WIPRO LTD
Form 6-K
November 14, 2005

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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 September 30, 2005
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 the legal currency of India. All amounts are in Rs. or in U.S. dollars unless stated otherwise. Our financial statements are presented in Indian rupees and translated into U.S. dollars and are prepared in accordance with United States Generally Accepted Accounting Principles (U.S. GAAP). References to Indian GAAP are to Indian Generally Accepted Accounting Principles. References to a particular fiscal year are to our fiscal year ended March 31 of such year.

All references to we , us , our , Wipro or the Company shall mean Wipro Limited and, unless specifically indicate otherwise or the context indicates otherwise, our consolidated subsidiaries. Wipro is a registered trademark of Wipro Limited in the United States and India. All other trademarks or trade names used in this 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 September 30, 2005, for cable transfers in Indian rupees as certified for customs purposes by the Federal Reserve Bank of New York which was Rs. 43.94 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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PART I FINANCIAL INFORMATION

Item 1. Financial Statements

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

	As of September 30,			As of March 31,
	2004	2005	2005	2005
			Convenience translation into US$	
	(Unaudited)	(Unaudited)	(Unaudited)	
ASSETS				
Current assets:				
Cash and cash equivalents (Note 4)	Rs. 2,446.59	Rs. 4,214.08	$ 95.91	Rs. 5,670.76
Accounts receivable, net of allowances (Note 5)	12,126.03	16,889.74	384.38	14,806.36
Costs and earnings in excess of billings on contracts in progress	3,649.90	4,539.89	103.32	2,739.65
Inventories (Note 6)	1,293.92	1,736.74	39.53	1,769.16
Investments in liquid and short-term mutual funds (Note 8)	17,918.74	27,715.50	630.76	22,957.59
Deferred income taxes	226.15	111.79	2.54	242.17
Other current assets (Note 7)	2,596.86	4,157.42	94.62	2,950.58
Total current assets	40,258.19	59,365.16	1,351.05	51,136.27
Property, plant and equipment, net (Note 9)	11,166.72	15,211.91	346.20	13,201.28
Investments in affiliates (Note 13)	673.56	908.44	20.67	769.24
Deferred income taxes	219.90	227.27	5.17	209.31
Intangible assets, net (Note 10)	403.99	352.87	8.03	363.11
Goodwill (Note 3, 10)	5,487.48	5,924.87	134.84	5,614.98
Other assets (Note 7)	718.15	1,244.04	28.31	780.92
Total assets	Rs. 58,927.99	Rs. 83,234.56	$ 1,894.28	Rs. 72,075.11
LIABILITIES AND STOCKHOLDERS EQUITY				
Current liabilities:				
Borrowings from banks (Note 15)	Rs. 665.63	Rs. 1,175.10	$ 26.74	Rs. 563.97
Accounts payable	2,704.34	3,588.38	81.67	3,713.22
Accrued expenses	3,482.26	5,525.82	125.76	3,882.00
Accrued employee costs	3,061.37	3,750.21	85.35	3,112.94
Advances from customers	1,087.28	1,718.03	39.10	1,279.64
Other current liabilities (Note 11)	3,180.94	3,018.89	68.70	2,135.16
Total current liabilities	14,181.82	18,776.43	427.32	14,686.93

Other liabilities	417.02	327.44	7.45	126.20
Total liabilities	14,598.84	19,103.87	434.77	14,813.13
Minority interest	822.39			533.03
Stockholders equity:				
Equity shares at Rs. 2 par value: 1,650,000,000 shares authorized; Issued and outstanding: 1,407,141,044, 1,397,903,346 and 1,414,957,082 and shares as of March 31, 2005, September 30, 2004 and 2005 (Note 16, 17)	1,397.90	2,829.91	64.40	1,407.14
Additional paid-in capital (Note 22)	7,511.17	13,791.14	313.86	13,272.57
Deferred stock compensation (Note 22)	(43.25)	(2,674.34)	(60.86)	(3,185.14)
Accumulated other comprehensive income	(1,753.76)	321.71	7.32	96.09
Retained earnings (Note 18)	36,394.78	49,862.35	1,134.78	45,138.37
Equity shares held by a controlled Trust: 7,893,060, 7,891,560 and 7,869,060 shares as of March 31, 2005, September 30, 2004 and 2005 (Note 22)	(0.08)	(0.08)		(0.08)
Total stockholders equity	43,506.76	64,130.69	1,459.51	56,728.95
Total liabilities and stockholders equity	Rs. 58,927.99	Rs. 83,234.56	$ 1,894.28	Rs. 72,075.11

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 September 30, 2004 (Unaudited)	Three months ended September 30, 2005 (Unaudited)	2005 Convenience translation into US$ (Unaudited)	Six months ended September 30, 2004 (Unaudited)	Six months ended September 30, 2005 (Unaudited)	2005 Convenience translation into US$ (Unaudited)
Revenues:						
Global IT Services and Products						
IT Services	Rs. 13,240.83	Rs. 17,052.15	$ 388.08	Rs. 25,394.49	Rs. 32,653.98	$ 743.15
BPO Services	1,673.94	1,824.02	41.51	3,058.15	3,652.06	83.11
India and AsiaPac IT Services and Products						
Services	1,138.50	1,422.73	32.38	2,076.93	2,845.34	64.76
Products	1,959.42	2,479.08	56.42	3,576.27	4,468.82	101.70
Consumer Care and Lighting	1,109.67	1,358.75	30.92	2,136.19	2,681.02	61.02
Others	674.28	829.68	18.88	1,250.81	1,530.37	34.83
Total	19,796.64	24,966.41	568.19	37,492.84	47,831.59	1,088.57
Cost of revenues:						
Global IT Services and Products						
IT Services	8,212.87	11,065.97	251.84	15,615.05	20,908.81	475.85
BPO Services	1,130.45	1,390.26	31.64	2,063.85	2,862.53	65.15
India and AsiaPac IT Services and Product						
Services	639.27	829.86	18.89	1,186.67	1,680.27	38.24
Products	1,773.58	2,219.88	50.52	3,249.29	3,986.08	90.72
Consumer Care and Lighting	709.28	878.44	19.99	1,349.29	1,704.27	38.79
Others	463.08	614.21	13.98	852.81	1,139.13	25.92
Total	12,928.53	16,998.62	386.86	24,316.96	32,281.09	734.66

