubtful accounts. The Company maintains an allowance for doubtful accounts based on financial condition of its customers and aging of the accounts receivable. Accounts receivable are generally not collateralized. The activity in the allowance for doubtful accounts receivable is given below:

	Nine months ended December 31,		Year ended March 31, 2007
	2006 (Unaudited)	2007 (Unaudited)	
Balance at the beginning of the period	Rs. 1,116	Rs. 1,388	Rs. 1,258
Additional provision during the period, net of collections	213	510	280
Bad debts charged to provision	(126)	(817)	(150)
Balance at the end of the period	Rs. 1,203	Rs. 1,081	Rs. 1,388

6. Inventories

Inventories consist of the following:

	As of December 31,		As of March 31, 2007
	2006 (Unaudited)	2007 (Unaudited)	
Stores and spare parts	Rs. 342	Rs. 407	Rs. 298
Raw materials and components	1589	2,777	1,584
Work-in-process	532	773	491
Finished goods	1,521	2,671	1,777
	Rs. 3,985	Rs. 6,628	Rs. 4,150

7. Other Assets

Other assets consist of the following:

	As of December 31,		As of March 31, 2007
	2006 (Unaudited)	2007 (Unaudited)	
Prepaid expenses	Rs. 2,161	Rs. 3,850	Rs. 2,426
Prepaid rentals for leasehold land	77	632	597
Due from officers and employees	782	1,531	884
Advances to suppliers	562	1,211	712
Balances with statutory authorities	124	601	207
Deposits	1,570	1,784	1,591
Interest bearing deposits with corporates	600	600	650
Advance income taxes	1,224	5,463	4,844
Deferred contract costs	523	1,428	397

Derivative asset	381	2,027	379
Others	1,262	1,860	751
	9,267	20,987	13,438
Less: Current assets	(7,713)	(18,260)	(11,479)
	Rs. 1,554	Rs. 2,727	Rs. 1,959

8. Investments in liquid and short-term mutual funds

Investment securities consist of the following:

	As of December 31, 2006 (Unaudited)			As of December 31, 2007 (Unaudited)		
	Carrying Value	Gross Unrealized Holding Gains	Fair Value	Carrying Value	Gross Unrealized Holding Gains	Fair Value
Available-for-sale: Investments in liquid and short-term mutual funds	Rs. 36,935	Rs. 674	Rs. 37,608	Rs. 17,217	Rs. 521	Rs. 17,738

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	As of March 31, 2007		
	Carrying Value	Gross Unrealized Holding Gains	Fair Value
Available-for-sale:			
Investments in liquid and short-term mutual funds	Rs. 31,842	Rs. 568	Rs. 32,410

Dividends from available-for-sale securities during the year ended March 31, 2007 and nine months ended December 31, 2006 and 2007 were Rs. 1,689, Rs. 1,107 and Rs. 1,197 respectively and are included in other income.

9. Property, Plant and Equipment

Property, plant and equipment consist of the following:

	As of December 31,		As of March 31,
	2006	2007	2007
	(Unaudited)	(Unaudited)	
Land	Rs. 1,261	Rs. 2,111	Rs. 1,571
Buildings	5,832	8,748	6,096
Plant and machinery	6,627	10,206	6,644
Computer equipments	9,377	11,215	9,959
Furniture, fixtures and equipment	3,720	5,594	3,934
Vehicles	1,670	2,339	1,821
Computer software for internal use	2,360	3,133	2,831
Capital work-in-progress	9,090	12,471	10,189
	39,938	55,817	43,045
Accumulated depreciation and amortization	(15,585)	(19,945)	(16,504)
	Rs. 24,352	Rs. 35,872	Rs. 26,541

Depreciation expense for the year ended March 31, 2007 and nine months ended December 31, 2006 and 2007 was Rs. 3,931, Rs. 2,863 and Rs. 3,801 respectively. This includes Rs. 400, Rs. 244 and Rs. 484 as amortization of capitalized internal use software, during the year ended March 31, 2007 and nine months ended December 31, 2006 and 2007 respectively.

10. Goodwill and Intangible Assets

Information regarding the Company's intangible assets acquired either individually or in a business combination consists of the following:

	As of December 31,					
	2006		2007			
	(Unaudited)		(Unaudited)			
	Gross carrying amount	Accumulated amortization	Net	Gross carrying amount	Accumulated Amortization	Net
Technology-based intangibles	Rs. 130	Rs. 66	Rs. 64	Rs. 130	Rs. 98	Rs. 32

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Customer-related intangibles	2,027	831	1196	4,568	1,326	3,242
Marketing-related intangibles	1,481	118	1,362	9,172	166	9,006
Effect of translation adjustments	1	1		(246)		(246)
	Rs. 3,638	Rs. 1,017	Rs. 2,622	Rs. 13,625	Rs. 1,590	Rs. 12,034

