WIPRO LTD
Form 6-K
August 14, 2006

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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 June 30, 2006
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 þ Form 40-F o

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 o No þ

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 t 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 inc 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 June 30, 2006, for cable transfers in Indian rupees as certified for customs purposes by the Federal Reserve Bank of New York which was Rs. 45.87 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.

Cautionary Note Regarding Forward-Looking Statements

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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PART I FINANCIAL INFORMATION

Item 1. Financial Statements.

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

	As of June 30, 2005 (Unaudited)	As of June 30, 2006 (Unaudited)	2006 Convenience translation into US$ (Unaudited)	As of March 31, 2006
ASSETS				
Current assets:				
Cash and cash equivalents (Note 4)	Rs. 4,661.97	Rs. 4,347.37	$ 94.78	Rs. 8,857.70
Investments in liquid and short-term mutual funds (Note 8)	27,195.94	35,978.88	784.37	30,328.42
Accounts receivable, net of allowances (Note 5)	15,088.49	21,739.35	473.93	20,593.11
Costs and earnings in excess of billings on contracts in progress	2,941.73	5,350.59	116.65	4,336.06
Inventories (Note 6)	1,582.44	2,307.37	50.30	2,064.61
Deferred income taxes	202.59	173.89	3.79	168.28
Other current assets (Note 7)	2,952.70	5,656.23	123.31	5,463.04
Total current assets	54,625.86	75,553.68	1,647.13	71,811.22
Property, plant and equipment, net (Note 9)	14,246.14	19,365.11	422.17	17,777.40
Investments in affiliates (Note 13)	825.49	1,108.45	24.16	1,043.09
Deferred income taxes	223.64	182.91	3.99	182.91
Purchase price pending allocation (Note 3)		1,149.04	25.05	
Intangible assets, net (Note 3, 10)	363.41	2,248.05	49.01	854.33
Goodwill (Note 3,10)	5,914.54	10,294.40	224.43	7,480.85
Other assets (Note 7)	857.76	1,342.67	29.27	1,243.98
Total assets	Rs. 77,056.84	Rs. 111,244.31	$ 2,425.21	Rs. 100,393.78
LIABILITIES AND STOCKHOLDERS EQUITY				
Current liabilities:				
Borrowings from banks (Note 15)	Rs. 544.57	Rs. 725.78	$ 15.82	Rs. 704.55
Accounts payable	2,944.33	3,945.23	86.01	4,145.96
Accrued expenses	4,366.98	7,305.98	159.28	6,600.63
Accrued employee costs	3,225.34	4,548.26	99.16	4,425.12
Advances from customers	1,430.81	1,648.50	35.94	1,616.26

Other current liabilities (Note 11)	2,262.54	5,657.25	123.33	3,614.42
Total current liabilities	14,774.57	23,831.00	519.53	21,106.94
Deferred income taxes		272.84	5.95	127.46
Other liabilities	253.49	480.44	10.47	395.04
Total liabilities	15,028.06	24,584.28	535.96	21,629.44
Stockholders equity:				
Equity shares at Rs. 2 par value: 1,650,000,000 shares authorized; Issued and outstanding: 1,425,754,267, 1,409,742,406 and 1,431,992,871 and shares as of March 31, 2006, June 30, 2005 and 2006 (Note 16, 17)	1,409.74	2,863.99	62.44	2,851.51
Additional paid-in capital (Note 2, 22)	13,821.02	16,374.46	356.97	16,521.07
Deferred stock compensation (Note 2, 22)	(2,925.48)			(2,202.42)
Accumulated other comprehensive income	317.62	119.09	2.60	433.70
Retained earnings (Note 18)	49,405.96	67,302.57	1,467.25	61,160.56
Equity shares held by a controlled Trust: 7,869,060, 7,869,060 and 7,869,060 shares as of March 31, 2006, June 30, 2005 and 2006 (Note 22)	(0.08)	(0.08)	(0.00)	(0.08)
Total stockholders equity	62,028.78	86,660.03	1,889.25	78,764.34
Total liabilities and stockholders equity	Rs. 77,056.84	Rs. 111,244.31	$ 2,425.21	Rs. 100,393.78

See accompanying notes to the consolidated financial statements.

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

	Three months ended June 30,		
	2005	2006	2006 Convenience translation into US$
	(unaudited)	(unaudited)	(unaudited)
Revenues:			
Global IT Services and Products			
IT Services	Rs. 15,601.83	Rs. 22,413.51	$ 488.63
BPO Services	1,828.04	2,099.20	45.76
India and AsiaPac IT Services and Products			
Services	1,422.61	1,608.27	35.06
Products	1,989.74	2,747.91	59.91
Consumer Care and Lighting	1,322.27	1,649.99	35.97
Others	700.69	793.42	17.30
Total	22,865.18	31,312.30	682.63
Cost of revenues:			
Global IT Services and Products			
IT Services	9,842.84	14,617.39	318.67
BPO Services	1,472.27	1,493.24	32.55
India and AsiaPac IT Services and Products			
Services	850.41	891.19	19.43
Products	1,766.20	2,488.10	54.24
Consumer Care and Lighting	825.83	1,056.39	23.03
Others	524.92	635.46	13.85
Total	15,282.47	21,181.77	461.78
Gross profit	7,582.71	10,130.53	220.85
Operating expenses:			
Selling and marketing expenses	(1,640.05)	(2,036.47)	(44.40)
General and administrative expenses	(1,170.96)	(1,478.05)	(32.22)
Research and development expenses	(42.55)	(57.33)	(1.25)
Amortization of intangible assets	(14.54)	(53.50)	(1.17)
Foreign exchange gains/(losses), net	(148.23)	(18.76)	(0.41)
Others, net	18.76	22.84	0.50
Operating income	4,585.14	6,509.26	141.91
Other income, net (Note 19)	213.63	507.51	11.06
Equity in earnings/(losses) of affiliates (Note 13)	56.25	65.36	1.42
Income before income taxes, minority interest and cumulative effect of change in accounting	4,855.02	7,082.13	154.40

principle						
Income taxes		(586.03)		(979.22)		(21.35)
Minority interest		(1.40)				
Income before cumulative effect of change in accounting principle (Note 2)		4,267.59		6,102.91		133.05
Cumulative effect of change in accounting principle (Note 2)				39.09		0.85
Net income	Rs.	4,267.59	Rs.	6,142.00	$	133.90
Earnings per equity share: (Note 23)						
Basic						
Income before cumulative effect of change in accounting principle		3.05		4.30		0.09
Cumulative effect of change in accounting principle				0.03		0.00
Net income		3.05		4.33		0.09
Diluted						
Income before cumulative effect of change in accounting principle		3.03		4.25		0.09
Cumulative effect of change in accounting principle				0.03		0.00
Net income		3.03		4.28		0.09
Weighted-average number of equity shares used in computing earnings per equity share:						
Basic		1,399,545,726		1,419,404,399		
Diluted		1,410,865,380		1,436,644,785		

See accompanying notes to the consolidated financial statements.