Gross profit	6,868.11	7,967.79	181.33	13,175.88	15,550.50	353.90
Operating expenses:						
Selling and marketing expenses	(1,315.72)	(1,599.45)	(36.40)	(2,616.86)	(3,239.50)	(73.73)
General and administrative expenses	(936.90)	(1,261.57)	(28.71)	(1,792.73)	(2,432.53)	(55.36)
Research and development expenses	(73.18)	(46.31)	(1.05)	(131.33)	(88.86)	(2.02)
Amortization of intangible assets (Note 10)	(49.78)	(10.54)	(0.24)	(99.41)	(25.08)	(0.57)
Foreign exchange gains/(losses), net	27.53	55.29	1.26	(440.39)	(92.94)	(2.12)
Others, net	25.06	13.44	0.31	31.91	32.20	0.73
Operating income	4,545.12	5,118.65	116.49	8,127.07	9,703.79	220.84
Loss on direct issue of stock by subsidiary	(196.16)			(196.16)		
Other income, net (Note 19)	152.69	293.53	6.68	414.94	507.15	11.54
Equity in earnings/(losses) of affiliates (Note 13)	32.80	82.95	1.89	62.40	139.20	3.17
Income before income taxes and minority interest	4,534.45	5,495.13	125.06	8,408.25	10,350.14	235.55
Income taxes (Note 21)	(678.94)	(790.95)	(18.00)	(1,276.76)	(1,376.98)	(31.34)
Minority interest	(20.72)			(42.33)	(1.40)	(0.03)
Net income	Rs. 3,834.79	Rs. 4,704.18	$ 107.06	Rs. 7,089.16	Rs. 8,971.76	$ 204.18
Earnings per equity share: (Note 23)						
Basic	2.76	3.35	0.08	5.10	6.40	0.15
Diluted	2.74	3.32	0.08	5.07	6.33	0.14
Weighted average number of equity shares						

used in computing earnings per equity share:						
Basic	1,389,130,272	1,403,065,125	1,403,065,125	1,388,937,632	1,401,305,426	1,401,305,426
Diluted	1,393,778,176	1,416,017,738	1,416,017,738	1,392,541,590	1,417,562,951	1,417,562,951

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	Deferred		Accumulated Other		Equity Shares held by a	
			Paid in	Stock	Comprehensive	Comprehensive	Retained	Controlled Trust	
	No. of Shares	Amount	Capital	Compensation	Income	Income/(loss)	Earnings	No. of Shares	Amoun
	1,396,554,912	Rs. 465.52	Rs. 7,176.68	Rs. (9.88)		Rs. 918.64	Rs. 37,812.87	(7,887,060)	Rs. (0.0
id									
							(7,575.99)		
of									
d)	1,348,434	1.12	294.93						
eited,									
Trust									
								(4,500)	
d in									
ed)									
		931.26					(931.26)		
ated									
			39.56	(39.56)					
ted to									
				6.19					
come									
dited)					Rs. 7,089.16		7,089.16		
sive									
dited)					80.23				
n									
ies,									
					(13.36)				
n					(2,739.27)				

dited)									
come)					(2,672.40)	(2,672.40)			
come					Rs. 4,416.76				
04	1,397,903,346	Rs. 1,397.90	Rs. 7,511.17	Rs. (43.25)		Rs. (1,753.76)	Rs. 36,394.78	(7,891,560)	Rs. (0.0
. of d)	9,237,698	9.24	2,271.84						
ed by itures								(1,500)	
sation ee an, net dited)			3,489.56	(3,494.65)					
ted to				352.76					
come dited)					Rs. 8,743.59		8,743.59		
sive ments					(50.54)				

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	Equity Shares		Additional Paid in Capital	Deferred Stock Compensation	Comprehensive Income	Accumulated Other Comprehensive Income/(loss)	Retained Earnings	Equity Shares held by a Controlled Trust		S
	No. of Shares	Amount						No. of Shares	Amount	
in					106.28					
et					1,794.11					
e					1,849.85	1,849.85				
ve					Rs. 10,593.44					
05	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)	I
s							(3,997.74)			
	7,816,038	10.98	1,849.05							
		1,411.79	(1,161.75)				(250.04)			
			(168.73)	142.77				24,000		

k , es										
k										
				368.03						
ve										
					Rs. 8,971.76		8,971.76			
e)										
					8.24					
in										
					138.27					
in										
et										
					79.11					
e)										
					225.62	225.62				
ve										
					Rs. 9,197.38					
.										
	1,414,957,082	Rs. 2,829.91	Rs. 13,791.14	Rs. (2,674.34)		Rs. 321.71	Rs. 49,862.35	(7,869,060)	Rs. (0.08)	I
		$ 64.40	$ 313.86	$ (60.86)		$ 7.33	$ 1,134.78		$	$
.										

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See accompanying notes to the consolidated financial statements.

