WIPRO LTD
Form 6-K
February 09, 2007

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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, 2006
Commission File Number 001-16139

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

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

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

Form 20-F þ Form 40-F o

Indicate by check mark whether by furnishing the information contained in this Form, the registrant 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, references to or Euro are to the legal currency of the European Union, 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 our registered trademark 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 29, 2006, for cable transfers in Indian rupees as certified for customs purposes by the Federal Reserve Bank of New York which was Rs. 44.11 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 December 31,						**As of March 31,**
		2005		**2006**		**2006**		**2006**
						Convenience translation into US$		
		(Unaudited)		**(Unaudited)**		**(Unaudited)**		
ASSETS								
Current assets:								
Cash and cash equivalents (Note 4)	Rs.	4,279.48	Rs.	4,751.74	$	107.72	Rs.	8,857.70
Investments in liquid and short-term mutual funds (Note 8)		31,122.97		37,608.32		852.60		30,328.42
Accounts receivable, net of allowances (Note 5)		19,025.84		26,904.50		609.94		20,593.11
Costs and earnings in excess of billings on contracts in progress		4,240.63		5,116.95		116.01		4,336.06
Inventories (Note 6)		1,908.89		3,984.53		90.33		2,064.61
Deferred income taxes		91.39		423.26		9.60		168.28
Other current assets (Note 7)		4,459.90		6,699.39		151.88		5,463.04
Total current assets		65,129.10		85,488.69		1,938.08		71,811.22
Property, plant and equipment, net (Note 9)		16,156.80		24,352.29		552.08		17,777.40
Investments in affiliates (Note 13)		1,002.23		1,202.64		27.26		1,043.09
Investment securities				357.42		8.10		
Deferred income taxes.		230.60		52.90		1.20		182.91
Purchase price pending allocation (Note 3)		1,929.28						
Intangible assets, net (Note 10)		342.33		2,621.73		59.44		854.33
Goodwill (Note 3,10)		5,944.94		12,798.53		290.15		7,480.85
Other assets (Note 7)		1,168.09		1,553.81		35.23		1,243.98
Total assets	**Rs.**	**91,903.37**		**128,428.01**	**$**	**2,911.54.**	**Rs.**	**100,393.78**
LIABILITIES AND STOCKHOLDERS EQUITY								
Current liabilities:								
Borrowings from banks (Note 15)	Rs.	1,054.36		2,144.58	$	48.62	Rs.	704.55
Bonds issued by subsidiary		272.05						
Current portion of long-term debt				228.61		5.18		
Accounts payable		3,168.65		5,417.05		122.81		4,145.96

Accrued expenses	5,820.81	8,050.07	182.50	6,600.63
Accrued employee costs	4,109.12	5,152.58	116.81	4,425.12
Advances from customers	1,836.61	3,114.78	70.61	1,616.26
Other current liabilities (Note 11)	4,290.71	6,047.85	137.11	3,614.41
Total current liabilities	**20,552.31**	**30,155.52**	**683.64**	**21,106.94**
Long-term debt, excluding current portion		800.32	18.15	
Deferred income taxes		462.35	10.48	127.46
Other liabilities	439.81	860.09	19.50	395.04
Total liabilities	20,992.12	32,278.28	731.77	21,629.44
Stockholders equity:				
Equity shares at Rs. 2 par value: 1,650,000,000 shares authorized; Issued and outstanding: 1,425,754,267, 1,420,739,099 and 1,439,802,322 shares as of March 31, 2006, December 31, 2005 and 2006 (Note 16, 17)	2,841.48	2,879.60	65.28	2,851.51
Additional paid-in capital (Note 22)	15,023.04	19,193.93	435.14	16,521.07
Deferred stock compensation (Note 22)	(2,385.79)			(2,202.42)
Accumulated other comprehensive income (Note 14)	246.77	483.65	10.96	433.70
Retained earnings (Note 18)	55,185.83	73,592.63	1,668.39	61,160.56
Equity shares held by a controlled Trust: 7,869,060, 7,869,060 and 7,869,060 shares as of March 31, 2006, December 31, 2005 and 2006 (Note 22)	(0.08)	(0.08)	(0.00)	(0.08)
Total stockholders equity	70,911.25	96,149.73	2,179.77	78,764.34
Total liabilities and stockholders equity	**Rs. 91,903.37**	**128,428.01**	**$ 2,911.54**	**Rs. 100,393.78**

See accompanying notes to the consolidated financial statements.

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

		Three months ended December 31,				Nine months ended December 31,		
		2005	2006	2006 Convenience translation into US$		2005	2006	2006 Convenie translati into US$
		(Unaudited)	(Unaudited)	(Unaudited)		(Unaudited)	(Unaudited)	(Unaudit
venues:								
bal IT Services and Products								
Services	Rs.	19,595.02	26,501.04	$ 600.79	Rs.	52,249.00	73,790.43	$ 1,672.
O Services		1,933.11	2,371.55	53.76		5,585.17	6,773.76	153.
ia and AsiaPac IT Services and Products								
vices		1,490.12	2,222.55	50.39		4,335.46	5,907.80	133.
ducts		2,376.45	4,511.26	102.27		6,845.27	10,181.06	230.
nsumer Care and Lighting		1,460.73	1,930.54	43.77		4,141.75	5,451.34	123.
ers		878.36	2,099.07	47.59		2,408.73	3,981.82	90.
al		**27,733.79**	**39,636.01**	**898.57**		**75,565.38**	**106,086.21**	**2,405.**
t of revenues:								
bal IT Services and Products								
Services		12,428.88	17,511.76	397.00		33,337.69	48,596.64	1,101.
O Services		1,402.19	1,528.77	34.66		4,264.72	4,520.68	102.
ia and AsiaPac IT Services and Product								
vices		834.07	1,148.05	26.03		2,514.34	3,230.68	73.
ducts		2,066.29	4,102.44	93.00		6,052.37	9,233.47	209.
nsumer Care and Lighting		919.18	1,295.60	28.56		2,623.45	3,558.63	80.
ers		655.64	1,809.46	41.02		1,794.77	3,242.87	73.
al		18,306.25	27,360.08	620.27		50,587.34	72,382.97	1,640.
ss profit		9,427.54	12,275.93	278.30		24,978.04	33,703.24	764.
erating expenses:								
ling and marketing expenses		(1,712.62)	(2,192.24)	(49.70)		(4,952.12)	(6,388.75)	(144.
neral and administrative expenses		(1,406.00)	(2,068.32)	(46.88)		(3,838.53)	(5,340.25)	(121.
earch and development expenses		(52.49)	(76.43)	(1.73)		(141.35)	(204.45)	(4.
ortization of intangible assets (Note 10)		(10.54)	(89.83)	(2.04)		(35.62)	(231.59)	(5.
eign exchange gains / (losses), net		(407.39)	(210.78)	(4.78)		(500.33)	(227.16)	(5.
ers, net		13.58	64.95	1.47		45.78	369.80	8.
erating income		5,852.08	7,703.28	174.64		15,555.87	21,680.84	491.
er income, net (Note 19)		366.87	704.68	15.97		874.03	1,683.43	38.
		93.79	121.36	2.75		232.99	278.73	6.

