WIPRO LTD
Form 6-K
February 12, 2008

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

FORM 6-K
REPORT OF FOREIGN PRIVATE ISSUER
Pursuant to Rule 13a-16 or 15d-16 of the Securities Exchange Act of 1934
For the Quarter ended December 31, 2007
Commission File Number 001-16139

WIPRO LIMITED
(Exact name of Registrant as specified in its charter)

Not Applicable
(Translation of Registrant s name into English)
Karnataka, India
(Jurisdiction of incorporation or organization)
Doddakannelli
Sarjapur Road
Bangalore - 560035, Karnataka, India
+91-80-2844-0011
(Address of principal executive offices)

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

Form 20-F 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 December 31, 2007, for cable transfers in Indian rupees as certified for customs purposes by the Federal Reserve Bank of New York which was Rs. 39.41 per $1.00. No representation is made that the Indian rupee amounts have been, could have been or could be converted into United States dollars at such a rate or any other rate. Any discrepancies in any table between totals and sums of the amounts listed are due to rounding. Information contained in our website, www.wipro.com, is not part of this Quarterly Report.

Forward-Looking Statements May Prove Inaccurate

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

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements

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

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

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

See accompanying notes to the unaudited consolidated financial statements.

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

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

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

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

See accompanying notes to the unaudited consolidated financial statements.

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

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

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

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

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

See accompanying notes to the unaudited consolidated financial statements.

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

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

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

See accompanying notes to the unaudited consolidated financial statements.

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

1. Overview

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

2. Significant Accounting Policies

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

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

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

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

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

Convenience translation. The accompanying consolidated financial statements have been reported in Indian rupees, the national currency of India. Solely for the convenience of the readers, the financial statements as of and for the period ended December 31, 2007, have been translated into U.S. dollars at the noon buying rate in New York City on December 31, 2007, for cable transfers in Indian rupees, as certified for customs purposes by the Federal Reserve Bank of New York of $1 = Rs. 39.41. No representation is made that the Indian rupee amounts have been, could have been or could be converted into United States dollars at such a rate or any other rate.

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

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

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

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

For all revenue arrangements with multiple deliverables, based on the guidance in EITF Issue No. 00-21 the Company recognizes revenues on the delivered products or services only if:

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

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

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

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

The arrangement consideration is allocated to the units of accounting based on their fair values. The revenue recognized for the delivered items is limited to the amount that is not contingent upon the delivery or performance of the undelivered items.

In certain cases, the application of the contingent revenue provisions of EITF Issue No. 00-21 could result in recognizing a loss on the delivered element. In such cases, the cost recognized is limited to the amount of non-contingent revenues recognized and the balance costs are recorded as an asset and are reviewed for impairment based on the estimated net cash flows to be received for future deliverables under the contract. These costs are subsequently recognized on recognition of the revenue allocable to the balance deliverables.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Changes in fair value for derivatives not designated as hedging derivatives and ineffective portion of the hedging instruments are recognized in consolidated statements of income of each period and are reported within foreign exchange gains/ (losses), net under operating expenses.

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

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

Recent accounting pronouncement

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

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

SFAS No. 141R. In December 2007, the FASB issued SFAS No. 141 (revised 2007), Business Combinations (SFAS No. 141R), which is a revision of SFAS No. 141, Business Combinations. This statement establishes principles and requirements for how an acquirer: recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed and any noncontrolling interest in the acquiree; recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase; and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. The Company will be required to apply this new standard prospectively to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after December 15, 2008. Early adoption is prohibited. The Company is currently evaluating the impact of SFAS No. 141R on its consolidated financial statements.

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

3. Acquisitions

Unza Holdings Limited

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

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

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

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

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

Infocrossing Inc.

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

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

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

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

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

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

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

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

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

Unaudited pro forma financial information

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

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

Others

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

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

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4. Cash and Cash Equivalents

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

5. Accounts Receivable

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

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

6. Inventories

Inventories consist of the following:

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

7. Other Assets

Other assets consist of the following:

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

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

8. Investments in liquid and short-term mutual funds

Investment securities consist of the following:

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