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

	Six months ended September 30,		
	2004	**2005**	**2005**
			Convenience translation into US$
	(Unaudited)	**(Unaudited)**	**(Unaudited)**
Cash flows from operating activities:			
Net income	Rs. 7,089.16	Rs. 8,971.76	$ 204.18
Adjustments to reconcile net income to net cash provided by operating activities:			
Gain on sale of property, plant and equipment	(98.27)	(7.29)	(0.17)
(Gain)/loss on sale of liquid and short-term mutual funds	34.95	(46.89)	(1.07)
Depreciation and amortization	1,184.12	1,506.07	34.28
Deferred tax charge/(benefit)	(8.40)	29.13	0.66
Loss on direct issue of stock by affiliate	196.16		
Amortization of deferred stock compensation	6.19	342.07	7.78
Equity in earnings of affiliates	(62.40)	(139.20)	(3.17)
Minority interest	42.33	1.40	0.03
Changes in operating assets and liabilities:			
Accounts receivable	(1,153.09)	(2,083.38)	(47.41)
Costs and earnings in excess of billings on contracts in progress	(1,550.06)	(1,800.24)	(40.97)
Inventories	144.27	32.42	0.74
Other assets	622.61	(1,487.36)	(33.85)
Accounts payable	542.64	(124.84)	(2.84)
Accrued expenses and employee costs	1,295.11	2,281.09	51.91
Advances from customers	124.80	438.39	9.98
Other liabilities	842.22	937.78	21.34
Net cash provided by operating activities	9,252.34	8,850.91	201.43
Cash flows from investing activities:			
Expenditure on property, plant and equipment	(3,148.70)	(3,490.57)	(79.44)
Proceeds from sale of property, plant and equipment	252.74	47.56	1.08
Dividends received from affiliates	8.40		
Purchase of investments in liquid and short-term mutual funds	(29,599.35)	(23,662.41)	(538.52)
Proceeds from sale of liquid and short-term mutual funds	30,111.35	19,175.91	436.41
Purchase of intangible assets	(298.13)		
Payment for acquisitions, net of cash acquired	(103.61)	(852.00)	(19.39)
Net cash used in investing activities	(2,777.30)	(8,781.51)	(199.85)

Cash flows from financing activities:			
Proceeds from issuance of equity shares	296.05	1,860.03	42.33
Proceeds from issuance of equity shares by a subsidiary	256.55		
Proceeds from/(repayments of) short-term borrowing from banks, net	(303.42)	611.13	13.91
Payment of cash dividends	(7,575.99)	(3,997.74)	(90.98)
Net cash used in financing activities	(7,326.81)	(1,526.58)	(34.74)
Net decrease in cash and cash equivalents during the period	(851.77)	(1,457.18)	(33.16)
Effect of exchange rate changes on cash	1.20	0.50	0.01
Cash and cash equivalents at the beginning of the period	3,297.16	5,670.76	129.06
Cash and cash equivalents at the end of the period	Rs. 2,446.59	Rs. 4,214.08	$ 95.91
Supplementary information:			
Cash paid for interest	26.74	8.99	0.20
Cash paid for taxes	1,147.25	1,895.35	43.13

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 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

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 consolidated financial statements have been prepared 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 year ended March 31, 2005.

Functional currency and exchange rate translation. The functional currency of the Company, including its consolidated foreign subsidiaries, except Wipro Inc. and Wipro Holdings (Mauritius) Limited is the Indian rupee. The functional currency of Wipro Inc. and Wipro Holdings (Mauritius) Limited is the US dollar. 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 six months ended September 30, 2005, have been translated into US dollars at the noon buying rate in New York City on September 30, 2005, for cable transfers in Indian rupees, as certified for customs purposes by the Federal Reserve Bank of New York of $1 = Rs. 43.94. 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 material inter-company accounts and transactions are eliminated on consolidation. The Company accounts for investments

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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 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, the sales price is fixed or determinable and collectibility is reasonably assured. Revenue from sale of products is recognized, in accordance with the sales contract, on dispatch from the factories/warehouses of the Company. Revenues from product sales are shown net of excise duty, sales tax and applicable discounts and allowances.

The Company has elected to adopt the guidance in 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.

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.

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.

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 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 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.

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:

Customer-related intangibles	2 to 5 years
Marketing-related intangibles	2 to 25 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.

Impairment or disposal of long-lived assets. Long-lived 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 antidilutive.

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. The Company uses the intrinsic value based method of APB Opinion No. 25, Accounting for Stock Issued to Employees, to account for its employee stock based compensation plans. For fixed awards that vest on a pro-rata basis, the Company recognizes compensation cost on a straight-line basis.

The Company has adopted the pro-forma disclosure provisions of SFAS No. 123, Accounting for Stock-Based Compensation as amended by SFAS No. 148, Accounting for Stock-Based Compensation Transition and Disclosure, an amendment of SFAS No. 123.

Had compensation cost 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:

	Six months ended September 30,	
	2004	**2005**
	((Unaudited))	**(Unaudited)**
Net income, as reported	Rs. 7,089.16	Rs. 8,971.76
Add: Stock based employee compensation expense included in reported net income, net of tax effects	6.19	295.54
Less: Stock-based employee compensation expense determined under fair value based method, net of tax effects	(711.73)	(641.05)
Pro-forma net income	Rs. 6,383.62	Rs. 8,626.25
Earnings per share: Basic		
As reported	5.10	6.40
Pro-forma	4.60	6.16
Earnings per share: Diluted		
As reported	5.07	6.33
Pro-forma	4.57	6.11

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).

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.

The Company assesses hedge effectiveness based on overall change in fair value of derivative instrument. However, for derivatives acquired pursuant to roll over hedging strategy, the forward premium/discount points are excluded from assessing hedge effectiveness.