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

	Equity Shares		Additional Paid in	Deferred Stock	Comprehensive	Accumulated Other Comprehensive	Retained	Equity Shares held by a Controlled Trust		St
	No. of Shares	Amount	Capital	Compensation	Income	Income/(loss)	Earnings	No. of Shares	Amount	
f 005	1,407,141,044	Rs. 1,407.14	Rs. 13,272.57	Rs. (3,185.14)		Rs. 96.09	Rs. 45,138.37	(7,893,060)	Rs. (0.08)	Rs
s of s	2,601,362	2.60	633.35							
of n								24,000		
ock n n			(84.90)	74.96						
n ock n				184.70						
ive					Rs. 4,267.59		4,267.59			
ve ss)					(4.59)					
					63.33					

gain nt et										
gain										
net					162.79					
ve ss)					221.53	221.53				
ive					Rs. 4,489.12					
f 5	1,409,742,406	Rs. 1,409.74	Rs. 13,821.02	Rs. (2,925.48)		Rs. 317.62	Rs. 49,405.96	(7,869,060)	Rs. (0.08)	Rs

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	Equity shares		Additional paid in	Deferred stock	Comprehensive	Accumulated other Comprehensive income /	Retained	Equity shares held by a Controlled Trust	
	No. of shares	Amount	Capital	Compensation	Income	(loss)	Earnings	No. of shares	Amou
n 31,	1,425,754,267	Rs. 2,851.51	Rs. 16,521.07	Rs. (2,202.42)		Rs. 433.70	Rs. 61,160.56	(7,869,060)	Rs. (0
rred stock ce on ed)(Note			(2,202.42)	2,202.42					
f change ple)			(39.09)						
hares on	6,238,604	12.48	1,895.85						
elating to entive ote 2)			199.05						
ome ted)					Rs. 6,142.00		6,142.00		
ve income ents					60.32				
s, net d)					39.92				
cash flow , net					(414.85)				
hensive udited)					(314.61)	(314.61)			
ome					Rs. 5,827.39				
30, 2006	1,431,992,871	Rs. 2,863.99	Rs. 16,374.46			Rs. 119.09	Rs. 67,302.57	(7,869,060)	Rs. (0

30, 2006										
	$	62.44	$	356.98	$	2.60	$	1,467.25	$	0

See accompanying notes to the consolidated financial statements.

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

	Three Months ended June 30, 2005 (unaudited)	2006 (unaudited)	2006 Convenience translation into US$ (unaudited)
Cash flows from operating activities:			
Net income	Rs. 4,267.59	Rs. 6,142.00	$ 133.90
Adjustments to reconcile net income to net cash provided by operating activities:			
(Gain) on sale of property, plant and equipment	(3.43)	(0.65)	(0.01)
Cumulative effect of change in accounting principle		(39.09)	(0.85)
Depreciation and amortization	736.49	963.24	21.00
Deferred tax charge/(benefit)	(19.66)	(6.16)	(0.13)
Unrealised exchange (gain) / loss		398.24	8.68
(Gain)/loss on sale of investment securities		(122.08)	(2.66)
Amortization of stock compensation	174.76	199.05	4.34
Equity in losses/(earnings) of affiliates,	(56.25)	(65.36)	(1.42)
Minority interest	1.40		
Changes in operating assets and liabilities:			
Accounts receivable	(282.13)	(373.69)	(8.15)
Costs and earnings in excess of billings on contracts in progress	(202.08)	(942.26)	(20.54)
Inventories	186.72	(182.64)	(3.98)
Other assets	(108.68)	(348.28)	(7.59)
Accounts payable	(768.89)	(374.55)	(8.17)
Accrued expenses and employee costs	597.38	715.49	15.60
Advances from customers	151.17	32.24	0.70
Other liabilities	254.40	318.81	6.95
Net cash provided by operating activities	4,928.79	6,314.31	137.67
Cash flows from investing activities:			
Expenditure on property, plant and equipment	(1,792.00)	(2,256.28)	(49.19)
Proceeds from sale of property, plant and equipment	25.08	28.90	0.63
Purchase of investments in liquid and short-term mutual funds	(12,281.74)	(27,841.57)	(606.97)
Proceeds from sale of investments in liquid and short-term mutual funds	8,346.38	22,374.58	487.78
Advance towards business acquisition		(54.00)	(1.18)
Payment for acquisitions, net of cash acquired	(852.00)	(4,689.18)	(102.23)

Net cash used in investing activities		(6,554.28)		(12,437.55)		(271.15)
Cash flows from financing activities:						
Proceeds from issuance of equity shares		635.95		1,866.22		40.69
Proceeds from/(repayments of) short-term borrowing from banks and state financial institutions, net		(19.40)		(22.50)		(0.50)
Repayment of long-term debt				(236.25)		(5.15)
Net cash provided by/(used in) financing activities		616.55		1,607.47		35.05
Net increase/(decrease) in cash and cash equivalents during the period		(1,008.94)		(4,515.77)		(98.45)
Effect of exchange rate changes on cash		0.15		5.44		0.12
Cash and cash equivalents at the beginning of the period		5,670.76		8,857.70		193.10
Cash and cash equivalents at the end of the period	Rs.	4,661.97	Rs.	4,347.37	$	94.78
Supplementary information:						
Cash paid for interest	Rs.	6.52	Rs.	2.44	$	0.79
Cash paid for taxes		596.15		603.94		13.17

See accompanying notes to the consolidated financial statements.

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

1. Overview

Wipro Limited (Wipro), together with its subsidiaries Wipro Inc., Wipro Holdings (Mauritius) Limited, Wipro Chandrika Limited, Wipro Travel Services Limited, Wipro Trademarks Holdings Limited, Wipro Japan KK, Wipro Infrastructure Engineering Limited (formerly known as Wipro Fluid Power Limited), Spectramind Inc., Wipro Cyprus Private Limited, Wipro Healthcare IT Limited, Wipro Consumer Care Limited, Wipro Shanghai Limited and affiliates WeP Peripherals Limited and Wipro GE Medical Systems Limited (collectively, referred to as 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

General. 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 accounting principles generally accepted in the United States.

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, 2006.

Functional currency and exchange rate translation. The functional currency of Wipro and its foreign subsidiaries is predominantly the Indian rupee. For certain foreign subsidiaries, the functional currency is their local currency. The translation of the functional currency of these foreign subsidiaries into Indian rupee is performed for balance sheet accounts using the exchange rate in effect at the balance sheet date and for revenue and expense accounts using an appropriate 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 three months ended June 30, 2006, have been translated into US dollars at the noon buying rate in New York City on June 30, 2006, for cable transfers in Indian rupees, as certified for customs purposes by the Federal Reserve Bank of New York of $ 1 = Rs. 45.87. 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.