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	As of March 31, 2007		
	Gross carrying amount	Accumulated Amortization	Net
Technology-based intangibles	Rs. 130	Rs. 71	Rs. 59
Customer-related intangibles	2,147	937	1,210
Marketing-related intangibles	1,481	79	1,402
Effect of translation adjustments	(8)		(8)
	Rs. 3,750	Rs. 1,087	Rs. 2,663

The movement in goodwill balance is given below:

	Nine months ended December 31,		Year ended
	2006 (Unaudited)	2007 (Unaudited)	March 31, 2007
Balance at the beginning of the period	Rs. 7,481	Rs. 12,706	Rs. 7,481
Goodwill relating to acquisitions	5,438	25,891	5,393
Adjustment relating to finalization of purchase price allocation	(104)	19	(104)
Tax benefit allocated to goodwill		(64)	(14)
Effect of translation adjustments	17	(754)	(50)
Balance at the end of the period	Rs. 12,799	Rs. 37,798	Rs. 12,706

Goodwill as of December 31, 2006, 2007 and March 31, 2007 has been allocated to the following reportable segments:

Segment	As of December 31,		As of March 31,
	2006 (Unaudited)	2007 (Unaudited)	2007
IT Services and Products	Rs. 6,572	Rs. 27,142	Rs. 6,503
BPO Services	3,982	3,982	3,982
India and AsiaPac IT Services and Products	1,038	1,017	1,045
Consumer Care and Lighting		4,486	
Others	1,206	1,171	1,176
Total	Rs. 12,799	Rs. 37,798	Rs. 12,706

11. Other Current Liabilities

Other current liabilities consist of the following:

As of December 31,	As of March 31,
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	2006 (Unaudited)	2007 (Unaudited)	2007
Statutory dues payable	Rs. 2,341	Rs. 3,565	Rs. 2,635
Taxes payable	1,078	2,346	4,573
Dividend payable			7,238
Warranty obligations	781	749	742
Derivative liability	82	613	110
Acquisition related payables	133	732	
Others	1,634	1,332	1,325
	Rs. 6,048	Rs. 9,337	Rs. 16,623

The activity in warranty obligations is given below:

	Nine months ended December 31,		Year ended March 31,
	2006	2007	2007
	(Unaudited)	(Unaudited)	
Balance at the beginning of the period	Rs. 665	Rs. 742	Rs. 665
Additional provision during the period	569	639	827
Reduction due to payments	(453)	(632)	(750)
Balance at the end of the period	Rs. 781	Rs. 749	Rs. 742

12. Operating Leases

The Company leases office and residential facilities under cancelable and non-cancelable operating lease agreements that are renewable on a periodic basis at the option of both the lessor and the lessee. Rental

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payments under such leases were Rs. 1,412, Rs. 1,018 and Rs. 1,342 during the year ended March 31, 2007 and for the nine months ended December 31, 2006 and 2007 respectively.

Details of contractual payments under non-cancelable leases are given below:

	(Unaudited)
Year ending December 31,	
2008	Rs. 1,390
2009	1,231
2010	950
2011	631
2012	531
Thereafter	2913
Total	Rs. 7,646

Prepaid rentals for leasehold land represent leases obtained for periods between 60 to 90 years. The prepaid expense is being charged over the lease term and is included under other assets.

13. Investments in Affiliates*Wipro GE Medical Systems (Wipro GE)*

The Company has accounted for its 49% interest in Wipro GE by the equity method. The carrying value of the investment in Wipro GE as of March 31, 2007, December 31, 2006 and 2007 were Rs. 1,120, Rs. 1,071 and Rs. 1,243 respectively. The Company's equity in the income of Wipro GE for nine months ended December 31, 2006 and 2007 was Rs. 254 and Rs. 157 respectively.

WeP Peripherals

The Company accounted for its 36.81% interest as of September 30, 2006 in WeP Peripherals (WeP) by the equity method. In December 2006, the Company sold a portion of its interest in WeP. Subsequent to this sale, the Company's ownership interest in WeP was reduced to 15% and the Company does not have the ability to exercise significant influence over the operating and financial policies of WeP. Accordingly, the Company has subsequently accounted for the balance investment of Rs. 80 under the cost method.

WM NetServ

The Company had accounted for its 80.1% ownership interest in WM NetServ by the equity method as the minority shareholder in the investee had substantive participative rights as specified in EITF Issue No. 96-16, Investor's Accounting for an Investee When the Investor Has a Majority of the Voting Interest but the Minority Shareholder or Shareholders Have Certain Approval or Veto Rights.

In October 2007, the Company purchased the minority interest of 19.9% in WM NetServ for a cash consideration of Rs. 13. Subsequent to the acquisition, the financial statements of WM NetServ are consolidated.

14. Financial Instruments

Derivative financial instruments. The Company is exposed to foreign currency fluctuations on foreign currency assets, liabilities and forecasted cash flows denominated in foreign currency. The Company follows established risk management policies, including the use of derivatives to hedge foreign currency assets, liabilities and foreign currency forecasted cash flows. The counter party is a bank and the Company considers the risks of non-performance by the counterparty as non-material. A majority of the forward foreign exchange/option contracts mature between one to twelve months and the forecasted transactions are expected to occur during the same period.