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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.

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.

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

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

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

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

If the Company had amortized the stock-based employee compensation expense determined under the fair value method, the Company s net income as reported for the six months ended September 30, 2004 and 2005 would have been reduced by Rs. 705.54 and Rs. 345.51, respectively as set out in the pro-forma disclosure above.

In May 2005, the FASB issued SFAS No. 154, Accounting Changes and Error Corrections (SFAS No. 154) which replaces Accounting Principles Board (APB) Opinions No. 20 Accounting Changes and SFAS No. 3, Reporting Accounting Changes in Interim Financial Statements An Amendment of APB Opinion No. 28. SFAS No. 154 applies to all voluntary changes in accounting principle and provides guidance on the accounting for and reporting of accounting changes and error corrections. It establishes retrospective application, or the latest practicable date, as the required method for reporting a change in accounting principle and the reporting of a correction of an error. SFAS No. 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The Company is currently evaluating the impact of SFAS No. 154 on its consolidated results of operations and financial condition.

3. 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. The remaining shares were held by the employee shareholders.

During the six months ended September 30, 2005, 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 of Rs. 304.14.

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4. Cash and Cash Equivalents

Cash and cash equivalents as of September 30, 2004 and 2005 comprise of cash, cash on deposit with banks and highly liquid investments.

5. Accounts Receivable

Accounts receivable as of September 30, 2004, and 2005 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:

	Six months ended September 30,		Year ended March 31, 2005
	2004	2005	2005
	((Unaudited))	(Unaudited)	
Balance at the beginning of the period	Rs. 720.02	Rs. 846.54	Rs. 720.02
Additional provision during the period, net of collections	158.41	203.40	151.89
Bad debts charged to provision		(3.53)	(25.37)
Balance at the end of the period	Rs. 878.43	Rs. 1,046.61	Rs. 846.54

6. Inventories

Inventories consist of the following:

	As of September 30,		As of March 31,
	2004	2005	2005
	(Unaudited)	(Unaudited)	
Stores and spare parts	Rs. 30.95	Rs. 46.09	Rs. 38.41
Raw materials and components	537.31	760.77	829.77
Work-in-process	216.82	263.03	212.51
Finished goods	508.84	666.85	688.47
	Rs. 1,293.92	Rs. 1,736.74	Rs. 1,769.16

7. Other Assets

Other assets consist of the following:

	As of September 30,		As of March 31,
	2004	2005	2005
	(Unaudited)	(Unaudited)	
Prepaid expenses	Rs. 579.53	Rs. 1,050.48	Rs. 790.13
Prepaid rentals for leasehold land	31.06	459.99	61.67
Due from officers and employees	764.32	1,078.62	603.44
Advances to suppliers	241.08	327.41	227.10
Balances with statutory authorities	33.65	75.74	20.20
Deposits	803.16	946.25	888.62
Advance income taxes	498.22	709.45	166.76

Derivative asset				115.58		379.69
Others		363.99		637.94		593.89
		3,315.01		5,401.46		3,731.50
Less: Current assets		(2,596.86)		(4,157.42)		(2,950.58)
	Rs.	718.15	Rs.	1,244.04	Rs.	780.92

8. Investment Securities

Investment securities consist of the following:

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	As of September 30, 2004 (Unaudited)			As of September 30, 2005 (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. 17,923.76	Rs. (5.02)	Rs. 17,918.74	Rs. 27,333.56	Rs. 381.94	27,715.50

	As of March 31, 2005		
	Carrying Value	Gross Unrealized Holding Gains	Fair Value
Available-for-sale:			
Investments in liquid and short-term mutual funds	Rs. 22,794.72	Rs. 162.87	Rs. 22,957.59

Dividends from available-for-sale securities during the six months ended September 30, 2004 and 2005 were Rs. 369.28 and Rs. 345.57, respectively and is included in other income.

9. Property, Plant and Equipment

Property, plant and equipment consist of the following:

	As of September 30, 2004 (Unaudited)	As of September 30, 2005 (Unaudited)	As of March 31, 2005
Land	Rs. 713.20	Rs. 1,251.63	Rs. 1,206.85
Buildings	3,503.86	4,527.16	3,980.05
Plant and machinery	8,930.78	11,401.33	10,308.62
Furniture, fixtures and equipment	2,099.40	2,753.35	2,494.39
Vehicles	930.89	1,218.88	1,053.28
Computer software for internal use	1,257.21	1,476.48	1,354.81
Capital work-in-progress	2,249.76	3,814.94	2,603.85
	19,685.10	26,443.77	23,001.85
Accumulated depreciation and amortization	(8,518.38)	(11,231.86)	(9,800.57)
	Rs. 11,166.72	Rs. 15,211.91	Rs. 13,201.28

Depreciation expense for the six months ended September 30, 2004 and 2005 is Rs. 1,084.71 and Rs. 1,480.99 respectively. This includes Rs. 87.16 and Rs. 98.12 as amortization of capitalized internal use software, during the six months ended September 30, 2004 and 2005, 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 September 30,					
	2004 (Unaudited)			2005 (Unaudited)		
	Gross carrying amount	Accumulated amortization	Net	Gross carrying amount	Accumulated Amortization	Net
Technology-based intangibles	Rs. 34.30	Rs. 15.81	Rs. 18.49	Rs. 34.30	Rs. 24.29	Rs. 10.01
Customer-related intangibles	560.97	515.79	45.18	575.81	552.37	23.44
Marketing-related intangibles	382.43	42.11	340.32	382.43	63.01	319.42
Others	0.95	0.95		0.95	0.95	
	Rs. 978.65	Rs. 574.66	Rs. 403.99	Rs. 993.49	Rs. 640.62	Rs. 352.87