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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.

Cash equivalents. The Company considers investments in highly liquid investments 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 and related 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.

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.

The Company has adopted the guidance in Emerging Issues Task Force (EITF) Issue No. 00-21 for all revenue arrangements with multiple deliverables.

Based on this guidance, 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.

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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.

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 cumulative 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. Also, when the level of discount varies with increases in levels of revenue transactions, 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.

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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 are amortized over their estimated useful life or the lease term, as appropriate. The estimated useful lives of assets are as follows:

Buildings	30 to 60 years
Plant and machinery	2 to 20 years
Furniture, fixtures and equipment	5 years
Vehicles	4 years
Computer software	2 years

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. 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 based on measurement techniques such as discounted cash flow analyses. If the fair value of the reporting unit exceeds the carrying value of the net assets assigned to that unit, goodwill is not impaired. 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.

Intangible assets acquired individually, with a group of other assets or in a business combination are carried at cost less accumulated amortization. The intangible assets are amortized over their estimated useful lives in proportion to the economic benefits consumed in each period. The estimated useful lives of the intangible assets are as follows:

Technology-based intangibles	5 years
Customer-related intangibles	2 to 5 years
Marketing-related intangibles	2 to 20 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.

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.

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. Previously, the Company used the intrinsic value based method, permitted by Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock issued to Employees, to account for its employee stock-based compensation plans and had adopted the pro-forma disclosure provisions of SFAS No. 123, Accounting for Stock-Based Compensation.

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. Pursuant to adoption of SFAS No. 123(R) the Company recognized additional compensation expense of Rs. 41.25 for the three months ended June 30, 2006.

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. 2,202.42 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. 39.09 representing the reversal of compensation cost for such instruments previously recognized in income.

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Had compensation cost, for three months ended June 30, 2005, been determined in a manner consistent with the fair value approach described in SFAS No. 123, the Company s net income and earnings per share as reported would have been reduced to the pro-forma amounts indicated below:

		Three months ended June 30, 2005
Net income, as reported	Rs.	4,267.59
Add: Stock based employee compensation expense included in reported net income, net of tax effects		161.63
Less: Stock-based employee compensation expense determined under fair value based method, net of tax effects		(353.20)
Pro-forma net income		4,076.02
Earnings per share: Basic		
As reported		3.05
Pro-forma		2.91
Earnings per share: Diluted		
As reported		3.03
Pro-forma		2.90

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 due to exchange rate movements beyond a defined range.

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.

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3. Acquisitions

Acquisition of Ownership Interest in a Subsidiary

As of March 31, 2005, the Company held approximately 93% of the outstanding equity shares of Wipro BPO Solutions Limited or Wipro BPO. The remaining shares were held by the employee shareholders. During the year ended March 31, 2006, the Company acquired the balance 7% of the equity shares from the employee shareholders at fair value for an aggregate consideration of Rs. 852.00. The step-acquisition resulted in goodwill and intangibles of Rs. 304.00 and Rs. 15.00 respectively.

mPower Software Services Inc. and subsidiaries

In December 2005, the Company acquired 100% of the equity of mPower Software Services Inc. and subsidiaries (mPower) including the minority shareholding held by MasterCard International in MPact India, a joint venture between MasterCard International and mPower Inc, for an aggregate cash consideration of Rs.1,274.57. mPower Software Services Inc. is a US based company engaged in providing IT services in the payments service sector.

As a part of this acquisition, Wipro plans to provide MasterCard with a wide range of services including application development and maintenance, infrastructure services, package implementation, BPO and testing. Wipro believes that through this acquisition, it will be able to expand its domain expertise in the payments service sector and increase the addressable market for IT services.

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

Description	Fair value
Net tangible assets	Rs. 185.23
Customer related intangibles	356.96
Deferred tax liabilities	(124.94)
Goodwill	857.32
Total	Rs. 1,274.57

BVPENTE Beteiligungsverwaltung GmbH and subsidiaries

In December 2005, the Company acquired 100% of the equity of BVPENTE Beteiligungsverwaltung GmbH and subsidiaries (New Logic). New Logic is a European system-on-chip design company. The consideration included upfront cash consideration of Rs. 1,156.54, subject to working capital adjustments, and an earn-out of Euro 26.70 to be determined and paid in the future based on certain financial targets being achieved over a 3 year period. During the three months ended June 30, 2006, the Company paid an additional consideration of Rs. 82.63 towards the working capital adjustment. The Company has determined that a portion of the earn-out, up to a maximum of Euro 2.50 that is linked to the continuing employment of one of the selling shareholders is compensatory in nature. The balance earn-out will be recorded as additional purchase price when the contingency is resolved.

Wipro believes that through this acquisition, it has acquired strong domain expertise in semiconductor Intellectual Property (IP) cores and complete system-on-chip solutions with digital, analog mixed signal and Radio Frequency (RF) design services. The acquisition also enables the Company to access over 20 customers in the product engineering services sector.

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

Description	Fair value
Net tangible assets	Rs. 307.00
Customer-related intangibles	146.52
Technology-related intangibles	66.60
Deferred tax liabilities	(53.00)
Goodwill	772.18
Total	**Rs. 1,239.17**

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cMango Inc. and subsidiaries

In April 2006, the Company acquired 100% of the equity of cMango Inc. and subsidiaries (cMango). cMango is a provider of Business Service Management (BSM) solutions. The consideration included a cash payment of Rs. 884.25 (of which Rs.149.63 was outstanding as of June 30, 2006) and an earn-out of USD 12.00 to be determined and paid in the future based on specific financial metrics being achieved over a two year period. The earn-out will be recorded as additional purchase price when the contingency is resolved.

Wipro believes that through this acquisition it will expand its operations in the Business Management Services sector. This acquisition also enables the Company to access over 20 customers in the Business Management Services sector.

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

Description	Fair value
Net tangible assets/(liabilities)	Rs. (23.08)
Customer-related intangibles	132.64
Deferred tax liabilities	(46.42)
Goodwill	821.11
Total	Rs. 884.25

RetailBox BV and subsidiaries

In June 2006, the Company acquired 100% of the equity of RetailBox BV and subsidiaries (Enabler). Enabler is in the business of providing comprehensive IT solutions and services. The consideration included a cash payment of Rs. 2,425.47 (of which Rs. 220.35 was outstanding as of June 30, 2006) and an earn-out of Euro 11.00 to be determined and paid in the future based on specific financial metrics being achieved over a two year period. The earn-out will be recorded as additional purchase price when the contingency is resolved.