The following table presents the aggregate contracted principal amounts of the Company's derivative contracts outstanding:

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	As of December 31,		As of March
	2006	2007	31,
	(Unaudited)	(Unaudited)	2007
Forward contracts			
Sell	\$ 456	\$ 2,032	\$ 345
	7	25	16
	£ 76	£ 132	£ 88
Buy	\$ 15	\$ 515	\$ 185
	£ 3	£ 42	
		¥4,906	
Options (sell)		\$ 258	\$ 36
		£ -	13

In connection with cash flow hedges, the Company has recorded Rs. 72, Rs. 115 and Rs. 942 of net gains/(losses) as a component of accumulated and other comprehensive income within stockholders' equity as at March 31, 2007, December 31, 2006 and December 31, 2007.

The following table summarizes activity in the accumulated and other comprehensive income within stockholders' equity related to all derivatives classified as cash flow hedges during the year ended March 31, 2007, nine months ended December 31, 2006 and 2007.

	As of December 31,		As of
	2006	2007	March
	(Unaudited)	(Unaudited)	31,
			2007
Balance as at the beginning of the period	Rs. 202	Rs. 72	Rs. 202
Net gains reclassified into net income on occurrence of hedged transactions	(202)	(72)	(202)
Changes in fair value of effective portion of outstanding derivatives	115	942	72
Unrealized gain/(loss) on cash flow hedging derivatives, net	(87)	870	(130)
Balance as at the end of the period	Rs. 115	Rs. 942	Rs. 72

As of December 31, 2006 and 2007 there were no significant gains or losses on derivative transactions or portions thereof that have become ineffective as hedges, or associated with an underlying exposure that did not occur.

15. Borrowings from Banks

As of December 31, 2007, the Company has unsecured short-term borrowings from banks and unsecured long-term debt aggregating to Rs. 24,611. A significant portion of these borrowings comprises short-term borrowings in U.S. dollars with interest rates ranging between 30 to 80 basis points over London Interbank Offered Rate (LIBOR).

In addition, the Company has secured short-term borrowings from banks and secured long-term debt aggregating to Rs. 2,273. These borrowings are primarily related to the operations in Sweden, Finland and Malaysia. The average interest rates for these borrowings range between 5% to 6%. These borrowings are secured by moveable and immovable properties of the individual entities.

Additionally, the Company has unutilized line of credit for short-term borrowings aggregating to Rs. 16,649.

The Company has Rs. 1,075 representing the present value of future minimum lease payment due in respect of assets acquired on capital lease. Details of future minimum lease payments for the obligations under capital leases are given below:

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	(Unaudited)
Year ending December 31,	
2008	Rs. 429
2009	368
2010	269
2011	113
2012	56
Thereafter	64
Total minimum obligations	Rs. 1,299
Interest	(224)
Present value of net minimum lease obligations	1,075
Current portion	341
Long-term obligations	Rs. 734

16. Equity Shares and Dividends

During the quarter ended December 31, 2007, the Company paid interim dividends of Rs. 2 per share.

17. Retained Earnings

Retained earnings as of March 31, 2007, December 31 2006 and 2007, include Rs. 1,046, Rs. 1007, Rs.1194 respectively of undistributed earnings in equity of affiliates.

18. Other Income, Net

Other income consists of the following:

	Nine months ended December 31,	
	2006	2007
	(Unaudited)	(Unaudited)
Interest income	Rs. 309	Rs. 977
Interest expense	85	(599)
Dividend income	1107	1,197
Gain/(loss) on sale of liquid and short-term mutual funds	316	596
Profit on sale of fixed assets		18
Others	36	
	Rs. 1683	Rs. 2,189

19. Shipping and Handling Costs

Selling and marketing expenses for the nine months ended December 31, 2006 and 2007, include shipping and handling costs of Rs. 492 and Rs.787 respectively.

20. Income Taxes

Income taxes have been allocated as follows:

	Nine months ended December 31,	
	2006	2007

	(Unaudited)	(Unaudited)
	Rs. 3,127	Rs. 2,778
Net income		
Stockholders equity for:		
Income tax benefits relating to employee stock incentive plan	(65)	(68)
Unrealized gain/(loss) on investment securities, net	59	(16)
Unrealized gain/(loss) on cash flow hedging derivatives, net		199
Sale of long-lived asset to the controlling shareholder		52
Total income taxes	Rs. 3,121	Rs. 2,945

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Income taxes relating to continuing operations consist of the following:

	Nine months ended December 31,	
	2006	2007
	(Unaudited)	(Unaudited)
Current taxes		
Domestic	Rs. 1,515	Rs. 1,906
Foreign	1,652	904
	Rs. 3,167	Rs. 2,810
Deferred taxes		
Domestic	(16)	(78)
Foreign	(24)	46
	(40)	(32)
Total income tax expense	Rs. 3,127	Rs. 2,778