uity in earnings/(losses) of affiliates ote 13)									
ome before income taxes, minority erest and cumulative effect of change in ounting principle		6,312.74	8,529.32		193.36		16,662.89	23,643.00	536.
ome taxes (Note 21)		(989.27)	(1,079.54)		(24.47)		(2,366.25)	(3,126.98)	(70.
nority interest							(1.40)		
ome before cumulative effect of change ccounting principle		5323.47	7,449.78		168.89		14,295.24	20,516.02	465.
mulative effect of change in accounting ciple (Note 2)								39.09	0.
income	Rs.	5,323.47	7,449.78	$	168.89	Rs.	14,295.24	20,555.11	$ 466.
nings per equity share: (Note 23)									
sic									
ome before cumulative effect of change ccounting principle		3.78	5.21		0.12		10.18	14.40	0.
mulative effect of change in accounting ciple								0.03	0.
income		3.78	5.21		0.12		10.18	14.43	0.
uted									
ome before cumulative effect of change ccounting Principle		3.74	5.14		0.12		10.07	14.22	0.
mulative effect of change in accounting ciple								0.03	0.
income		3.74	5.14		0.12		10.07	14.25	0.
ighted average number of equity shares d in computing earnings per equity re:									
sic		1,408,963,785	1,428,718,122				1,403,858,212	1,424,271,318	
uted		1,424,652,106	1,449,669,389				1,419,926,002	1,442,901,237	

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 Stock		Accumulated Other		Equity Shares held by a Controlled Trust		
	No. of Shares	Amount	Paid in Capital	Compensation	Comprehensive Income	Comprehensive Income/(loss)	Retained Earnings	No. of Shares	Amount	S
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)	R
ds							(3,997.74)			
f										
	13,598,055	22.55	3,144.20							
e										
		1,411.79	(1,161.75)				(250.04)			
								24,000		
ck n, ces										
			(301.32)	272.13						
n o ck n										
				527.22						
ne										
ck n										
			69.34							

ve										
					Rs. 14,295.24		14,295.24			
ve s)										
					32.50					
ain t t										
					160.20					
ss										
et										
					(42.20)					
ve s)										
					150.68	150.68				
ve										
					Rs. 14,445.92					
. ,										
	1,420,739,099	Rs. 2,841.48	Rs. 15,023.04	Rs. (2,385.79)		Rs. 246.77	Rs. 55,185.83	(7,869,060)	Rs. (0.08)	R
.										
06	1,425,754,267	2,851.52	16,521.07	(2,202.42)		433.70	61,160.56	(7,869,060)	(0.08)	
d										
							(8,123.04)			
of k n										
3										
)			(2,202.42)	2,202.42						

te)			(39.09)			
f	14,048,055	28.08	3,952.24			
n o ck n			897.61			
he ck n			64.52			
ve				20,555.11		20,555.11
ve o				20.88		
ain t t				116.05		
ss et				(86.98)		
ve o				49.95	49.95	

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	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
Comprehensive income (unaudited)					20,605.06					
Balance as of December 31, 2006 (unaudited)	1,439,802,322	2,879.60	19,193.93			483.65	73,592.63	(7,869,060)	(0.08)	96,149.73
Balance as of December 31, 2006 (unaudited) ($)		$ 65.28	$ 435.14			$ 10.96	$ 1,668.39		$ (0.00)	$ 2,179.77

See accompanying notes to the consolidated financial statements.

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

	Nine months ended December 31,		
	2005	**2006**	**2006**
			Convenience translation into US$
	(Unaudited)	**(Unaudited)**	**(Unaudited)**
Cash flows from operating activities:			
Net income	Rs. 14,295.24	20,555.11	$ 466.00
Adjustments to reconcile net income to net cash provided by operating activities:			
(Gain)/Losses on sale of property, plant and equipment	(4.48)	(7.61)	(0.17)
(Gain)/Loss on sale of liquid and short-term mutual funds	(163.67)	(316.45)	(7.17)
Cumulative effect of change in accounting principle		(39.09)	(0.89)
Depreciation and amortization	2,291.08	3,169.94	71.86
Deferred tax charge/(benefit)	42.09	(40.04)	(0.91)
Unrealised exchange (gain)/loss	543.19	234.55	5.32
Stock compensation cost	498.03	962.15	21.81
Equity in earnings of affiliates	(232.99)	(278.73)	(6.32)
Minority interest	1.40		
Changes in operating assets and liabilities:			
Accounts receivable	(4,290.11)	(4,891.98)	(110.90)
Costs and earnings in excess of billings on contracts in progress	(1,500.98)	(780.90)	(17.70)
Inventories	(139.73)	(769.43)	(17.44)
Other assets	(1,277.47)	(1,060.34)	(24.04)
Accounts payable	(559.57)	93.02	2.11
Accrued expenses and employee costs	2,895.16	1,280.30	29.03
Advances from customers	556.97	1,289.73	29.24
Other liabilities	1,542.72	2,141.25	48.54
Net cash provided by operating activities	14,496.87	21,541.48	488.37
Cash flows from investing activities:			
Expenditure on property, plant and equipment	(5,155.55)	(8,228.24)	(186.54)
Proceeds from sale of property, plant and equipment	108.31	118.30	2.68
Purchase of investments	(40,924.19)	(84,092.48)	(1,906.43)
Proceeds from sale of investments	33,307.65	77,082.66	1,747.51
Payment for acquisitions, net of cash acquired	(2,576.44)	(7,713.12)	(174.86)
Net cash used in investing activities	(15,240.22)	(22,832.88)	(517.64)
Cash flows from financing activities:			