	As of March 31, 2005		
	Gross carrying amount	Accumulated Amortization	Net
Technology-based intangibles	Rs. 34.30	Rs. 19.68	Rs. 14.62
Customer-related intangibles	560.97	542.18	18.79
Marketing-related intangibles	382.43	52.73	329.70
Others	0.95	0.95	
	Rs. 978.65	Rs. 615.54	Rs. 363.11

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The movement in goodwill balance is given below:

	Six months ended September 30, 2004 (Unaudited)	Six months ended September 30, 2005 (Unaudited)	Year ended March 31,
Balance at the beginning of the period	Rs. 5,368.70	Rs. 5,614.98	Rs. 5,368.70
Goodwill relating to acquisitions	39.27	304.14	206.72
Effect of translation adjustments	79.51	5.75	39.56
Balance at the end of the period	Rs. 5,487.48	Rs. 5,924.87	Rs. 5,614.98

Goodwill as of September 30, 2004, 2005 and March 31, 2005 has been allocated to the following reportable segments:

Segment	As of September 30, 2004 (Unaudited)	As of September 30, 2005 (Unaudited)	As of March 31, 2005
Global IT Services and Products	Rs. 4,831.24	Rs. 5,268.63	Rs. 4,958.74
India and AsiaPac IT Services and Products	656.24	656.24	656.24
Total	Rs. 5,487.48	Rs. 5,924.87	Rs. 5,614.98

11. Other Current Liabilities

Other current liabilities consist of the following:

	As of September 30, 2004 (Unaudited)	As of September 30, 2005 (Unaudited)	As of March 31, 2005
Statutory dues payable	Rs. 1,167.77	Rs. 1,863.73	Rs. 1,484.20
Taxes payable	21.10	182.71	19.67
Warranty obligations	305.63	410.89	361.08
Derivative liability	1,434.65	147.18	
Others	251.79	414.38	270.21
	Rs. 3,180.94	Rs. 3,018.89	Rs. 2,135.16

The activity in warranty obligations is given below:

	Six months ended September 30, 2004 (Unaudited)	Six months ended September 30, 2005 (Unaudited)	Year ended March 31, 2005
Balance at the beginning of the period	Rs. 357.36	Rs. 361.08	Rs. 357.36
Additional provision during the period	161.05	194.48	373.46

Reduction due to payments	(212.78)	(144.67)	(369.74)
Balance at the end of the period	Rs. 305.63	Rs. 410.89	Rs. 361.08

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. 263.50 and Rs. 400.88 for the six months ended September 30, 2004 and 2005, respectively.

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

	(Unaudited)
Year ending September 30,	
2006	Rs. 124.43
2007	128.28
2008	136.45
2009	125.80
2010	117.31
Thereafter	203.78
Total	Rs. 836.05

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Other assets as of March 31, 2005, September 30, 2004 and 2005 include Rs. 61.67, Rs. 31.06 and Rs. 459.99, respectively, being prepaid operating lease rentals for land obtained on lease for a period of 60 years, 60 years and 90 years, respectively. The prepaid expense is being charged over the lease term.

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, 2005, September 30, 2004 and 2005 was Rs. 582.41, Rs. 502.21 and Rs. 706.87, respectively. The Company s equity in the income of Wipro GE for six months ended September 30, 2004 and 2005 was Rs. 45.75 and Rs. 124.46, respectively.

In March 2005, Wipro GE received a demand of Rs. 616.90, including interest, from the income tax authorities for the financial year ended March 31, 2002. The tax demand is mainly on account of denial of tax holiday benefits and transfer pricing adjustments. Wipro GE has filed an appeal against this demand. Wipro GE believes that the demand is without merit and has concluded that the ultimate outcome of this proceeding will not have a material adverse effect on the financial position or overall trends in results of operations.

WeP Peripherals

The Company has accounted for its 40.5% and 37.7% interest as of September 30, 2004 and 2005, respectively in WeP Peripherals by the equity method. The carrying value of the equity investment in WeP Peripherals as of March 31, 2005, September 30, 2004 and 2005, was Rs. 186.83, Rs.171.35 and Rs. 201.57, respectively. The Company s equity in the income of WeP Peripherals for the six months ended September 30, 2004 and 2005 was Rs. 16.65 and Rs. 14.74, respectively. During the six months ended September 30, 2004 the Company received dividends of Rs.8.40 from WeP Peripherals.

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 September 30,		As of March 31,
	2004 (Unaudited)	2005 (Unaudited)	2005
Forward contracts			
Sell	$ 1,122.83	$ 515.58	$ 855.70
		£ 27.00	£ 11.00
Buy			$ 4.00
Purchased options (sell)		$ 50.00	
Net written options (sell)	$ 31.00	$ 6.00	$ 8.00
		£ 59.00	

In connection with cash flow hedges, the Company has recorded Rs. 113.81, (Rs. 1,680.30) and Rs. 192.92 of net gains/(losses) as a component of accumulated and other comprehensive income within stockholders equity as at March 31, 2005, September 30, 2004 and September 30, 2005.

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, 2005, six months ended September 30, 2004 and 2005.