Effective April 1, 2007, the Company adopted Financial Accounting Standards Board Interpretation 48, Accounting for Uncertainty in Income Taxes – An Interpretation of Statement of Financial Accounting Standards No. 109 (FIN 48). The adoption of FIN 48 did not have any impact on the retained earnings or provision for taxation as of April 1, 2007. Upon adoption, the liability for income taxes associated with uncertain tax positions at April 1, 2007 was Rs. 3,298. Uncertain tax positions amounting Rs. 3,267, if recognized, would favorably affect the Company's effective tax rate. In addition, consistent with the provisions of FIN 48, as at April 1, 2007, the Company reclassified Rs. 1,643 of income tax liabilities from current to non-current liabilities because payment is not anticipated within one year of the balance sheet date. These non-current income tax liabilities are recorded in Other Liabilities in the consolidated financial statements.

FIN 48 also requires that changes in judgment that result in subsequent recognition, de-recognition or change in a measurement of a tax position taken in a prior annual period (including any related interest and penalties) be recognized as a discrete item in the period in which the change occurs. This change will not impact the manner in which the Company recorded income taxes on an annual basis and did not significantly impact its recorded income tax provision in the period ended December 31, 2007.

The unrecognized tax benefits increased by Rs.190 during the nine months ended December 31, 2007 due to non-recognition of certain credits in computation of minimum alternate tax eligible for deferral and set off against regular income taxes in the future. The unrecognized tax benefits decreased by Rs.489 during the nine months ended December 31, 2007 due to reversal of tax provision upon settlement of tax assessment by the tax authorities in a particular tax jurisdiction, expiry of statutory of limitation and revision of tax accruals relating to transfer pricing.

Although it is difficult to anticipate the final outcome or timing of resolution of any particular uncertain tax position, the Company believes that the total amount of unrecognized tax benefits will decrease by Rs. 260 million during the next 12 months due to expiry of statute of limitation.

It is the Company's policy to include any penalties and interest related to income taxes as a component of other income, net. As of April 1, 2007 the Company had provisions of Rs. 105 on account of accrued interest and penalties related to uncertain tax positions.

A listing of open tax years is given below. Additionally, certain uncertain tax positions relate to earlier years, which are currently under dispute with the tax authorities.

Jurisdiction	Open tax years
India	2003-04 to 2006-07
United States federal taxes	2003-04 to 2006-07
United States state taxes	2001-02 to 2006-07
United Kingdom	2001-02 to 2006-07
Japan	2001-02 to 2006-07
Canada	1999-00 to 2006-07

21. Employee Stock Incentive Plans

Wipro Equity Reward Trust (WERT). In 1984, the Company established a controlled trust called the WERT. Under this plan, the WERT would purchase shares of Wipro out of funds borrowed from Wipro. The Company's Compensation Committee would recommend to the WERT, officers and key employees, to whom the WERT will grant shares from its holding. The shares have been granted at a nominal price. Such shares would be held by the employees subject to vesting conditions. The shares held by the WERT are reported as a reduction from stockholders equity.

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The movement in the shares held by the WERT is given below:

	Nine months ended December 31,		Year ended March 31,
	2006 (Unaudited)	2007 (Unaudited)	2007
Shares held at the beginning of the period	7,869,060	7,961,760	7,869,060
Shares granted to employees			
Grants forfeited by employees			92,700
Shares held at the end of the period	7,869,060	7,961,760	7,961,760

Stock compensation is amortized on a straight-line basis over the vesting period of the shares. The amortization of stock compensation, net of reversals, for the nine months ended December 31, 2006 and 2007 was Rs. Nil and Rs. Nil respectively.

Wipro Employee Stock Option Plan 1999 (1999 Plan). In July 1999, the Company established the 1999 Plan. Under the 1999 Plan, the Company is authorized to issue up to 30 million equity shares to eligible employees. Employees covered by the 1999 Plan are granted an option to purchase shares of the Company subject to the requirements of vesting.

Stock option activity under the 1999 Plan is as follows:

	Nine months ended December 31, 2006 (Unaudited)			Weighted- average remaining contractual life(months)
	Shares arising out of options	Range of exercise prices	Weighted- average exercise price	
Outstanding at the beginning of the period	4,658,383	309 - 421	312	3 months
Forfeited during the period	(10,500)	309-421	309	
Exercised during the period	(3,902,518)	309-421	312	
Lapsed during the period	(743,365)	309-421	312	
Outstanding at the end of the period		309-421		
Exercisable at the end of the period		Rs. 309-421		

There is no activity under the 1999 plan for the nine months ended December 31, 2007. There are Nil options outstanding/ exercisable as of March 31, 2007 and December 31, 2007.

The total intrinsic value of options exercised during the period ended December 31, 2006 and 2007, was Rs. 811 and Nil, respectively. As of December 31, 2007 options outstanding and exercisable under the 1999 Plan had an intrinsic value of Rs Nil and Rs Nil, respectively. As of December 31, 2007, the unamortized stock compensation expense under the 1999 Plan is Rs Nil.