Proceeds from issuance of equity shares		3,166.75	3,905.45		88.54
Proceeds from / (repayments of) short-term borrowing from banks, net.		230.08	1,274.94		28.94
Repayment of long-term debt			89.52		2.00
Payment of cash dividends		(3,997.74)	(8,123.04)		(184.19)
Excess income tax benefit related to employee stock incentive plan			64.52		1.46
Net cash used by/ (used in) financing activities		(600.91)	(2,788.61)		(63.22)
Net decrease in cash and cash equivalents during the period		(1,344.26)	(4,080.01)		(92.51)
Effect of exchange rate changes on cash		47.02	(25.95)		(0.59)
Cash and cash equivalents at the beginning of the period		5,670.76	8,857.70		200.81
Cash and cash equivalents at the end of the period	Rs.	4,279.48	4,751.74	$	107.72
Supplementary information:					
Cash paid for interest		27.88	84.42	$	1.91
Cash paid for taxes		3,128.29	3,235.68		73.35

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 and affiliates (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, 2006.

Functional currency and exchange rate translation. The functional currency of Wipro and certain of its foreign subsidiaries is the Indian rupee. For certain other foreign subsidiaries, the functional currency is their local currency. The translation of the functional currency of these foreign subsidiaries into Indian rupee is performed for balance sheet accounts using the exchange rate in effect at the balance sheet date and for revenue and expense accounts using an appropriate monthly weighted-average exchange rate for the respective periods. The gains or losses resulting from such translation are reported as a separate component of stockholders equity.

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

Convenience translation. The accompanying consolidated financial statements have been reported in Indian rupees, the national currency of India. Solely for the convenience of the readers, the financial statements as of and for the three months and nine months ended December 31, 2006, have been translated into US dollars at the noon buying rate in New York City on December 29, 2006, for cable transfers in Indian rupees, as certified for customs purposes by the Federal Reserve Bank of New York of $1 = Rs. 44.11. 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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The Company has accounted for its 80.1% ownership interest in WM NetServ by the equity method as the minority shareholder in the investee has substantive participative rights as specified in EITF Issue No. 96-16, Investor s Accounting for an Investee When the Investor Has a Majority of the Voting Interest but the Minority Shareholder or Shareholders Have Certain Approval or Veto Rights.

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 before the receipt of the contract. However, such costs are deferred only if the cost can be directly associated with specific anticipated contract and the recoverability from that contract is 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.

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.

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

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

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

Volume discount. The Company accounts for volume discounts and pricing incentives to customers using the guidance in EITF Issue 01-09, Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor s Products). The discount terms in the Company s arrangements with customers generally entitle the customer to discounts, if the customer completes a specified 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 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.

Advances 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 20 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, 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 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. Effective April 1, 2006, the Company adopted SFAS No. 123 (revised 2004), Share-Based Payment, (SFAS No. 123 (R)), which requires the measurement and recognition of compensation expense for all stock-based payment awards based on the grant-date fair value of those awards. Previously, the Company used the intrinsic value based method, permitted by Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock issued to Employees, to account for its employee stock-based compensation plans and had adopted the pro-forma disclosure provisions of SFAS No. 123, Accounting for Stock-Based Compensation.

The Company adopted SFAS No.123(R) using the modified prospective application method. Under this approach the Company has recognized compensation expense for share-based payment awards granted prior to, but not yet vested as of April 1, 2006, based on the grant date fair value estimated in accordance with the provisions of SFAS No. 123. Pursuant to adoption of SFAS No. 123(R) the Company recognized additional compensation expense of Rs. 123.75 for the nine months ended December 31, 2006.

SFAS No. 123(R) requires that deferred stock-based compensation previously recorded under APB Opinion No. 25 and outstanding on the date of adoption be eliminated against additional paid-in capital. Accordingly, the deferred compensation balance of Rs. 2,202.42 was eliminated against additional paid-in capital on April 1, 2006.

Under APB Opinion No. 25, the Company had a policy of recognizing the effect of forfeitures only as they occurred. Accordingly, as required by SFAS No. 123 (R), on April 1, 2006, the Company estimated the number of outstanding instruments, which are not expected to vest and recognized a gain of Rs. 39.09 representing the reversal of compensation cost for such instruments previously recognized in income.

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Had compensation cost, for nine months ended December 31, 2005, been determined in a manner consistent with the fair value approach described in SFAS No. 123, the Company s net income and earnings per share as reported would have been reduced to the pro-forma amounts indicated below:

		Nine months ended December 31, 2005
Net income, as reported	Rs.	14,295.24
Add: Stock based employee compensation expense included in reported net income, net of tax effects		465.17
Less: Stock-based employee compensation expense determined under fair value based method, net of tax effects		(938.27)
Pro-forma net income	Rs.	13,822.14
Earnings per share: Basic		
As reported		10.18
Pro-forma		9.85
Earnings per share: Diluted		
As reported		10.07
Pro-forma		9.76

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

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

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

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

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Recent accounting pronouncement

FASB Interpretation No. 48. In July 2006, the FASB issued Interpretation (FIN) No. 48, Uncertainty in Income Taxes. FIN 48 applies to all tax positions within the scope of SFAS No. 109, Accounting for Income Taxes, and clarifies when and how to recognize tax benefits in the financial statements with a two-step approach of recognition and measurement. FIN 48 is effective for fiscal years beginning after December 15, 2006. FIN 48 also requires the enterprise to make explicit disclosures about uncertainties in their income tax positions, including a detailed roll-forward of tax benefits taken that do not qualify for financial statement recognition. The Company is currently evaluating the impact of FIN 48 on the financial statements and will adopt FIN 48 for the fiscal year beginning April 1, 2007.

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 provisions of SFAS No. 157 for the fiscal year beginning April 1, 2007.