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

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

Description	Fair value
Net tangible assets	Rs. 386.28
Customer-related intangibles	242.55
Deferred tax liabilities	(84.89)
Goodwill	1,881.53
Total	Rs. 2,425.47

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Saraware Oy

In June 2006, the Company acquired 100% of the equity of Saraware Oy (Saraware) a company involved in providing design and engineering services to telecom companies. The consideration included a cash payment of Rs. 975.22 (of which Rs. 245.62 was outstanding as of June 30, 2006) and an earn out of Euro 7 to be determined and paid in the future based on certain financial targets being achieved over a period of 18 months.

Through this acquisition the Company aims to expand its presence in the engineering services sector in Finland and the Nordic region.

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

Description	Fair value
Net tangible assets/(liabilities)	Rs. (173.82)
Purchase price pending allocation	1,149.04
Total	Rs. 975.22

Northwest Switchgear Limited

In May 2006, the Company acquired a substantial portion of the business of Northwest Switchgear Limited, a manufacturer and distributor of switches, sockets and miniature circuit breakers (collectively the products) under the trademark/ brand name North-West . The consideration included cash payment of Rs. 1,131.66 and an earn-out of Rs. 200.00 to be determined and paid in the future based on achievement of specified revenue levels over a period of four years. Further, the Company has entered into a non-compete and manufacturing agreement with the sellers. Under the manufacturing agreement, the seller will manufacture the products for Wipro by certain assets and employees retained by the seller. The manufacturing agreement is for a period of five years. Amounts paid by the Company for such manufacturing services will be recorded through the income statement. The earn-outs which are not linked to any post-acquisition services by the seller will be recorded as additional purchase consideration when the contingency is resolved.

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

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

Description	Fair value
Net tangible assets	Rs. 33.75
Marketing- related intangibles	1,097.91
Total	Rs. 1,131.66

For the above acquisitions, the purchase price has been allocated on a preliminary basis based on the Company 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 based on an independent third party appraisal, which is expected to be completed by August 2006, may result in certain adjustments to the above allocation.

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4. Cash and Cash Equivalents

Cash and cash equivalents as of June 30, 2005 and 2006 consist of cash, cash on deposit with banks and highly liquid investments.

5. Accounts Receivable

Accounts receivable as of June 30, 2005 and 2006 are stated net of allowance for doubtful accounts. The Company maintains an allowance for doubtful accounts based on present and prospective 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:

	Three months ended June 30,		Year ended March 31,
	2005	2006	2006
	(Unaudited)	(Unaudited)	
Balance at the beginning of the period	Rs. 846.54	Rs. 1,115.78	Rs. 846.54
Additional provision during the period, net of collections	81.59	85.99	275.24
Bad debts charged to provision			(6.00)
Balance at the end of the period	Rs. 928.13	Rs. 1,201.77	Rs. 1,115.78

6. Inventories

Inventories consist of the following:

	As of June 30,		As of March 31,
	2005	2006	2006
	(Unaudited)	(Unaudited)	
Stores and spare parts	Rs. 201.38	Rs. 225.92	Rs. 198.02
Raw materials and components	599.61	698.82	692.01
Work-in-process	255.39	337.08	288.73
Finished goods	526.06	1,045.55	885.85
	Rs. 1,582.44	Rs. 2,307.37	Rs. 2,064.61

7. Other Assets

Other assets consist of the following:

	As of June 30,		As of March 31,
	2005	2006	2006
	(Unaudited)	(Unaudited)	
Prepaid expenses	Rs. 905.25	Rs. 1,143.21	Rs. 1,182.07
Due from officers and employees	755.61	887.50	753.68
Advances to suppliers	334.81	508.92	467.19
Balances with statutory authorities	19.67	116.12	130.76
Deposits	931.52	1,537.23	1,388.89
Interest bearing deposits with corporates		500.00	500.00
Advance income taxes	166.65	825.17	1,237.33

Derivative asset	254.88	6.10	338.11
Others	442.07	1,474.65	708.99
	3,643.70	6,998.90	6,707.02
Less: Current assets	(2,952.70)	(5,656.23)	(5,463.04)
	Rs. 857.76	Rs. 1,342.67	Rs. 1,243.98

8. Investment Securities

Investment securities consist of the following:

	As of June 30, 2005 (Unaudited)			As of June 30, 2006 (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. 26,,923.06	Rs. 272.88	Rs. 27,195.94	Rs. 35,419.04	Rs. 559.84	35,978.88

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	As of March 31, 2006		
	Carrying Value	Gross Unrealized Holding Gains	Fair Value
Available-for-sale:			
Investments in liquid and short-term mutual funds	Rs. 29,821.50	Rs. 506.92	Rs. 30,328.42

Dividends from available-for-sale securities during the three months ended June 30, 2005 and 2006 were Rs. 159.46 and Rs. 338.51, respectively and are included in other income.

9. Property, Plant and Equipment

Property, plant and equipment consist of the following:

	As of June 30, 2005 (Unaudited)	As of June 30, 2006 (Unaudited)	As of March 31, 2006
Land	Rs. 1,250.85	Rs. 1,261.14	Rs. 1,261.14
Buildings	4,365.12	4,770.10	4,590.53
Plant and machinery	10,906.02	13,208.97	12,474.35
Furniture, fixtures and equipment	2,676.85	3,063.30	2,996.87
Vehicles	1,126.09	1,446.11	1,324.31
Computer software for internal use	1,423.04	1,703.29	1,625.77
Capital work-in-progress	3,003.65	7,513.81	6,248.51
	24,751.62	32,966.72	30,521.48
Accumulated depreciation and amortization	(10,505.48)	(13,601.61)	(12,744.08)
	Rs. 14,246.14	Rs. 19,365.11	Rs. 17,777.40

Depreciation expense for the three months ended June 30, 2005 and 2006 is Rs. 721.95 and Rs. 887.75, respectively. This includes Rs. 48.13 and Rs. 59.10 as amortization of capitalized internal use software, during the three months ended June 30, 2005 and 2006, 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 June 30, 2005 (Unaudited)			As of June 30, 2006 (Unaudited)		
	Gross carrying amount	Accumulated amortization	Net	Gross carrying amount	Accumulated Amortization	Net
Technology-related intangibles	Rs. 34.30	Rs. 21.99	Rs. 12.31	Rs. 101.00	Rs. 39.62	Rs. 61.38
Customer-related intangibles	575.81	549.11	26.70	1,454.48	660.84	793.64

Marketing-related intangibles	382.43	58.03	324.40	1,480.34	87.31	1,393.03
Others	0.95	0.95		0.95	0.95	
	Rs. 993.49	Rs. 630.08	Rs. 363.41	Rs. 3,036.77	Rs. 788.72	Rs. 2,248.05

	As of March 31, 2006		
	Gross carrying amount	Accumulated Amortization	Net
Technology-related intangibles	Rs. 101.00	Rs. 34.07	Rs. 66.93
Customer-related intangibles	1,079.29	600.39	478.90
Marketing-related intangibles	382.43	73.93	308.50
Others	0.95	0.95	
	Rs. 1,563.67	Rs. 709.34	Rs. 854.33