Wipro Employee Stock Option Plan 2000 (2000 Plan). In July 2000, the Company established the 2000 Plan. Under the 2000 Plan, the Company is authorized to issue up to 150 million equity shares to eligible employees.

Employees covered by the 2000 Plan are granted options to purchase equity shares of the Company subject to vesting.

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Stock option activity under the 2000 Plan is as follows:

Nine months ended December 31, 2006 (Unaudited)

	Shares arising out of options	Range of exercise prices	Weighted- average exercise price	Weighted- average remaining contractual life (months)
Outstanding at the beginning of the period	292,576	Rs. 172 - 255	233	37 months
	20,146,257	265 - 396	266	35 months
	9,899,967	397 - 458	399	19 months
Forfeited during the period	(55,920)	172 - 255	220	
	(865,461)	265 - 396	264	
		397 - 458		
Exercised during the period	(53,300)	172 - 255	224	
	(4,063,451)	265 - 396	267	
	(3,699,089)	397 - 458	399	
Outstanding at the end of the period	183,356	172 - 255	241	28 months
	15,217,345	265 - 396	266	26 months
	6,200,878	397 - 458	398	10 months
Exercisable at the end of the period	162,740	172 - 255	241	27 months
	12,370,680	265 - 396	266	26 months
	6,200,878	Rs. 397 - 458	398	10 months

Nine months ended December 31, 2007 (Unaudited)

	Shares arising out of options	Range of exercise prices	Weighted- average exercise price	Weighted- average remaining contractual life (months)
Outstanding at the beginning of the period	24,850	Rs. 172 - 255	236	22 months
	1,443,571	265 - 396	267	23 months
	1,486,898	397 - 458	399	7 months
Forfeited during the period		172 - 255		
		265 - 396		
		397 - 458		
Exercised during the period	(3,450)	172 - 255	229	
	(29,485)	265 - 396	266	

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	(981,854)	397 - 458	399	
Lapsed during the period		172 - 255		
		265 - 396		
	(505,044)	397 - 458	399	
Outstanding at the end of the period	21,400	172 - 255	237	13 months
	1,414,086	265 - 396	267	14 months
		397 - 458		
Exercisable at the end of the period	21,400	172 - 255	237	13 months
	1,414,086	265 - 396	267	14 months
		Rs. 397 - 458		

The total intrinsic value of options exercised during the nine months ended December 31, 2006 and 2007, was Rs.1,491 and Rs.109 respectively. As of December 31, 2007 options outstanding and exercisable under the 2000 Plan had an intrinsic value of Rs. 244. As of December 31, 2007, the unamortized stock compensation expense under the 2000 Plan is Rs. Nil.

Stock Option Plan (2000 ADS Plan). In April 2000, the Company established the 2000 ADS Plan. Under the 2000 ADS Plan, the Company is authorized to issue options to purchase up to 9 million American Depositary Shares (ADSs) to eligible employees. Employees covered by the 2000 ADS Plan are granted an option to purchase ADSs representing equity shares of the Company subject to the requirements of vesting.

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Stock option activity under the 2000 ADS Plan is as follows:

Nine months ended December 31, 2006 (Unaudited)

	Shares arising out of options	Range of exercise prices	Weighted- average exercise price	Weighted- average remaining contractual life (months)
Outstanding at the beginning of the period	238,900	\$ 3.46-5.01	4.49	33 months
	1,208,842	5.82 - 6.90	6.39	24 months
Exercised during the period	(45,850)	3.46 - 5.01	4.34	
	(637,803)	5.82 - 6.90	6.60	
Outstanding at the end of the period	193,050	3.46 - 5.01	4.58	21 months
	571,039	5.82 - 6.90	6.13	14 months
Exercisable at the end of the period	193,050	3.46 - 5.01	4.58	21 months
	571,039	\$ 5.82-6.90	\$ 6.13	14 months

Nine months ended December 31, 2007 (Unaudited)

	Shares arising out of options	Range of exercise prices	Weighted- average exercise price	Weighted- average remaining contractual life (months)
Outstanding at the beginning of the period	116,650	Rs. 3.46-5.01	4.38	19 months
	439,439	5.82 - 6.90	6.15	11 months
Exercised during the period	(104,200)	3.46 - 5.01	6.07	
		5.82 - 6.90		
Lapsed during the period	(47,185)	5.82 - 6.90	6.90	
Outstanding at the end of the period	116,650	3.46 - 5.01	4.38	9 months
	288,054	5.82 - 6.90	6.18	2 months
Exercisable at the end of the period	116,650	3.46 - 5.01	4.38	9 months
	288,054	Rs. 5.82-6.90	\$ 6.18	2 months

The total intrinsic value of options exercised during the nine months ended December 31, 2006 and 2007, was Rs. 220 and Rs. 37 respectively. As of December 31, 2007 options outstanding and exercisable under the 2000 Plan had an intrinsic value of Rs. 151. As of December 31, 2007, the unamortized stock compensation expense under the 2000 Plan is Rs. Nil.