SFAS No. 158. In September 2006, the FASB issued SFAS No.158, Employers Accounting for Defined Benefit Pension and Other Postretirement Plans an amendment of FASB Statements No. 87, 88, 106, and 132(R) (SFAS No. 158). SFAS No. 158 requires the employer to recognize the funded status of a defined benefit postretirement plan (other than a multiemployer plan), measured as the difference between plan assets at fair value (with limited exceptions) and the benefit obligation in its statement of financial position. The Statement requires recognition of the gains or losses and prior service costs or credits that arise during the period but are not recognized as components of net periodic benefit cost as a component of other comprehensive income, net of tax. The Statement also requires measurement of defined benefit plan assets and obligations as of the date of the employer s fiscal year-end statement of financial position. The Company is currently evaluating the impact of SFAS No. 158 on its financial statements and will adopt the provisions of SFAS No. 158 from the end of the fiscal year ending March 31, 2007.

SAB 108: In September 2006, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 108, Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements (SAB 108), which provides interpretive guidance on the consideration of the effects of prior year misstatements in quantifying current year misstatements for the purpose of a materiality assessment. SAB 108 is effective for the Company as of March 31, 2007, allowing a one-time transitional cumulative effect adjustment to beginning retained earnings as of April 1, 2006, for errors that were not previously deemed material, but are material under the guidance in SAB 108. Adoption of SAB 108 will not have a material impact on the Company s consolidated financial statements.

3. Acquisitions

mPower Software Services Inc. and subsidiaries

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

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

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

Description	Fair value
Net tangible assets	Rs. 185.39
Customer-related intangibles	513.13
Deferred tax liabilities	(177.50)
Goodwill	753.55
Total	Rs. 1,274.57

BVPENTE Beteiligungsverwaltung GmbH and subsidiaries

In December 2005, the Company acquired 100% of the equity of BVPENTE Beteiligungsverwaltung GmbH and subsidiaries (New Logic). New Logic is a European system-on-chip design company. The consideration included a upfront consideration of Rs. 1,156.54, subject to working capital adjustments, and an earn-out of Euro 26.70 to be determined and paid in the future based on financial targets being achieved over a 3 year period. During the nine months ended December 31, 2006, the Company paid an additional consideration of Rs. 68.76 towards the working capital adjustment. The Company has determined that a portion of the earn-out, up to a maximum of Euro 2.50 is linked to the continuing employment of one of the selling shareholders. The balance earn-out will be recorded as additional purchase price when the contingency is resolved.

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

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

Description	Fair value
Net tangible assets	Rs. 307.15
Customer-related intangibles	117.40
Technology-based intangibles	95.72
Deferred tax liabilities	(53.00)
Goodwill	758.03
Total	**Rs. 1,225.30**

cMango Inc. and subsidiaries

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

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

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

Description	Fair value
Net tangible assets/(liabilities)	Rs. (23.08)

Customer-related intangibles		132.64
Deferred tax liabilities		(46.42)
Goodwill		821.11
Total	Rs.	884.25

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Northwest Switchgear Limited

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

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

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

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

RetailBox BV and subsidiaries

In June 2006, the Company acquired 100% of the equity of RetailBox BV and subsidiaries (Enabler). Enabler is in the business of providing comprehensive IT solutions and services. The consideration (including direct acquisition costs) included a cash payment of Rs. 2,442.12 and an earn-out of Euro 11.00 to be determined and paid in the future based on specific financial targets being achieved over a two year period. The earn-out will be recorded as additional purchase price when the contingency is resolved.

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

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

Description	**Fair value**
Net tangible assets	Rs. 388.88
Customer-related intangibles	242.55
Deferred tax liabilities	(84.89)
Goodwill	1,895.58
Total	Rs. 2,442.12

Saraware Oy

In June 2006, the Company acquired 100% of the equity of Saraware Oy (Saraware) a Company involved in providing design and engineering services to telecom companies. The consideration included a cash payment of Rs. 947.25 and an earn-out of Euro 7 to be determined and paid in future based on financial targets being achieved over a period of 18 months. In addition, amounts collected against certain specific reward/ incentive assets at the acquisition date are payable to the sellers. Out of this, the Company has paid

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Rs. 68.66 during the period ended December 31, 2006. The earn-out and the additional payments will be recorded as additional purchase price when the related contingencies are resolved.

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

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

Description	**Fair value**
Net tangible assets/(liabilities)	Rs. 186.98
Customer-related intangibles	189.45
Deferred tax liabilities	(66.31)
Goodwill	705.79
Total	Rs. 1015.91

Quantech Global Service

In July 2006, the Company acquired 100% of the equity of Quantech Global Services LLC and Quantech Global Services Ltd (Quantech). Quantech provides computer aided design and engineering services. The consideration includes an upfront cash payment of Rs. 142.00, a deferred cash payment of US$ 3.00 and an earn-out to be determined and paid in the future based on financial targets being achieved over a period of 36 months.

Through this acquisition, the Company aims to strengthen its presence in the mechanical engineering design and analysis service sector.

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

Description	**Fair value**
Net tangible assets/(liabilities)	Rs. (230.33)
Customer-related intangibles	45.92
Deferred tax liabilities	(16.07)
Goodwill	481.77
Total	Rs. 281.29

Hydrauto Group

In November 2006, the Company acquired 100% of the equity of Hydrauto Group AB and its subsidiaries (Hydrauto). Hydrauto is engaged in production, marketing and development of customized hydraulic cylinders solution for mobile applications such as mobile cranes, excavator, dumpers and trucks. The consideration (including direct acquisition costs) included a cash payment of Rs. 1412.17.

The Company believes that this acquisition will give the Company an entry into Europe, access to a customer base built over the past few decades and complementary engineering skills.

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

Description	**Fair value**
Net tangible assets/(liabilities)	Rs. 201.81
Customer-related intangibles	73.57
Deferred tax liabilities	(24.76)
Goodwill	1,161.55
Total	Rs. 1,412.17

3D Networks

In November 2006, the Company acquired 100% of the equity of the India, Middle East and SAARC operations of 3D Networks and Planet PSG and their subsidiaries (3D Networks). 3D Networks provides

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business communication solutions that include consulting, voice, data and converged solutions, and managed services. These specialized solutions are deployed in ITES/IT, telecom, banking and finance, government and service verticals. Planet PSG provides professional services on voice and speech platforms in the Asia Pacific region. The consideration (including direct acquisition costs) includes an upfront cash payment of Rs. 908.27 and a maximum earn-out of US$ 43.78 to be determined and paid in future based on the achievement of financial targets over a 24 month period. The Company believes that this acquisition is a strategic fit as it complements Wipro s existing practice capabilities and differentiates Wipro as a comprehensive IT solutions provider across verticals.