	As of September 30,		As of March 31,
	2004 (Unaudited)	2005 (Unaudited)	2005
Balance as at the beginning of the period	Rs. 1,058.97	Rs. 113.81	Rs. 1,058.97
Net gains reclassified into net income on occurrence of hedged transactions	649.19	(90.02)	(1,015.79)
Deferred cancellation gains/(losses) relating to roll-over hedging	(547.56)	307.86	(159.60)
Changes in fair value of effective portion of outstanding derivatives	(2,840.90)	(138.74)	230.23
Unrealized loss on cashflow hedging derivatives, net	(2,739.27)	79.11	(945.16)
Balance as at the end of the period	Rs. (1,680.30)	Rs. 192.92	Rs. 113.81

As of September 30, 2004 and 2005 there were no significant gains or losses on derivative transactions or portions thereof that have become ineffective as hedges, or associated with an underlying exposure that did not occur.

In addition, the Company has net written put options to sell US dollars which are ineligible for hedge accounting under SFAS No. 133. Consequently, the changes in fair value of the net written options aggregating Rs. 202.27 and Rs. Nil have been recognized in the consolidated statements of income as foreign exchange losses, net for the six months ended September 30, 2004 and 2005, respectively.

15. Borrowings from Banks

The Company has an Indian line of credit of Rs. 2,000 and a US line of credit of $25 from its bankers for working capital requirements. Both the lines of credit are renewable annually. The Indian line of credit bears interest at the prime rate of the bank, which averaged 9% and 8.5% for the six months ended September 30, 2004 and 2005, respectively. The US line of credit bears interest at 60 basis points over the London Inter-Bank Offered Rate. The facilities are secured by inventories, accounts receivable and certain property and contain financial covenants and restrictions on indebtedness.

16. Stock Dividend

In June 2004, the members of the Company approved a stock dividend in the ratio of 2 additional equity shares or ADS for every equity share or ADS held. Accordingly, the Company has issued 465,631,260 additional shares and has transferred an amount of Rs. 931.26 from retained earnings to equity shares. Share and per share data for all periods reported have been adjusted to reflect the stock dividend. In accordance with the shareholder s approval, capitalization of retained earnings aggregating Rs. 931.26 has been recorded during the six months ended September 30, 2004.

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. The allocation between additional paid in capital and retained earnings is in line with the local statutory accounts. Share and per share data for all periods reported have been adjusted to reflect the stock split effected in the form of stock dividend. Capitalization of additional paid in capital and retained earnings aggregating Rs. 1,411.79 has been recorded in the six months ended September 30, 2005.

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.

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In October 2000, the Company made a public offering of its American Depositary Shares, or ADSs, to international investors. The offering consisted of 18,975,000 ADSs representing 18,975,000 equity shares (one ADS represents one equity share), at an offering price of $6.90 per ADS. The equity shares represented by the ADS carry similar rights as to voting and dividends as the other equity shares.

Should the Company declare and pay dividend, such dividend will be 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 upto 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.

The Company paid cash dividends of Rs. 7,575.99 and Rs. 3,997.74 during the six months ended September 30, 2004 and 2005, respectively. The dividends per share were Rs. 9.67 and Rs. 2.50 per share during the six months ended September 30, 2004 and 2005, respectively.

18. Retained Earnings

The Company s retained earnings as of March 31, 2005, September 30, 2004 and September 30, 2005 include restricted retained earnings of Rs. 259.54, Rs. 259.54 and Rs. 9.50, respectively, which are not distributable as dividends under Indian company laws. These relate to requirements regarding earmarking a part of the retained earnings on redemption of preference shares.

Retained earnings as of March 31, 2005, September 30, 2004 and 2005, also include Rs. 634.04, Rs. 538.36 and Rs. 773.24, respectively, of undistributed earnings in equity of affiliates.

19. Other Income, Net

Other income consists of the following:

	Six months ended September 30,	
	2004 (Unaudited)	**2005 (Unaudited)**
Interest income/(expense), net	Rs. (16.88)	Rs. 108.19
Dividend income	369.28	345.57
Gain/(loss) on sale of liquid and short-term mutual funds	(34.95)	46.89
Others	97.49	6.5
	Rs. 414.94	Rs. 507.15

20. Shipping and Handling Costs

Selling and marketing expenses for the six months ended September 30, 2004 and 2005, include shipping and handling costs of Rs. 40.35 and Rs. 54.72, respectively.

21. Income Taxes

Income taxes have been allocated as follows:

	Six months ended September 30,	
	2004 (Unaudited)	**2005 (Unaudited)**
Net income	Rs. 1,276.76	Rs. 1,376.98
Stockholders equity for:		
Unrealized gain/(loss) on investment securities, net	(1.76)	80.80

Total income taxes	Rs. 1,275.00	Rs. 1,457.78

Income taxes relating to continuing operations consist of the following:

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	Six months ended September 30,	
	2004 (Unaudited)	2005 (Unaudited)
Current taxes		
Domestic	Rs. 687.40	Rs. 768.27
Foreign	597.76	579.58
	Rs. 1,285.16	Rs. 1,347.85
Deferred taxes		
Domestic		29.13
Foreign	(8.40)	
	(8.40)	29.13
Total income tax expense	Rs. 1,276.76	Rs. 1,376.98

Domestic current taxes for the six months ended September 30, 2005 include reversal of provision of Rs. 164.09 in respect of earlier years due to a favorable tax order.

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. 230,646, 1,313,130 and 230,646 shares held by employees as of March 31, 2005, September 30, 2004 and 2005, respectively, subject to vesting conditions are included in the outstanding equity shares.

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

	Six months ended September 30,		Year ended March 31,
	2004 (Unaudited)	2005 (Unaudited)	2005
Shares held at the beginning of the period	7,887,060	7,893,060	7,887,060
Shares granted to employees		(24,000)	
Grants forfeited by employees	4,500		6,000
Shares held at the end of the period	7,891,560	7,869,060	7,893,060

Deferred compensation is amortized on a straight-line basis over the vesting period of the shares. The amortization of deferred stock compensation, net of reversals, for the six months ended September 30, 2004 and 2005, was Rs. 6.19 and Rs. 9.64, 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. The Company has not recorded any deferred compensation as the exercise price was equal to the fair market value of the underlying equity shares on the grant date.