Restricted Stock Unit Plans: In June 2004, the Company established a rupee option plan titled Wipro Restricted Stock Unit Plan (WRSUP 2004) and a dollar option plan titled Wipro ADS Restricted Stock Unit Plan (WARSUP 2004). The Company is authorized to issue up to 12 million options to eligible employees under each plan. Options under the plan will be granted at a nominal exercise price (par value of the equity shares).

These options 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. The options are subject to forfeiture if the employee terminates employment before vesting. The fair value of the options on the date of grant is recognized as compensation cost. The Company has elected to amortize the compensation cost on a straight-line basis over the vesting period.

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Stock option activity under WRSUP 2004 plan is as follows:

	Nine months ended December 31, 2006			Weighted-
	(Unaudited)			average
	Shares	Exercise		remaining
	arising out	price		contractual
	of options	Rs		life
				(months)
Outstanding at the beginning of the period	7,598,174	Rs	2	54 months
Granted during the period	2,492,560		2	72 months
Forfeited during the period	(463,816)		2	
Exercised during the period	(1,503,874)		2	
Outstanding at the end of the period	8,123,044		2	51 months
Exercisable at the end of the period	690,790	Rs.	2	51 months

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Nine months ended December 31, 2007 (Unaudited)			
	Shares arising out of options	Exercise price	Weighted- average remaining contractual life (months)
Outstanding at the beginning of the period	7,499,980	Rs. 2	49 months
Granted during the period	79,300	2	69 months
Forfeited during the period	(348,950)	2	
Exercised during the period	(270,494)	2	
Outstanding at the end of the period	6,959,836	2	40 months
Exercisable at the end of the period	1,479,928	Rs. 2	32 months

Stock option activity under WARSUP 2004 plan is as follows:

Nine months ended December 31, 2006 (Unaudited)			
	Shares arising out of options	Exercise price	Weighted- average remaining contractual life (months)
Outstanding at the beginning of the period	1,000,720	\$ 0.04	54 months
Granted during the period	918,130	0.04	72 months
Exercised during the period	(142,170)	0.04	

Forfeited during the period	(123,400)	0.04	
Outstanding at the end of the period	1,653,280	0.04	56 months
Exercisable at the end of the period	174,630	\$ 0.04	56 months

**Nine months ended December 31, 2007
(Unaudited)**

	Shares arising out of options	Exercise price	Weighted- average remaining contractual life (months)
Outstanding at the beginning of the period	1,551,330	\$ 0.04	54 months
Granted during the period	665,386	0.04	69 months
Exercised during the period	(139,880)	0.04	
Forfeited during the period	(138,420)	0.04	
Outstanding at the end of the period	1,938,416	0.04	54 months
Exercisable at the end of the period	157,260	\$ 0.04	32 months

Restricted Stock Unit Plan 2005. In July 2005, the Company established a new option plan titled Wipro Employee Restricted Stock Unit Plan 2005. The Company is authorized to issue up to 12 million options to eligible employees under the plan. Options under the plan will be granted at a nominal exercise price (par value of the equity shares).

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Stock option activity under WRSUP 2005 plan is as follows:

	Nine months ended December 31, 2006 (Unaudited)		
	Shares arising out of options	Exercise price	Weighted- average remaining contractual life (months)
Outstanding at the beginning of the period			
Granted during the period	3,576,466	2	72 months
Forfeited during the period	(152,097)	2	
Outstanding at the end of the period	3,424,369	2	66 months
Exercisable at the end of the period			

	Nine months ended December 31, 2007 (Unaudited)		
	Shares arising out of options	Exercise price	Weighted- average remaining contractual life (months)
Outstanding at the beginning of the period	3,446,884	2	63 months
Granted during the period	2,000	2	62 months
Forfeited during the period	(209,165)	2	
Outstanding at the end of the period	3,239,719	2	54 months
Exercisable at the end of the period		2	

Wipro Restricted Stock Unit Plan 2007 (WRSUP 2007) In July 2007, the Company established a new option plan titled Wipro Employee Restricted Stock Unit Plan 2007. The Company is authorized to issue up to 10 million options to eligible employees under the plan. Options under the plan will be granted at a nominal exercise price (par value of the equity shares). There is no activity under the above plan for the nine months ended December 31, 2007.

The total intrinsic value of options exercised under restricted stock unit plans during the nine months ended December 31, 2006, and 2007, was Rs. 862 and Rs. 175 respectively. As of December 31, 2007 options outstanding and exercisable under the restricted stock unit plans had an intrinsic value of Rs. 4,448 and Rs. 607 respectively. As of December 31, 2007, the unamortized stock compensation expense under the plans is Rs.3,612 and the same is expected to be amortized over a weighted average period of approximately 3.07 years.