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

Description	**Fair value**
Net tangible assets/(liabilities)	Rs. 528.65
Customer-related intangibles	136.24
Deferred tax liabilities	(45.86)
Goodwill	289.24
Total	Rs. 908.27

For all the above acquisitions except New Logic and mPower, the purchase price has been allocated on a preliminary basis based on the 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 based on an independent third party appraisal, in certain cases, may result in certain adjustments to the above allocation.

4. Cash and Cash Equivalents

Cash and cash equivalents as of March 31, 2006, December 31, 2005 and 2006 comprise of 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 present and prospective financial condition of its customers and aging of the accounts receivable. The activity in the allowance for doubtful accounts receivable is given below:

	Nine months ended December 31,		**Year ended March 31,**
			2006
	2005	**2006**	**2006**
	((Unaudited))	**(Unaudited)**	
Balance at the beginning of the period	Rs. 846.54	Rs. 1,115.78	Rs. 846.54
Additional provision during the period, net of collections	328.47	213.44	275.24
Bad debts charged to provision	(4.97)	(126.38)	(6.00)
Balance at the end of the period	Rs. 1,170.04	Rs. 1,202.84	Rs. 1,115.78

6. Inventories

Inventories consist of the following:

	As of December 31,		**As of March 31,**
	2005	**2006**	**2006**
	(Unaudited)	**(Unaudited)**	

Stores and spare parts	Rs. 56.64	Rs. 342.08	Rs. 198.02
Raw materials and components	824.23	1,589.01	692.01
Work-in-process	322.91	532.10	288.73
Finished goods	705.11	1,521.34	885.85
	Rs. 1,908.89	Rs. 3,984.53	Rs. 2,064.61

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7. Other Assets

Other assets consist of the following:

	As of December 31, 2005 (Unaudited)	As of December 31, 2006 (Unaudited)	As of March 31, 2006
Prepaid expenses	Rs. 1,002.49	Rs. 1,146.73	Rs. 1,107.18
Prepaid rentals for leasehold land	74.89	77.00	74.89
Due from officers and employees	701.94	781.52	753.68
Advances to suppliers	432.78	562.29	467.19
Balances with statutory authorities	108.62	124.74	130.76
Deposits	1,362.61	1,570.21	1,388.89
Corporate deposits		600.00	500.00
Advance income taxes	919.96	1,223.91	1,237.33
Derivative asset	96.35	381.35	338.11
Others	928.35	1,785.45	708.99
	5,627.99	8,253.20	6,707.02
Less: Current assets	(4,459.90)	(6,699.39)	(5,463.04)
	Rs. 1,168.09	Rs. 1,553.81	Rs. 1,243.98

8. Investment Securities

Investment securities consist of the following:

	As of December 31, 2005 (Unaudited)			As of December 31, 2006 (Unaudited)		
	Carrying Value	Gross Unrealized Holding Gains	Fair Value	Carrying Value	Gross Unrealized Holding Gains	Fair Value
Available-for-sale:						
Investments in liquid and short-term mutual funds	Rs. 30,707.26	Rs. 415.71	Rs. 31,122.97	Rs. 36,934.50	Rs. 673.82	Rs. 37,608.32

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

Dividends from available-for-sale securities during the nine months ended December 31, 2005 and 2006 were Rs. 595.56 and Rs. 1,107.25, respectively and are included in other income.

9. Property, Plant and Equipment

Property, plant and equipment consist of the following:

	As of December 31,		As of March 31,
	2005	2006	2006
	(Unaudited)	(Unaudited)	
Land	Rs. 1,254.50	Rs. 1,261.14	Rs. 1,261.14
Buildings	4,586.82	5,832.26	4,590.53
Plant and machinery	11,927.96	16,004.17	12,474.35
Furniture, fixtures and equipment	2,868.63	3,720.21	2,996.87
Vehicles	1,274.84	1,670.00	1,324.31
Computer software for internal use	1,573.30	2,360.06	1,625.77
Capital work-in-progress	4,631.35	9,089.85	6,248.51
	28,117.40	39,937.69	30,521.48

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	As of December 31,		As of March 31,
	2005 (Unaudited)	2006 (Unaudited)	2006
Accumulated depreciation and amortization	(11,960.60)	(15,585.40)	(12,744.08)
	Rs. 16,156.80	Rs. 24,352.29	Rs. 17,777.40

Depreciation expense for the nine months ended December 31, 2005 and 2006 is Rs. 2,255.46 and Rs. 2,863.33 respectively. This includes Rs. 150.60 and Rs. 243.70 as amortization of capitalized internal use software, during the nine months ended December 31, 2005 and 2006, respectively.

10. Goodwill and Intangible Assets

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

	As of December 31,					
	2005 (Unaudited)			2006 (Unaudited)		
	Gross carrying amount	Accumulated amortization	Net	Gross carrying amount	Accumulated Amortization	Net
Technology-based intangibles	Rs. 34.30	Rs. 26.60	Rs. 7.70	Rs. 130.09	Rs. 66.47	Rs. 63.62
Customer-related intangibles	575.81	554.98	20.83	2,026.73	830.82	1,195.91
Marketing-related intangibles	382.43	68.63	313.80	1,480.50	118.30	1,362.20
Others	0.95	0.95		0.95	0.95	
	Rs. 993.49	Rs. 651.16	Rs. 342.33	Rs. 3,638.27	Rs. 1,016.54	Rs. 2,621.73

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

The movement in goodwill balance is given below:

	Nine months ended December 31,	Year ended March 31,

	2005 (Unaudited)	2006 (Unaudited)	2006
Balance at the beginning of the period	Rs. 5,614.98	Rs. 7,480.85	Rs. 5,614.98
Goodwill relating to acquisitions	304.14	5,437.97	1,851.01
Adjustment relating to finalization of purchase price allocation		(103.60)	
Effect of translation adjustments	25.82	16.69	14.86
Balance at the end of the period	Rs. 5,944.94	Rs. 12,798.53	Rs. 7,480.85

Goodwill has been allocated to the following reportable segments:

Segment	As of December 31, 2005 (Unaudited)	As of December 31, 2006 (Unaudited)	As of March 31, 2006
IT Services and Products	Rs. 1,206.48	Rs. 6,572.49	Rs. 2,742.39
BPO Services	3,982.00	3,982.00	3,982.00
India and AsiaPac IT Services and Products	756.46	1,037.69	756.46
Others		1,206.35	
Total	Rs. 5,944.94	Rs. 12,798.53	Rs. 7,480.85

11. Other Current Liabilities

Other current liabilities consist of the following:

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	As of December 31, 2005 (Unaudited)	As of December 31, 2006 (Unaudited)	As of March 31, 2006
Statutory dues payable	Rs. 1,777.59	Rs. 2,341.01	Rs. 1,820.99
Taxes payable	749.64	1,077.53	610.54
Warranty obligations	607.59	780.52	664.86
Derivative liability	202.88	81.71	12.53
Acquisition-related payables		132.75	
Others	953.01	1,634.33	505.48
	Rs. 4,290.71	Rs. 6,047.85	Rs. 3614.42

The activity in warranty obligations is given below:

	Nine months ended December 31, 2005 (Unaudited)	Nine months ended December 31, 2006 (Unaudited)	Year ended March 31, 2006
Balance at the beginning of the period	Rs. 361.08	Rs. 664.86	Rs. 361.08
Additional provision during the period	465.19	568.75	601.20
Reduction due to payments	(218.68)	(453.09)	(297.42)
Balance at the end of the period	Rs. 607.59	Rs. 780.52	Rs. 664.86

12. Operating Leases

The Company leases office and residential facilities under cancelable and non-cancelable operating lease agreements that are renewable on a periodic basis at the option of both the lessor and the lessee. Rental payments under such leases were Rs. 613.32 and Rs. 1,017.88 for the nine months ended December 31, 2005 and 2006, respectively.

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

	(Unaudited)
Year ending December 31,	
2007	Rs. 389.04
2008	388.24
2009	332.57
2010	316.85
2011	252.02
Thereafter	967.48
Total	Rs. 2,646.20

Prepaid rentals for leasehold land as of March 31, 2006, December 31, 2005 and 2006 amounting to Rs. 74.89, Rs. 74.89 and Rs. 77.00 respectively, represent prepaid operating lease rentals for lands obtained on lease for a period of 60 years and 90 years. The prepaid rentals are 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, 2006, December 31, 2005 and 2006 was Rs. 841.57, Rs. 797.81 and Rs. 1,071.25 respectively. The Company s equity in the income of Wipro GE for nine months ended December 31, 2005 and 2006 was Rs. 215.40 and Rs. 253.87 respectively.

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

WeP Peripherals

The Company previously accounted for its 36.9% interest as of March 31, 2006 in WeP Peripherals by the equity method. The carrying value of the equity investment in WeP Peripherals as of March 31, 2006, was Rs. 201.52.

In December 2006, the Company sold a portion of its interest in WeP Peripherals for a consideration of Rs. 160.00 and recorded a gain of Rs. 47.61. Subsequent to this sale, the Company s ownership interest in WeP Peripherals reduced to 15% and the Company does not have the ability to exercise significant influence over the operating and financial policies of WeP Peripherals. Accordingly, the Company has subsequently accounted for the investment by the cost method.

W M Netserv

The carrying value of the equity investment in W M Netserv as of December 31, 2006 was Rs. 131.39. The Company s equity in the loss of W M Netserv for the nine months ended December 31, 2006 was Rs. 15.40.

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 generally 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 December 31,		As of March 31,
	2005	**2006**	**2006**
	(Unaudited)	**(Unaudited)**	
Forward contracts Sell	$642.69	$ 456.00	$ 592.23
	£ 9.00	£ 75.60	£ 4.00
		7.00	
Net purchased options (sell)	$287.00	$ 15.00	$ 254.00
		£ 3.00	£ 8.00
Net written options (sell)	$ 3.00		$ 6.00
	£ 9.00		£ 5.00

In connection with cash flow hedges, the Company has recorded Rs. 202.34, Rs. 71.79 and Rs. 115.36 of net gains as a component of accumulated and other comprehensive income within stockholders equity as of March 31, 2006, December 31, 2005 and December 31, 2006.

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The following table summarizes activity in the accumulated and other comprehensive income within stockholders equity related to all derivatives classified as cash flow hedges during the year ended March 31, 2006, nine months ended December 31, 2005 and 2006.

	As of December 31,		As of March 31,
	2005 (Unaudited)	2006 (Unaudited)	2006
Balance as at the beginning of the period	Rs. 113.81	Rs. 202.34	Rs. 113.81
Net gains reclassified into net income on occurrence of hedged transactions	(113.81)	(202.34)	(113.81)
Changes in fair value of effective portion of outstanding derivatives	71.79	115.36	202.34
Unrealized gain/ (loss) on cashflow hedging derivatives, net	(42.02)	(86.98)	88.53
Balance as at the end of the period	Rs. 71.79	Rs. 115.36	Rs. 202.34

As of December 31, 2005 and 2006 there were no significant gains or losses on derivative transactions or portions thereof that have become ineffective as hedges, or associated with an underlying exposure that did not occur.

15. Borrowings from Banks

The Company has an Indian line of credit of Rs. 6,985.50, a US line of credit of US$ 25.00 and GBP 6 in UK from its bankers for working capital requirements. All the lines of credit are renewable annually. The Indian line of credit bears interest at the prime rate of the bank, which averaged 8.5% and 8.25% for the nine months ended December 31, 2005 and December 31, 2006, respectively. The US line of credit bears interest at 60 basis points over the US$ London Inter-Bank Offered Rate and UK line of credit bears interest at 40 basis points over the GBP London Inter-Bank Offered Rate. The facilities are secured by inventories, accounts receivable and certain property and contain financial covenants and restrictions on indebtedness. During the nine months ended December 31, 2006, as a part of its acquisition, the Company assumed bank borrowings amounting to Rs.366 and Rs.459 for Saraware and Hydrauto Group respectively.

16. Stock Dividend

In July 2005, the members of the Company approved a stock dividend, effective August 24, 2005, in the ratio of 1 additional equity shares or ADS for every equity share or ADS held. Accordingly, the Company issued 705,893,574 additional shares and has transferred an amount of Rs. 1,161.75 from additional paid in capital and Rs. 250.04 from retained earnings to equity shares. Share and per share data for all periods reported have been adjusted to reflect the stock split effected in the form of stock dividend. In accordance with the shareholder s approval, capitalization of additional paid in capital and retained earnings aggregating Rs. 1,411.79 has been recorded in the nine months ended December 31, 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.