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The movement in goodwill balance is given below:

	Three months ended June 30, 2005 (Unaudited)	Three months ended June 30, 2006 (Unaudited)	Year ended March 31, 2006
Balance at the beginning of the period	Rs. 5,614.98	Rs. 7,480.85	Rs. 5,614.98
Goodwill relating to acquisitions (Note 3)	304.14	2,785.27	1,851.01
Effect of translation adjustments	(4.58)	28.28	14.86
Balance at the end of the period	Rs. 5,914.54	Rs. 10,294.40	Rs. 7,480.85

Goodwill as of June 30, 2005, 2006 and March 31, 2006 has been allocated to the following reportable segments:

Segment	As of June 30, 2005 (Unaudited)	As of June 30, 2006 (Unaudited)	As of March 31, 2006
Global IT Services and Products	Rs. 5,258.30	Rs. 9,537.94	Rs. 6,724.39
India and AsiaPac IT Services and Products	656.24	756.46	756.46
Total	Rs. 5,914.54	Rs. 10,294.40	Rs. 7,480.85

11. Other Current Liabilities

Other current liabilities consist of the following:

	As of June 30, 2005 (Unaudited)	As of June 30, 2006 (Unaudited)	As of March 31, 2006
Statutory dues payable	Rs. 1,561.13	Rs. 1,990.42	Rs. 1,820.99
Taxes payable	41.65	784.42	610.54
Warranty obligations	386.14	776.27	664.86
Derivative liability	33.00	651.28	12.53
Aquisition related payables		778.00	
Others	240.62	676.84	505.48
	Rs. 2,262.54	Rs. 5,657.25	Rs. 3,614.42

The activity in warranty obligations is given below:

	Three months ended June 30, 2005 (Unaudited)	Three months ended June 30, 2006 (Unaudited)	Year ended March 31, 2006
Balance at the beginning of the period	Rs. 361.08	Rs. 664.86	Rs. 361.08
Additional provision during the period	91.42	196.63	601.20
Reduction due to payments	(66.36)	(85.22)	(297.42)

Balance at the end of the period	Rs. 386.14	Rs. 776.27	Rs. 664.86

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 payments under such leases were Rs. 200.37 and Rs. 257.53 for the three months ended June 30, 2005 and 2006, respectively.

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

	(Unaudited)
Year ending June 30,	
2007	Rs. 354.56
2008	378.71
2009	349.72
2010	318.69
2011	275.64
Thereafter	1,168.26
Total	Rs. 2,845.59

Prepaid expenses as of March 31, 2006, June 30, 2005 and 2006 include Rs. 74.89, Rs. 57.57 and Rs. 74.80, respectively, being prepaid operating lease rentals for land obtained on operating lease for a period of 60 years, 60 years and 90 years, respectively. The prepaid expense is being charged over the lease term.

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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 June 30, 2005, March 31, 2006 and June 30, 2006 was Rs. 636.16, Rs. 841.57 and Rs. 915.79, respectively. The Company s equity in the income of Wipro GE for three months ended June 30, 2005 and 2006 was Rs. 53.75 and Rs.74.22, respectively.

In March 2004 and 2005, Wipro GE had received tax demands aggregating Rs. 714.19, including interest, from the Indian income tax authorities for the financial years ended March 31, 2001 and 2002 respectively. The tax demands were primarily due to transfer pricing adjustments and denial of export benefits and tax holiday benefits claimed by Wipro GE under the Indian Income Tax Act 1961 (Act). Wipro GE has appealed against the said demands before the first appellate authority. Considering the facts and nature of disallowance and based on the opinion of the external legal counsel, Wipro GE believes that the final outcome of the dispute should be in favor of Wipro GE and will not have any material adverse effect on the financial position and overall trends in results of operation. Additionally, in March 2006, Wipro GE received intimation from the Indian income tax authorities for the financial year ended March 31, 2003, proposing transfer pricing adjustments (similar to the claims made for 2001 and 2002) resulting in additional tax demands of Rs. 421.46. Wipro GE has contested the proposed transfer pricing adjustments. Considering the facts and nature of adjustments proposed Wipro GE believes that the ultimate outcome of this intimation will not have any material adverse effect on the financial position and overall trends in results of operations.

WeP Peripherals

The Company has accounted for its 37.7%, 36.9% and 36.9% interest as of June 30, 2005, March 31, 2006 and June 30, 2006, respectively in WeP Peripherals by the equity method. The carrying value of the equity investment in WeP Peripherals as of June 30, 2005, March 31, 2006 and June 30, 2006, was Rs. 189.33, Rs. 201.52 and Rs. 192.66, respectively. The Company s equity in the income of WeP Peripherals for three months ended June 30, 2005 was Rs. 2.5 and company s equity in losses of WeP Peripherals for the three months ended June 30, 2006 was Rs. 8.86.

14. Financial Instruments and Concentration of Risk

Derivative financial instruments. The Company is exposed to foreign currency fluctuations on foreign currency assets 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 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. 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:

	As of June 30,		As of March 31,
	2005 (Unaudited)	2006 (Unaudited)	2006
Forward contracts			
Sell	$553.00	$601.20	$ 592.23
	£ 21.00	£ 38.00	£ 4.00
		6.00	
Buy	$ 18.27		
Net purchased options (sell)		$ 20.00	$ 254.00
			£ 8.00
Net written options (sell)	$ 6.00	$170.00	$ 6.00
		£ 10.00	£ 5.00

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In connection with cash flow hedges, the Company has recorded Rs. 202.34, Rs. 276.60 and Rs. (212.51) of net gains/(losses) as a component of accumulated and other comprehensive income within stockholders equity as at March 31, 2006, June 30, 2005 and 2006, respectively.

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, 2006, three months ended June 30, 2005 and 2006, respectively.

	As of June 30,		As of March 31,
	2005	2006	2006
	(Unaudited)	(Unaudited)	
Balance as at the beginning of the period	Rs. 113.81	Rs. 202.34	Rs. 113.81
Net gains reclassified into net income on occurrence of hedged transactions	(62.37)	(139.23)	(113.81)
Deferred cancellation gains/(losses) relating to roll-over hedging	220.15		
Changes in fair value of effective portion of outstanding derivatives	4.83	(275.62)	202.34
Unrealized (loss)/gain on cashflow hedging derivatives, net	162.79	(414.85)	88.53
Balance as at the end of the period	Rs. 276.60	Rs. (212.51)	Rs. 202.34

As of June 30, 2005 and 2006, 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

The Company has an Indian line of credit of Rs. 2,000.00, a US line of credit of $ 25.00 and GBP 6 in UK from its bankers for working capital requirements. All the lines of credit are renewable annually. The Indian line of credit bears interest at the prime rate of the bank, which averaged 8.5% and 8.25% for the three months ended June 30, 2005 and 2006, respectively. The US line of credit bears interest at 60 basis points over the USD London Inter-Bank Offered Rate and UK line of credit bears interest at 40 basis points over the GBP London Inter-Bank Offered Rate. The facilities are secured by inventories, accounts receivable and certain property and contain financial covenants and restrictions on indebtedness. During the three months ended June 30, 2006, as a part of its acquisition of Saraware, the Company assumed bank borrowings amounting to Rs. 366.