During the year ended March 31, 2007 and the nine months ended December 31, 2006 and 2007, the Company has recognized Rs. 1,336, Rs. 898 and Rs. 926 of stock compensation cost. The compensation cost has been allocated to cost of revenues and operating expenses as follows:

	Year ended		Nine months ended December	
	March 31		31	
	2007		2006	2007
			(Unaudited)	(Unaudited)
Cost of revenues	Rs. 1,045		Rs. 704	Rs. 724
Selling and marketing expenses	169		107	117
General and administrative expenses	122		87	85
	Rs. 1,336		Rs. 898	Rs. 926

During the period ended December 31, 2007, the Indian Income Tax Act was amended to levy a tax titled Fringe Benefit Tax (FBT) on employee stock options. FBT is assessed on all stock options that are

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exercised on or after April 1, 2007, and is based on the intrinsic value of the stock options on the vesting date. However, the FBT liability is triggered only if the options are exercised. Consistent with the guidance in EITF Issue No. 00-16, Recognition and Measurement of Employer Payroll Taxes on Employee Stock Based Compensation, the Company records the FBT expense when the stock option is exercised since the FBT liability is triggered only subsequent to exercise. The tax laws permit the employer to recover the FBT from the employee as the tax relates to benefits accruing to the employee. The Company has modified its employee stock option plans to recover the FBT from the employees. The recovery of FBT from the employees is directly linked to the exercise of the stock option and is recorded as an additional component of the exercise price of the options based on the guidance previously provided by Issue 15 of EITF Issue No. 00-23, Issues Related to the Accounting for Stock Compensation under APB Opinion No. 25 and FASB Interpretation No. 44. The FBT expense and recovery recorded in the period ended December 31, 2007, was not material.

Modification of Employee Stock Incentive Plans

During the year ended March 31, 2007, through a short-term inducement offer, the Company agreed to an arrangement whereby if certain vested options were exercised within the offer period through financing by an independent third-party financial institution, the Company would bear the interest obligation relating to this financing. The loan by the third-party financial institution is with no recourse to the Company. 11,879,065 options were exercised during the offer period. The Company has accounted for this arrangement as a short-term inducement resulting in modification accounting. Accordingly, incremental compensation cost of Rs. 86 had been recorded during the year ended March 31, 2007. During the nine month ended December 31, 2007, the Company has revised its estimate of the fair value of its interest obligation relating to the non-recourse financing, and has accordingly recorded an additional compensation expense of Rs. 100.

Additionally as a part of this arrangement 1,150,055 other vested options were exercised by certain employees through a non-recourse interest free loan aggregating Rs. 326.17 by a controlled trust, during the year ended March 31, 2007. Even though this transaction does not represent an exercise for accounting purpose, to reflect the legal nature of shares issued, an amount of Rs. 2.30, equivalent to the par value of shares issued has been transferred from additional paid-in capital to common stock.

22. Earnings Per Share

A reconciliation of equity shares used in the computation of basic and diluted earnings per equity share is set out below:

	Nine months ended December 31,	
	2006	2007
	(Unaudited)	(Unaudited)
Earnings		
Net income	Rs. 20,555	Rs. 23,487
Equity shares		
Weighted average number of equity shares outstanding	1,424,271,318	1,450,201,056
Effect of dilutive equivalent shares-stock options	18,629,919	4,753,171
Weighted average number of equity shares and equivalent shares outstanding	1,442,901,237	1,454,954,227

Shares held by the controlled WERT have been reduced from the equity shares outstanding and shares held by employees subject to vesting conditions have been included in outstanding equity shares for computing basic and diluted earnings per share. Similarly, options exercised through a non-recourse loan by the WERT, have been reduced from the equity shares outstanding.

23. Employee Benefit Plans

Gratuity. In accordance with applicable Indian laws, the Company provides for gratuity, a defined benefit retirement plan (Gratuity Plan) covering certain categories of employees. The Gratuity Plan provides a lump sum

payment to vested employees, at retirement or termination of employment, an amount based on the respective employee's last drawn salary and the years of employment with the Company. The Company provides the gratuity benefit through annual contributions to a fund managed by the Life Insurance

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Corporation of India (LIC). Under this plan, the settlement obligation remains with the Company, although the Life Insurance Corporation of India administers the plan and determines the contribution premium required to be paid by the Company.

Net gratuity cost for the nine months ended December 31, 2006 and 2007 included:

	Nine months ended December 31,	
	2006 (Unaudited)	2007 (Unaudited)
Service cost	Rs. 304	Rs. 217
Interest cost	45	62
Expected return on assets	(38)	(39)
Adjustment ⁽¹⁾	(78)	21
Net gratuity cost	Rs. 233	Rs. 261

(1) Till March 31, 2006 for certain category of employees, the Company inadvertently recorded and disclosed a defined benefit plan as a defined contribution plan. During the period ended December 31, 2006, the Company has recorded an adjustment of Rs 78 as a credit to the income statement to record this plan as a defined benefit plan. The impact of this adjustment is not material to the income statement, accrued liability/(prepaid

asset) and the
overall financial
statement
presentation.