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

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

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

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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 declared cash dividends of Rs. 3,997.74 and Rs. 8,123.04 during the nine months ended December 31, 2005 and 2006, respectively. The dividends declared per share were Rs. 2.50 and Rs. 5.00 during the nine months ended December 31, 2005 and 2006 respectively.

18. Retained Earnings

The Company s retained earnings as of March 31, 2006, December 31, 2005 and 2006 include restricted retained earnings of Rs. 9.50, Rs. 9.50 and Rs. 9.50, respectively, which are not distributable as dividends under Indian laws. These relate to requirements regarding earmarking a part of the retained earnings on redemption of preference shares.

Retained earnings as of March 31, 2006, December 31, 2005 and 2006, also include Rs. 922.01, Rs. 867.03 and Rs. 1,007.00, respectively, of undistributed earnings in equity of affiliates.

19. Other Income, Net

Other income consists of the following:

	Nine months ended December 31,	
	2005 (Unaudited)	**2006 (Unaudited)**
Interest income	Rs. 110.83	Rs. 224.12
Dividend income	595.56	1,107.25
Gain/(loss) on sale of liquid and short-term mutual funds	163.67	316.44
Others	3.97	35.62
	Rs. 874.03	Rs. 1,683.43

20. Shipping and Handling Costs

Selling and marketing expenses for the nine months ended December 31, 2005 and 2006, include shipping and handling costs of Rs. 396.46 and Rs. 492.31 respectively.

21. Income Taxes

Income taxes have been allocated as follows:

	Nine months ended December 31,	
	2005 (Unaudited)	**2006 (Unaudited)**
Continuing operations	Rs. 2,366.25	Rs. 3,126.98
Stockholders equity for:		
Income tax benefits relating to employee stock incentive plan recorded in stockholders equity	69.34	64.52
Unrealized gain/(loss) on investment securities	85.20	59.04
Total income taxes	Rs. 2,520.79	Rs. 3,250.54

Income taxes relating to continuing operations consist of the following:

	Nine months ended December 31,	
	2005	**2006**

	(Unaudited)	(Unaudited)
Current taxes		
Domestic	Rs. 993.74	Rs. 1,514.56
Foreign	1,330.42	1,652.46
	Rs. 2,324.16	Rs. 3,167.02
Deferred taxes		
Domestic	42.09	(16,33)
Foreign		(23.71)
	42.09	(40.04)
Total income tax expense	Rs. 2,366.25	Rs. 3,126.98

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During the nine months ended December 31, 2006, the Company recorded a net reversal of tax provision of Rs. 203.10 relating to certain prior years.

22. Employee Stock Incentive Plans

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

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

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

Compensation cost is amortized on a straight-line basis over the vesting period of the shares. The compensation cost, net of reversals, for the nine months ended December 31, 2005 and 2006, was Rs. 10.14 and Rs. Nil respectively.

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

Stock option activity under the 1999 Plan is as follows:

Nine months ended December 31, 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	4,201,953	Rs.	171	181	181	6 months
	9,259,654		309	421	311	14 months
Forfeited during the period	(40)		171	181	181	
	(217,805)		309	421	315	
Exercised during the period	(4,132,091)		171	181	181	
	(3,625,460)		309	421	309	
Lapsed during the period	(69,822)		171	181	181	
			309	421		
Outstanding at the end of the period			171	181		
	5,416,389		309	421	311	6 months

Exercisable at the end of the period	5,416,389	171 309	181 421	311	6 months

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	Nine months ended December 31, 2006 (Unaudited)				
	Shares arising out of options	Range of exercise prices		Weighted-average exercise price	Weighted-average remaining contractual life(months)
Outstanding at the beginning of the period	3,978,313	309	421	312	3 months
Forfeited during the period	(10,500)	309	421	309	
Exercised during the period	(3,902,518)	309	421	312	
Lapsed during the period	(62,295)	309	421	312	
Outstanding at the end of the period					
Exercisable at the end of the period					

Wipro Employee Stock Option Plan 2000 (2000 Plan). In July 2000, the Company established the 2000 Plan. Under the 2000 Plan, the Company is authorized to issue up to 150 million equity shares to eligible employees. Employees covered by the 2000 Plan are granted options to purchase equity shares of the Company subject to vesting. Stock option activity under the 2000 Plan is as follows:

	Nine months ended December 31, 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	382,096	Rs. 172	256	231	48 months
	25,368,916	265	396	266	47 months
	11,224,066	397	458	398	31 months
Forfeited during the period	(17,100)	172	256	229	
	(671,314)	265	396	267	
	(741,150)	397	458	398	
Exercised during the period	(63,830)	172	256	229	
	(3,795,457)	265	396	265	
	(326,705)	397	458	397	
Lapsed during the period		172	256		
	(9,450)	265	396	396	
	(475,245)	397	458	398	
Outstanding at the end of the period	301,166	172	256	231	39 months
	20,892,695	265	396	266	38 months
	9,680,966	397	458	398	22 months

Exercisable at the end of the period	192,736	172	256	231	39 months
	12,563,407	265	396	267	38 months
	9,678,266	Rs. 397	458	Rs. 398	22 months

Nine months ended December 31, 2006 (Unaudited)

	Shares arising out of options	Range of exercise prices		Weighted-average exercise price	Weighted-average remaining contractual life (months)
Outstanding at the beginning of the period	281,776	172	255	233	37 months
	19,325,225	265	396	266	35 months
	7,987,640	397	458	399	19 months
Forfeited during the period	(55,920)	172	255	220	
	(865,461)	265	396	264	
		397	458		
Exercised during the period	(53,300)	172	255	224	
	(4,063,451)	265	396	267	
	(3,699,089)	397	458	399	
Lapsed during the period		172	255		
		265	396		
	(4,200)	397	458	397	
Outstanding at the end of the period	172,556	172	255	241	28 months
	14,396,313	265	396	266	26 months
	4,284,351	397	458	398	10 months
Exercisable at the end of the period	151,940	172	255	241	27 months
	11,549,648	265	396	266	26 months
	4,284,351	397	458	398	10 months