16. Stock Dividend

In July 2005, the members of the Company approved a stock dividend, effective August 24, 2005, in the ratio of 1 additional equity shares or ADS for every equity share or ADS held. Accordingly, the Company issued 705,893,574 additional shares and has transferred an amount of Rs. 1,161.75 from additional paid in capital and Rs. 250.04 from retained earnings to equity shares. Share and per share data for all periods reported have been adjusted to reflect the stock split effected in the form of stock dividend.

17. Equity Shares and Dividends

Currently, the Company has only one class of equity shares. For all matters submitted to vote in the shareholders meeting, every holder of equity shares, as reflected in the records of the Company on the date of the shareholders meeting shall have one vote in respect of each share held.

In October 2000, the Company made a public offering of its American Depositary Shares, or ADSs, to international investors. The equity shares represented by the ADS carry similar rights as to voting and dividends as the other equity shares.

In July 2005, the members of the Company approved an increase in the authorized capital of the Company from 750,000,000 to 1,650,000,000 shares.

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Dividend is paid in Indian rupees. Indian law mandates that any dividend, exceeding 10% of the equity shares, can be declared out of distributable profits only after the transfer of up to 10% of net income computed in accordance with current regulations to a general reserve. Also, the remittance of dividends outside India is governed by Indian law on foreign exchange. Dividend payments are also subject to applicable taxes.

In the event of liquidation of the affairs of the Company, all preferential amounts, if any, shall be discharged by the Company. The remaining assets of the Company, after such discharge, shall be distributed to the holders of equity shares in proportion to the number of shares held by them.

18. Retained Earnings

The Company s retained earnings as of June 30, 2005 and 2006 include restricted retained earnings of Rs. 259.54 and Rs. 9.50, respectively, which are not distributable as dividends under Indian laws. These relate to requirements regarding earmarking a part of the retained earnings on redemption of preference shares.

Retained earnings as of June 30, 2005 and 2006, also include Rs. 690.29 and Rs. 987.37, respectively, of undistributed earnings in equity of affiliates.

19. Other Income, Net

Other income consists of the following:

	Three months ended June 30, 2005 (Unaudited)	Three months ended June 30, 2006 (Unaudited)
Interest income	Rs. 30.54	Rs. 48.68
Interest expense	(6.48)	(2.44)
Dividend income	189.57	338.51
Gain/(loss) on sale of liquid and short-term mutual funds		122.08
Others		0.68
	Rs. 213.63	Rs. 507.51

20. Shipping and Handling Costs

Selling and marketing expenses for the three months ended June 30, 2005 and 2006, include shipping and handling costs of Rs. 102.09 and Rs. 176.57, respectively.

21. Income Taxes

Income taxes have been allocated as follows:

	Three months ended June 30, 2005 (Unaudited)	Three months ended June 30, 2006 (Unaudited)
Net income	Rs. 586.03	Rs. 979.22
Stockholders equity for:		
Unrealized gain/(loss) on investment securities, net	34.10	21.50
Total income taxes	Rs. 620.13	Rs. 1,000.72

Income taxes relating to continuing operations consist of the following:

	Three months ended June 30, 2005 (Unaudited)	Three months ended June 30, 2006 (Unaudited)
Current taxes		
Domestic	Rs. 223.31	Rs. 483.00

Foreign	382.38	502.38
	Rs. 605.69	Rs. 985.38
Deferred taxes		
Domestic	(19.66)	0.07
Foreign		(6.23)
	(19.66)	(6.16)
Total income tax expense	Rs. 586.03	Rs. 979.22

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22. 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.

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

	Three months ended June 30, 2005 (Unaudited)	Three months ended June 30, 2006 (Unaudited)	Year ended March 31, 2006
Shares held at the beginning of the period	7,893,060	7,869,060	7,893,060
Shares granted to employees	(24,000)		(24,000)
Grants forfeited by employees			
Shares held at the end of the period	7,869,060	7,869,060	7,869,060

Compensation related to these grants was amortized on a straight-line basis over the vesting period of the shares. The amortization of deferred stock compensation, net of reversals, for the three months ended June 30, 2005 and 2006, was Rs. 10.06 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:

	Three months ended June 30, 2005 (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	1,475,675	341	362	362	6 months
	4,969,862	618	841	622	14 months
Forfeited during the period	(20)	341	362	362	
	(52,450)	618	841	632	
Exercised during the period	(471,928)	341	362	362	
	(290,715)	618	841	618	
Outstanding at the end of the period	1,003,727	341	362	362	3 months
	4,626,697	618	841	622	

							11 months
Exercisable at the end of the period	1,003,727		341	362		362	3 months
	4,596,952	Rs.	618	841	Rs.	622	11 months

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	Three months ended June 30, 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	4,658,383	Rs. 171 181 309 421	312	3 months
Forfeited during the period	(10,500)	171 181 309 421	309	
Exercised during the period	(3,843,902)	171 181 309 421	309	
Outstanding at the end of the period	803,981	171 181 309 421	312	
Exercisable at the end of the period	803,981	171 181 Rs. 309 421	Rs. 312	2 months

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.

Stock option activity under the 2000 Plan is as follows:

	Three months ended June 30, 2005 (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	196,448	344 511	461	33 months
	13,090,249	529 792	533	35 months
	6,330,574	794 915	797	18 months
Forfeited during the period	(1,800)	344 511	459	
	(126,255)	529 792	533	
	(112,725)		794	

		794 915		
Exercised during the period	(11,450)	344 511	490	
	(506,738)	529 792	529	
Outstanding at the end of the period	183,198	344 511	463	30 months
	12,457,256	529 792	533	32 months
	6,217,849	794 915	797	15 months
Exercisable at the end of the period	84,814	344 511	463	30 months
	7,485,391	529 792	533	32 months
	4,352,494	Rs. 794 915	Rs. 797	15 months

	Three months ended June 30, 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	172 255	233	25 months
	20,146,257	265 396	267	23 months
	9,899,967	397 458	399	7 months
Forfeited during the period	(2,400)	172 256	212	
	(350,100)	265 396	264	
		397 458		
Exercised during the period	(10,700)	172 256	228	
	(1,237,349)	265 396	266	

	(907,835)		397 458		399	
Outstanding at the end of the period	279,476		172 256		234	22 months
	18,558,808		265 396		267	20 months
	8,992,132		397 458		399	4 months
Exercisable at the end of the period	177,822		172 256		234	22 months
	14,893,017		265 396		267	20 months
	8,992,132	Rs.	397 458	Rs.	399	4 months

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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.