Stock option activity under the 1999 Plan is as follows:

	Six months ended September 30, 2004 (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	7,114,662	Rs. 171	181	Rs.	181	18 months
	12,596,220	309	421		311	26 months
Forfeited during the period	(66,090)	171	181		181	
	(402,300)	309	421		309	
Exercised during the period	(832,854)	171	181		180	

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	Six months ended September 30, 2004 (Unaudited)						
	Shares arising out of options		Range of exercise prices			Weighted-average exercise price	Weighted-average remaining contractual life (months)
Outstanding at the end of the period	6,215,718		171	181		181	12 months
	12,193,920		309	421		311	20 months
Exercisable at the end of the period	4,364,818		171	181		181	12 months
	8,535,744	Rs.	309	421	Rs.	311	20 months

	Six months ended September 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	3,464,298	Rs.	171	181		181	6 months
	9,939,724		309	421		311	14 months
Forfeited during the period	(10,540)		171	181		181	
	(173,365)		309	421		317	
Exercised during the period	(3,383,936)		171	181		181	
	(1,863,860)		309	421		309	
Lapsed during the period	(69,822)		171	181		181	
Outstanding at the end of the period			171	181			
	7,902,499		309	421		311	9 months
Exercisable at the end of the period			171	181			
	7,843,009	Rs.	309	421	Rs.	311	9 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. The Company has not recorded any deferred compensation as the exercise price was equal to the fair market value of the underlying equity shares on the grant date.
Stock option activity under the 2000 Plan is as follows:

	Six months ended September 30, 2004(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	514,800	Rs.	172 256	Rs.	230	45 months
	31,135,056		265 396		266	47 months
	13,627,098		397 458		399	30 months
Forfeited during the period	(51,000)		172 256		229	
	(1,285,440)		265 396		266	
	(370,950)		397 458		402	
Exercised during the period	(12,954)		172 256		217	
	(18,606)		265 396		265	
Outstanding at the end of the period	450,846		172 256		233	39 months
	29,831,010		265 396		266	41 months
	13,256,148		397 458		399	24 months
Exercisable at the end of the period	169,534		172 256		233	39 months
	11,937,198		265 396		266	41 months
	5,965,266	Rs.	397 458	Rs.	399	24 months

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	Six months ended September 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	392,896	Rs.	172	256	231	33 months
	26,180,498		265	396	267	35 months
	12,661,148		397	458	399	18 months
Forfeited during the period	(12,300)		172	256	231	
	(466,844)		265	396	268	
	(484,950)		397	458	398	
Exercised during the period	(44,180)		172	256	232	
	(2,315,540)		265	396	264	
Outstanding at the end of the period	336,416		172	256	233	27 months
	23,398,114		265	396	267	29 months
	12,176,198		397	458	398	12 months
Exercisable at the end of the period	153,895		172	256	233	27 months
	14,059,998		265	396	267	29 months
	8,523,339	Rs.	397	458	Rs. 399	12 months

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. The Company has not recorded any deferred compensation as the exercise price was equal to the fair market value of the underlying ADS on the grant date.

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

Six months ended September 30, 2004 (Unaudited)

Weighted-

	Shares arising out of options	Range of exercise prices	Weighted- average exercise price	average remaining contractual life (months)
Outstanding at the beginning of the period	429,300	$ 3.46 5.01	$ 4.32	42 months
	3,392,022	5.82 6.90	6.40	33 months
Forfeited during the period	(60,000)	5.82 6.90	6.53	
Exercised during the period	(4,650)	3.46 5.01	4.35	
	(479,370)	5.82 6.90	6.44	
Outstanding at the end of the period	424,650	3.46 5.01	4.32	36 months
	2,852,652	5.82 6.90	6.44	22 months
Exercisable at the end of the period	119,926	3.46 5.01	4.36	36 months
	2,045,788	$ 5.82 6.90	$ 6.57	19 months

Six months ended September 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	404,550	$ 3.46 5.01	4.35	30 months
	2,030,700	5.82 6.90	6.50	21 months
Exercised during the period	(105,000)	3.46 5.01	4.50	
	(103,526)	5.82 6.90	6.37	
Outstanding at the end of the period	299,550	3.46 5.01	4.30	24 months
	1,927,174		6.41	15 months

			5.82 6.90			
			3.46			
Exercisable at the end of the period	148,943		5.01		4.33	24 months
			5.82			
	1,470,435	$	6.90	$	6.51	15 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).

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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 deferred compensation cost. The Company has elected to amortize the deferred compensation cost on a straight-line basis over the vesting period.

Stock option activity under WRSUP 2004 plan is as follows:

	Six months ended September 30, 2004 (Unaudited)		
	Shares arising out of options	Exercise price	Weighted-average remaining contractual life (months)
Outstanding at the beginning of the period		Rs.	
Granted during the period	141,500	2	72 months
Outstanding at the end of the period	141,500	2	71 months
Exercisable at the end of the period		Rs.	