Superannuation. Apart from being covered under the Gratuity Plan described above, the senior officers of the Company also participate in a defined contribution plan maintained by the Company. This plan is administered by the LIC and ICICI. The Company makes annual contributions based on a specified percentage of each covered employee's salary. The Company has no further obligations under the plan beyond its annual contributions.

Provident fund. In addition to the above benefits, all employees receive benefits from a provident fund, a defined contribution plan. The employee and employer each make monthly contributions to the plan equal to 12% of the covered employee's salary. A portion of the contribution is made to the provident fund trust established by the Company, while the remainder of the contribution is made to the Government's provident fund.

The Company contributed Rs. 1,407, Rs. 1,014 and Rs. 1,722 to various defined contribution and benefit plans during the year ended March 31, 2007 and nine months ended December 31, 2006 and 2007 respectively.

24. Commitments and Contingencies

Capital commitments. As of March 31, 2007, December 31, 2006 and 2007, the Company had committed to spend approximately Rs. 3,432, Rs. 2,130 and Rs. 5,212 respectively under agreements to purchase property and equipment. These amounts are net of capital advances paid in respect of these purchases.

Other commitments. The Company's Indian operations have been established as a Software Technology Park Unit under a plan formulated by the Government of India. As per the plan, the Company's India operations have export obligations to the extent of 1.5 times the employee costs for the year on an annual basis and 5 times the amount of foreign exchange released for capital goods imported, over a five year period. The consequence of not meeting this commitment in the future would be a retroactive levy of import duty on certain computer hardware previously imported duty free. As of December 31, 2007, the Company has met commitments required under the plan.

As of March 31, 2007, December 31, 2006 and 2007, the Company had contractual obligations to spend approximately Rs. 3,160, Rs. 2,778 and Rs. 2,021 respectively; under purchase obligations, which include commitments to purchase goods or services of either fixed or minimum quantity that meet certain criteria.

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Guarantees. As of March 31, 2007, December 31, 2006 and 2007 performance and financial guarantees provided by banks on behalf of the Company to the Indian Government, customers and certain other agencies amount to approximately Rs. 3,013, Rs. 4,327 and Rs. 4,656 respectively, as part of the bank line of credit.

Contingencies and lawsuits.

The Company had received tax demands from the Indian income tax authorities for the financial years ended March 31, 2001, 2002, 2003 and 2004 aggregating to Rs. 11,127 (including interest of Rs. 1,503). The tax demand was primarily on account of denial of deduction claimed by the Company under Section 10A of the Income Tax Act 1961, in respect of profits earned by its undertakings in Software Technology Park at Bangalore. The Company had appealed against these demands. The first appellate authority vacated the tax demands, which vacates a substantial portion of the demand for the aforementioned financial years. The income tax authorities have filed an appeal against the above orders.

Considering the facts and nature of disallowance and the order of the appellate authority upholding the claims of the Company, the Company believes that the final outcome of the above disputes should be in favour of the Company and there should not be any material impact on the financial statements. The range of loss relating to these contingencies is between zero and the amount of the demand raised.

Certain other income-tax related legal proceedings are pending against the Company. Potential liabilities, if any, have been adequately provided for, and the Company does not currently estimate any incremental liability in respect of these proceedings.

Additionally, the Company is also involved in lawsuits, claims, investigations and proceedings, including patent and commercial matters, which arise in the ordinary course of business. There are no such matters pending that the Company expects to be material in relation to its business.

25. Segment Information

The Company is currently organized by segments, including Global IT Services and Products (comprising of IT Services and BPO Services segments), India and AsiaPac IT Services and Products, Consumer Care and Lighting and Others .

The Chairman of the Company has been identified as the Chief Operating Decision Maker (CODM) as defined by SFAS No. 131, Disclosure about Segments of an Enterprise and Related Information. The Chairman of the Company evaluates the segments based on their revenue growth, operating income and return on capital employed. The management believes that return on capital employed is considered appropriate for evaluating the performance of its operating segments. Return on capital employed is calculated as operating income divided by the average of the capital employed at the beginning and at the end of the period.

Operating segments with similar economic characteristics and complying with other aggregation criteria specified in SFAS No. 131 have been combined to form the Company's reportable segments. Consequently, IT Services and BPO services qualify as reportable segments under Global IT Services and Products.

Until March 31, 2007, the operations of certain acquired entities were reviewed by the CODM separately and were accordingly reported separately as Acquisitions . During the period ended December 31, 2007, the Company integrated these acquired entities under the IT Services segment and accordingly the CODM no longer reviews separate information relating to these acquired entities.

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Richard Rimer

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Director

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August 9, 2007

Richard J. Giacco

*

Director

August 9, 2007

Kevin P. Wren

*

Director

August 9, 2007

Samuel Zentman

Director

August 9, 2007

*By: /s/ John A. Moore
Attorney-in-Fact

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