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

Three months ended June 30, 2005 (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	202,275	6.92	10.02	8.70	30 months
	1,015,350	11.63	13.79	12.99	21 months
Exercised during the period	(19,850)	11.63	13.79	12.63	
Outstanding at the end of the period	202,275	6.92	10.02	8.70	27 months
	995,500	11.63	13.79	12.81	18 months
Exercisable at the end of the period	100,721	6.92	10.02	8.75	27 months
	759,880	$ 11.63	13.79	$ 13.02	18 months

Three months ended June 30, 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	4.38	19 months
	1,208,842	5.82	6.90	6.50	12 months
Exercised during the period		3.46	5.01		
	(93,300)	5.82	6.90	6.47	

Outstanding at the end of the period	238,900		3.46	5.01		4.38	16 months
	1,115,542		5.82	6.90		6.40	9 months
Exercisable at the end of the period	176,938		3.46	5.01		4.38	16 months
	837,480	$	5.82	6.90	$	6.48	9 months

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 excess of market price on the date of grant over the exercise price payable by the employees is recognized as compensation cost. The Company has elected to amortize the compensation cost on a straight-line basis over the vesting period.

Stock option activity under WRSUP 2004 plan is as follows:

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	Three months ended June 30, 2005 (unaudited)		
	Shares arising out of options	**Exercise price**	**Weighted-average remaining contractual life (months)**
Outstanding at the beginning of the period	4,759,828	Rs. 2	66 months
Forfeited during the period	(88,050)	2	
Outstanding at the end of the period	4,671,778	2	63 months
Exercisable at the end of the period		Rs.	

	Three months ended June 30, 2006 (Unaudited)		
	Shares arising out of options	**Exercise price**	**Weighted-average remaining contractual life (months)**
Outstanding at the beginning of the period	7,598,174	2	54 months
Granted during the period	10,000	2	72 months
Forfeited during the period	(148,700)	2	
Exercised during the period	(136,878)	2	
Outstanding at the end of the period	7,322,596	2	51 months
Exercisable at the end of the period	381,443	Rs. 2	51 months

Stock option activity under WARSUP 2004 plan is as follows :

	Three months ended June 30, 2005 (unaudited)		
	Shares arising out of options	**Exercise price**	**Weighted-average remaining contractual life (months)**
Outstanding at the beginning of the period	768,050	$ 0.04	66 months

Forfeited during the period	(47,600)		0.04	
Outstanding at the end of the period	720,450		0.04	63 months
Exercisable at the end of the period		$		

	Three months ended June 30, 2006			
	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
Exercised during the period	(8,640)		0.04	
Forfeited during the period	(38,600)		0.04	
Outstanding at the end of the period	953,480		0.04	51 months
Exercisable at the end of the period	107,760	$	0.04	51 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). The Company granted 3,553,266 options under this plan in July 2006.

During the three months ended June 30, 2005 and 2006, the Company amortized Rs. 174.76 and Rs. 199.05, respectively, of compensation cost. The compensation cost has been allocated to cost of revenues and operating expenses as follows:

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	Three months ended June 30, 2005 (Unaudited)	Three months ended June 30, 2006 (Unaudited)
Cost of revenues	Rs. 124.04	Rs. 166.44
Selling and marketing expenses	22.61	20.11
General and administrative expenses	28.11	12.50
	Rs. 174.76	199.05

23. Earnings Per Share

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

	Three months ended June 30, 2005 (Unaudited)	Three months ended June 30, 2006 (Unaudited)
Earnings		
Net income	Rs. 4,267.59	Rs. 6,142
Equity shares		
Weighted average number of equity shares outstanding	1,399,545,726	1,419,404,399
Effect of dilutive equivalent shares-stock options	11,319,654	17,240,386
Weighted average number of equity shares and equivalent shares outstanding	1,410,865,380	1,436,644,785

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.

Options to purchase 12,435,698 and Nil equity shares were outstanding during the three months ended June 30, 2005 and 2006, respectively, but were not included in the computation of diluted earnings per share because these instruments were anti-dilutive.

24. 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 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 three month ended June 30, 2005 and 2006 is as follows:

	Three Months ended June 30, 2005	Three Months ended June 30, 2006
Service cost	Rs. 36.64	Rs. 51.36
Interest cost	12.63	15.16

Expected return on assets		(8.97)		(10.62)
Adjustment [1]				(62.65)
Net gratuity cost	Rs.	40.31	Rs.	(6.75)

[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 three month ended June 30, 2006, the Company has recorded an adjustment of Rs 62.65 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.

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Superannuation. Apart from being covered under the Gratuity Plan described above, the employees of the Company also participate in a defined contribution plan maintained by the Company. This plan is administered by the LIC. The Company makes annual contributions based on a specified percentage of each covered employee s salary. As of April 1, 2005, the Company discontinued superannuation contributions for certain categories of employees and paid such contribution amounts as cash compensation to the employees. The Company has no further obligations under the plan beyond its annual contribution payments.

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 Indian Government s provident fund. The Indian Government mandates the annual yield to be provided to the employees on their corpus. The Company has an obligation to make good the shortfall, if any, between the yield on the investments of trust and the yield mandated by the Indian Government.

The Company contributed Rs. 161.82, Rs. 195.51 to various defined contribution and benefit plans during the three months ended June 30, 2005 and 2006, respectively.

25. Related Party Transactions

The Company has the following transactions with related parties:

	Three months ended June 30,	
	2005 (Unaudited)	**2006 (Unaudited)**
Wipro GE:		
Revenues from sale of computer equipment and administrative and management support services	Rs. 28.40	Rs. 5.17
WeP Peripherals:		
Revenues from sale of computer equipment and services	1.51	0.85
Payment for services	0.22	3.38
Purchase of printers	12.59	4.73
Azim Premji Foundation:		
Revenues from sale of computer equipment and services	0.05	1.13
Principal shareholder:		
Payment of lease rentals	0.38	0.45

The Company has the following receivables from related parties, which are reported as other assets/other current assets in the balance sheet:

	As of June 30,		**As of March 31,**
	2005 (Unaudited)	**2006 (Unaudited)**	**2006**
Wipro GE	Rs. 28.40	Rs. 13.53	Rs. 51.70
WeP Peripherals	1.51	2.52	4.19
Azim Premji Foundation	0.05	1.55	0.04
	Rs. 29.96	Rs. 17.60	Rs. 55.93

The Company has the following payables to related parties, which are reported as other current liabilities in the balance sheet:

	As of June 30,		As of March 31,
	2005	**2006**	**2006**
	(Unaudited)	**(Unaudited)**	
WeP Peripherals	Rs. 12.81	Rs. 14.49	Rs. 38.85
	Rs. 78.57	Rs. 14.49	Rs. 38.85

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26. Sale of accounts receivables/employee advances

From time to time, in the normal course of business, the Company transfers accounts receivables and employee advances (financials assets) to banks. Under the terms of the arrangements, the Company surrenders control over the financial assets and accordingly the transfers are recorded as sale of financial assets. The sale of financial assets may be with or without recourse. Under arrangements with recourse, the Company is obligated to repurchase the uncollected financial assets, subject to limits specified in the agreement with the banks. Additionally, the Company retains servicing responsibility for the transferred financial assets. Gains and losses on sale of financial assets are recorded based on the carrying value of the financial assets, fair value of servicing liability and recourse obligations. Loss on sale is recorded at the time of sale.