	Six months ended September 30, 2005 (Unaudited)		
	Shares arising out of options	Exercise price	Weighted-average remaining contractual life (months)
Outstanding at the beginning of the period	9,519,656	Rs. 2	66 months
Forfeited during the period	(326,300)	2	
Outstanding at the end of the period	9,193,356	2	60 months
Exercisable at the end of the period		Rs. 2	

Stock option activity under WARSUP 2004 plan is as follows :

	Six months ended September 30, 2005 (Unaudited)		
	Shares arising out of options	Exercise price	Weighted-average remaining contractual life (months)
Outstanding at the beginning of the period	1,536,100	$ 0.04	66 months
Forfeited during the period	(211,900)	0.04	
Outstanding at the end of the period	1,324,200	0.04	60 months
Exercisable at the end of the period		$ 0.04	

During the six months ended September 30, 2005 the Company has amortized Rs. 315.03 of deferred compensation cost. The compensation cost has been allocated to cost of revenues and operating expenses as follows:

	Six months ended September 30, 2005 (Unaudited)
Cost of revenues	Rs. 223.71
Selling and marketing expenses	39.01
General and administrative expenses	52.31
	Rs. 315.03

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The unamortized deferred compensation cost as at September 30, 2005 of Rs. 2,674.34 arising from such grants is being amortized over the vesting period of the options.

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:

	Six months ended September 30, 2004 (Unaudited)	Six months ended September 30, 2005 (Unaudited)
Earnings		
Net income	Rs. 7,089.16	Rs. 8,971.76
Effect of dilutive instruments of subsidiary	(27.97)	
Net income (adjusted for full dilution)	Rs. 7,061.19	Rs. 8,971.76
Equity shares		
Weighted average number of equity shares outstanding	1,388,937,632	1,401,305,426
Effect of dilutive equivalent shares-stock options	3,603,958	16,257,525
Weighted average number of equity shares and equivalent shares outstanding	1,392,541,590	1,417,562,951

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 25,450,070 and 12,176,198 equity shares were outstanding during the six months ended September 30, 2004 and 2005, respectively, but were not included in the computation of diluted earnings per share because the exercise price of the options was greater than the average market price of the equity shares.

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 six months ended September 30, 2004 and 2005 included:

	Six months ended September 30, 2004 (Unaudited)	Six months ended September 30, 2005 (Unaudited)
Service cost	Rs. 4.04	Rs. 3.86
Interest cost	3.74	4.98
Expected return on assets	(0.98)	(1.02)
Amortization of transition liabilities	2.92	3.60
Net gratuity cost	Rs. 9.72	Rs. 11.42

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. 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

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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 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 Government.

The Company contributed Rs. 462.57 and Rs. 328.53 to various defined contribution and benefit plans during the six months ended September 30, 2004 and 2005, respectively.

25. Related Party Transactions

The Company has the following transactions with related parties:

	Six months ended September 30,	
	2004 (Unaudited)	**2005 (Unaudited)**
Wipro GE:		
Revenues from sale of computer equipment and administrative and management support services	Rs. 47.38	Rs. 64.40
WeP Peripherals:		
Revenues from sale of computer equipment and services	5.24	8.24
Payment for services		5.24
Purchase of printers	78.57	75.85
Azim Premji Foundation:		
Revenues from sale of computer equipment and services	5.70	0.38
Principal shareholder:		
Payment of lease rentals	0.75	0.75

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

	As of September 30,		As of March 31,
	2004 (Unaudited)	**2005 (Unaudited)**	**2005**
Wipro GE	Rs. 47.38	Rs. 64.40	Rs. 20.94
WeP Peripherals	5.24	8.24	1.90
Azim Premji Foundation	5.70	0.38	6.71
	Rs. 58.32	Rs. 73.02	Rs. 29.55

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

	As of September 30,		As of March 31,
	2004 (Unaudited)	**2005 (Unaudited)**	**2005**
WeP Peripherals	Rs. 78.57	Rs. 81.09	Rs.

Rs. 78.57	Rs.	81.09	Rs.	

26. Commitments and Contingencies

Capital commitments. As of March 31, 2005, September 30, 2004 and 2005, the Company had committed to spend approximately Rs. 1,180.80, Rs. 596.40 and Rs. 2,130.26, 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 September 30, 2005, the Company has met all commitments required under the plan.

Guarantees. As of March 31, 2005, September 30, 2004 and 2005 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. 2,243.12, Rs. 1,730.00 and Rs. 2,373.06, respectively, as part of the bank line of credit.

Contingencies and lawsuits. In March 2004, the Company received a demand from the tax authorities of Rs. 2,614.57, including interest, upon completion of their tax review for the financial year ended March 31, 2001. The tax demand is mainly on account of disallowances of deduction claimed by Company under section 10A of the Income Tax Act of India, 1961, which allows a tax holiday in respect of profits earned on some of the undertakings of the Company. On similar grounds, in March 2005, the Company received a demand from the tax authorities of Rs. 2,617.15, including interest, upon completion of their tax review for the financial year ended March 31, 2002. Management, including external counsel has concluded that the ultimate outcome of this proceeding will not have a material adverse effect on the Company s financial position or overall trends in results of operations. As of September 30, 2004 and September 30, 2005, the net exposure of the Company was Rs. 2,315.57 and Rs. 4,737.95, respectively.

In June 2005, the Income Tax appellate Tribunal (ITAT) has upheld, for a different assessment year, certain income tax deductions claimed by the Company. Applying such principles to the above assessment year, the demand made by the tax authorities for the financial years ended March 31, 2001 and 2002, is expected to reduce by Rs. 2,159.38.

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 Wipro expects to be material in relation to its business.

27. 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.

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 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 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.

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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. Information on reportable segments is as follows:

Information on reportable segments is as follows:

	Six months ended September 30, 2004 (Unaudited)							
	Global IT Services and Products			India and AsiaPac IT Services and	Consumer Care and		Reconciling	Entity
	IT Services	BPO Services	Total	Products	Lighting	Others	Items	Total
Revenues	Rs. 25,394.49	Rs.						