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

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

	Nine months ended December 31, 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	291,900	$	3.46	5.01	$	4.39	46 months
	1,960,214		5.82	6.90		6.41	36 months
Exercised during the period	(113,000)		3.46	5.01		4.48	
	(414,486)		5.82	6.90		6.60	
Outstanding at the end of the period	178,900		3.46	5.01		4.34	34 months
	1,545,728		5.82	6.90		6.38	24 months
Exercisable at the end of the period	132,425		3.46	5.01		4.35	34 months
	1,304,420	$	5.82	6.90	$	6.44	24 months

	Nine months ended December 31, 2006 (Unaudited)				
	Shares arising out of options	Range of exercise prices		Weighted-average exercise price	Weighted average remaining contractual life (months)
Outstanding at the beginning of the period	126,250	3.46	5.01	4.49	33 months
	1,138,356	5.82	6.90	6.39	24 months
Exercised during the period	(45,850)	3.46	5.01	4.34	
	(637,803)	5.82	6.90	6.60	
Outstanding at the end of the period	80,400	3.46	5.01	4.58	21 months
	500,553	5.82	6.90	6.13	14 months
Exercisable at the end of the period	80,400	3.46	5.01	4.58	21 months
	500,553	5.82	6.90	6.13	14 months

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

These options generally vest ratably at the end of each year over a period of five years from the date of grant. Upon vesting the employees can acquire one equity share for every option. The options are subject to forfeiture if the employee terminates employment before vesting. The excess of market price on the date of grant over the exercise price payable by the employees is recognized as compensation cost. The Company has elected to amortize the compensation cost on a straight-line basis over the vesting period.

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Stock option activity under WRSUP 2004 plan is as follows:

	Nine months ended December 31, 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
Exercised during the period	(1,013,830)	2	
Forfeited during the period	(528,660)	2	
Outstanding at the end of the period	7,977,166	2	57 months
Exercisable at the end of the period	725,693	Rs. 2	57 months

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

Stock option activity under WARSUP 2004 plan is as follows:

	Nine months ended December 31, 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

Exercised during the period	(113,200)	0.04	
Forfeited during the period	(370,940)	0.04	
Outstanding at the end of the period	1,051,960	0.04	57 months
Exercisable at the end of the period	145,440	$ 0.04	57 months

	Nine months ended December 31, 2006 (Unaudited)		
	Shares arising out of options	Exercise price	Weighted-average remaining contractual life (months)
Outstanding at the beginning of the period	1,000,720	$ 0.04	54 months
Granted during the period	918,130	$ 0.04	72 months
Exercised during the period	(142,170)	$ 0.04	
Forfeited during the period	(123,400)	0.04	
Outstanding at the end of the period	1,653,280	0.04	56 months
Exercisable at the end of the period	174,630	$ 0.04	56 months

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

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Stock option activity under WRSUP 2005 plan is as follows:

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

During the nine months ended December 31, 2005 and December 31, 2006 the Company has recognized Rs. 498.03 and Rs. 897.61 of stock compensation cost. The compensation cost has been allocated to cost of revenues and operating expenses as follows:

	Nine months ended December 31, 2005 (Unaudited)		Nine months ended December 31, 2006 (Unaudited)	
Cost of revenues	Rs.	334.43	Rs.	704.06
Selling and marketing expenses		59.48		107.00
General and administrative expenses		104.12		86.55
	Rs.	498.03	Rs.	897.61

As of December 31, 2005 and December 31, 2006, the unamortized compensation cost relating to the above plan aggregated Rs. 2,385.79 and Rs. 4,514.31 which will be amortized over the balance vesting period.

In the stock option activity table for the 1999 Plan, 2000 Plan and 2000 ADS Plan, the Company inadvertently had not reflected the impact of options lapsed. Additionally, the Company had not reported the correct weighted average contractual life for the 2000 Plan and the 2000 ADS Plan. In the current period, the disclosures have been suitably amended. These matters had no impact on the amounts reported in the financial statements.

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:

	Nine months ended December 31, 2005 (Unaudited)		Nine months ended December 31, 2006 (Unaudited)	
Earnings				
Net income	Rs.	14,295.24	Rs.	20,555.11

Equity shares		
Weighted average number of equity shares outstanding	1,403,858,212	1,424,271,318
Effect of dilutive equivalent shares-stock options	16,067,790	18,629,919
Weighted average number of equity shares and equivalent shares outstanding	1,419,926,002	1,442,901,237

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.

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

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Corporation of India (LIC). Under this plan, the settlement obligation remains with the Company, although the Life Insurance Corporation of India administers the plan.

Net gratuity cost for the nine months ended December 31, 2005 and 2006 included:

	Nine months ended December 31,	
	2005 (Unaudited)	2006 (Unaudited)
Service cost	Rs. 119.37	Rs. 288.09
Interest cost	37.90	45.47
Expected return on assets	(31.38)	(37.72)
Adjustment [(1)]	0.00	(62.65)
Net gratuity cost	Rs. 125.89	Rs. 233.19

(1) Till March 31, 2006 for certain category of employees, the Company inadvertently recorded and disclosed a defined benefit plan as a defined contribution plan. During the nine months ended December 31, 2006, the Company has recorded an adjustment of Rs 62.65 as a credit to the income statement to record this plan as a defined benefit plan. The impact of this adjustment is not material to the income statement, accrued liability/(prepaid asset) and the

overall financial
statement
presentation.

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 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. 508.84 and Rs. 669.40 to various defined contribution and benefit plans during the nine months ended December 31, 2005 and 2006, respectively.

25. Sale of accounts receivables/employee advances

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

During the nine months ended December 31, 2005 and 2006, the Company transferred financial asset of Rs. 258.67 and Rs. 281.00 respectively under such arrangements and has included the proceeds in net cash provided by operating activities in the consolidated statements of cashflows. This transfer resulted in losses of Rs. 9.28 and Rs. 4.60 for the nine months ended December 31, 2005 and 2006 respectively. As at December 31, 2005 and 2006 the maximum recourse obligation in respect of the transferred financial assets is Rs.25.87 and Rs.28.10 respectively.

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26. Commitments and Contingencies

Capital commitments. As of March 31, 2006, December 31, 2005 and 2006, the Company had committed to spend approximately Rs. 1,714.22, Rs. 2,179.12 and Rs. 2,129.50 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 C