During the three months ended June 2005 and 2006, respectively, the Company has not transferred any financial assets under such arrangements.

27. Commitments and Contingencies

Capital commitments. As of June 30, 2005 and 2006, the Company had committed to spend approximately Rs. 1,704 and Rs. 2,382 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 June 30, 2006, the Company has met all commitments required under the plan.

As of June 30, 2005 and 2006, the Company had contractual obligations to spend approximately Rs. 1,200 and Rs. 1,288 respectively; under purchase obligations which include commitments to purchase goods or services of either a fixed or minimum quantity that meet certain criteria.

Guarantees. As of June 30, 2005 and 2006, 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. 2,331.39 and Rs. 3053.43, 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 and 2002 aggregating to Rs. 5,231.72. The tax demands were primarily due to the denial of deductions claimed by the Company under Section 10A of the Indian Income Tax Act 1961 (Act), in respect of profits earned by its undertakings in Software Technology Park at Bangalore. The Company had appealed against the demands. In March 2006, the first income tax appellate authority substantially upheld the deductions claimed by the Company under Section 10A of the Act, which will vacate a substantial portion of the demands for these years.

In March 2006, the Company received additional tax demand on similar grounds as 2001 and 2002, for the financial year ended March 31, 2003 aggregating Rs 2,868.77 (including interest of Rs.750.38). The Company has filed an appeal against the demand for the year ended March 31, 2003, within the prescribed statutory time. Considering the facts and nature of disallowance, the order of the appellate authority upholding the claims of the Company for financial year ended March 31, 2001 and 2002, the Company believes that the final outcome of the dispute should be in favor of the Company and there should not be any material impact on the financial statements.

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.

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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.

28. Segment Information

The Company is currently organized by segments, including Global IT Services and Products (consisting of the IT Services and Products 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 segment. 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.

Until June 30, 2005, the Company reported Global IT Services and Products as an integrated business segment. Effective July 2005, the company reorganized the management structure of Global IT Services and Products Segment. Pursuant to this reorganization, the Company identified new operating segments. 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 new reportable segments. Consequently, IT Services and Products and BPO services now qualify as reportable segments. Segment data for previous periods have been reclassified to conform to the current period presentation.

The IT Services and Products segment provides research and development services for hardware and software design to technology and telecommunication companies, software application development services to corporate enterprises. The BPO services segment provides Business Process Outsourcing services to large global corporations.

In December 2005, the Company acquired mPower, a company engaged in providing IT services in the payments processing sector and New Logic, a European system-on-chip design company. In April 2006, the Company acquired cMango, a company engaged in providing Business Service Management (BSM) solutions. In June 2006, the Company acquired Enabler, a company engaged in providing IT services in the retail sector, and Saraware Oy, a company engaged in providing engineering services to companies in the telecommunication sector.

The operations of mPower, New Logic, cMango, Enabler and Saraware Oy, which are a component of IT Services and Products, are currently reviewed by the CODM separately and have accordingly been reported separately as Acquisitions .

The India and AsiaPac IT Services and Products segment focuses primarily on addressing the IT and electronic commerce requirements of companies in India, MiddleEast and AsiaPacific region.

The Consumer Care and Lighting segment manufactures, distributes and sells soaps, toiletries, lighting products and hydrogenated cooking oils for the Indian market.

Others consist of business segments that do not meet the requirements individually for a reportable segment as defined in SFAS No. 131. Corporate activities such as treasury, legal and accounting, which do not qualify as operating segments under SFAS No. 131 have been considered as reconciling items.

Segment data for previous periods has been reclassified on a comparable basis.

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Information on reportable segments is as follows:

	Three Months ended June 30, 2005 (unaudited)							
	Global IT Services and Products			India and AsiaPac IT Services and Products	Consumer Care and Lighting	Others	Reconciling Items	Entity To
	IT Services	BPO Services	Total					
enues	Rs. 15,601.83	Rs. 1,828.04	Rs. 17,429.87	Rs. 3,412.35	Rs. 1,322.27	Rs. 700.69	Rs.	Rs. 22,865
hange rate uations	(140.16)	(2.15)	(142.31)	(8.84)	(0.87)	3.79	148.23	
l revenues	15,461.67	1,825.89	17,287.56	3,403.51	1,321.40	704.48	148.23	22,865
of nues	(9,842.84)	(1,472.27)	(11,315.11)	(2,616.61)	(825.83)	(524.92)		(15,282
ng and keting nses	(966)	(23.10)	(989.10)	(307.22)	(283.75)	(57.27)	(2.71)	(1,640
eral and nistrative nses	(675.90)	(195.16)	(871.06)	(223.15)	(23.75)	(26.89)	(26.11)	(1,170
arch and lopment nses	(42.55)		(42.55)					(42
rtization tangible s	(8)	(1.24)	(9.24)		(5.30)			(14
hange rate uations							(148.23)	(148
rs, net	7.68		7.68	1.11	3.05	3.35	3.57	18
rating me of nent	Rs. 3,934.06	Rs. 134.12	Rs. 4,068.18	Rs. 257.64	Rs. 185.82	Rs. 98.75	Rs. (25.25)	Rs. 4,585
l assets of nent (3)	Rs. 27,641.97	Rs. 9,602.36	Rs. 37,244.33	Rs. 5,645.33	Rs. 1,682.16	Rs. 2,122.04	Rs. 30,362.98	Rs. 77,056
tal oyed (2)	19,280.04	8,972.50	28,252.54	2,164.94	737.66	1,498.52	30,174.88	62,828
rn on al oyed 3)	78%	6%	56%	55%	89%			
ounts vable	11,235.28	690.73	11,926.01	2,336.66	332.49	493.33		15,088
n and cash valents	2,083.25	2,049.08	4,132.33	135.60	60.75	536.68	26,992.55	31,857

stments in d and t-term ual funds reciation	503.03	153.48	656.51	24.76	16.58