

WIPRO



Wipro has emerged as one of the major Indian global brands in the area of IT consulting services.

Background

Wipro Limited (formerly Western India Vegetable Products Limited) was incorporated in 1945 and it commenced operations of vegetable oils business in 1946. In the mid-seventies, it diversified into newer businesses, such as computer hardware, fluid power, and finally into software/hardware products and systems integration/ software solutions provider, and eventually developed into a comprehensive IT company from India, by the start of the next century. The story of Wipro's phenomenal and uncharacteristic journey of unrelated, but successful diversification is a unique case study in corporate wealth creation, which has primarily, been through successful information technology businesses being run on global scale.

In 1977 Wipro perceived a supply-constrained market in computer hardware in India, and it set up Wipro Infotech Ltd. to address this business by way sourcing components and packaged software from small US based firms. Wipro entered the nascent “mini computer” market in India, and soon become a market leader in rapidly expanding institutional computing market. With the emergence of personal



computing era in the early eighties it became imperative for Wipro to address this need, and it forged an alliance with Sun Micro Systems for selling Sun workstations in India. The personal computing segment was Wipro's major business for many years through various technical and marketing tie-ups till it finally entered into joint venture with Acer for manufacturing PCs in India.

In another somewhat unrelated diversification it formed a joint venture with GE, for addressing the medical diagnostics imaging market in 1989. Having identified healthcare equipment segment as an emerging business opportunity, Wipro set up a group company called Wipro Biomed Ltd to address the healthcare instruments market outside the diagnostic segment. Wipro's forays continued further in the field of technology and IT

Company	Products	Established	Founder	Distribution	Production plants
Wipro	Software, hardware, systems integration, enterprise solutions & ITES	1945	Azim Premji	India, America, Europe, Asia Pacific	India, USA, UK, Europe, China

applications with tie-ups in packed software products such as spreadsheet, and database applications through another group company called Wipro Systems. It also entered the field of medical/healthcare software in association with GE and eventually acquired the healthcare software applications business GE Healthcare IT Systems in India.

The company's promoters hold the majority stake in Wipro (81.7 per cent). The next largest shareholders are the Indian public (with 7.5 per cent stake) followed by foreign institutional investors (with 4.7 per cent stake). Foreign companies, domestic financial institutions, private corporate bodies, trusts and mutual funds hold the residual shares.

Products

Wipro is a diversified conglomerate with a presence in businesses as diverse as information technology, vegetable oils & soaps, financial services, medical systems, lighting and hydraulic cylinders. Wipro's strategic classification of its businesses follows a combination of product-market and geography on

typical transnational dimensions, which are Global IT Services and Products, India and Asia-Pac IT services, Consumer Care and Lighting and Fluid Power. Wipro's businesses are run through divisions and subsidiaries of Wipro Limited, and its corporate organisation is structured along strategic business lines such as Wipro Infotech, Wipro Technologies, Wipro Fluid Power, Wipro GE Medical Systems (now known as GE Healthcare) and Wipro Consumer Care and Lighting.

Global IT Services and Products Segment contributes to over 75 per cent of revenues, followed by India and Asia-Pac IT services and products with 16 per cent and the remaining by Consumer Care and Lighting and Fluid Power. While it has done fairly well in most of its businesses, it is Wipro's IT business which has made a significant impact on global dimensions. Within the IT business of Wipro, it offers the entire range of services, which includes software products, an enterprise solution, system integration and IT enabled services. In terms of vertical distribution, the company operates in diverse areas encompassing manufacturing, telecom, retail, finance, and energy & utilities





Financial Performance

Wipro's revenues have grown at a CAGR of around 25 per cent between 1999 and 2005, while net profit has grown at an impressive CAGR of 110 per cent in the same period. Most of this growth has been driven by earnings from overseas markets, the share of which in the total revenue has grown from only 35 per cent in 1999 to nearly 75 per cent in 2005. The company has consistently maintained high profitability levels. It has managed to earn handsome returns over equity and capital employed, with its returns on capital employed and on net worth at 30.6 per cent. The company has been very conservative in its financial structure and has continued to remain low on debt even though it could have improved its return on equity through gearing.

Wipro's contribution in making "Made in India" global

Wipro, as a part of its growth strategy, had been historically global, and had sought international tie-ups in businesses where partners brought technology, access to global markets and process know-how, while Wipro brought access to local markets, management capability and in most cases an existing presence. Whereas this worked well till the mid-nineties it became imperative for Wipro to allow alliances with greater controlling shares of partners, as India went through economic reform and liberalisation. One of the important milestones

in this respect was the partnership with Acer for manufacturing personal computers and was followed by alliance with Citrix Systems.

Having established domineering presence in Indian IT space, Wipro approached the global software solutions market with Indian talent pool and its existing technology tie-ups which were gradually made more comprehensive with virtually all software solutions and IT services being offered. Wipro's successive global forays over the years 2000 to 2005 is as follows:

- 2001 - Opens IT services office in Paris and Frankfurt and enters the European market. Launches West Asia and Australian operations
- 2002 - Acquires controlling stake in Wipro Spectramind thus acquiring access to ITES clients in US and UK, ties up with US-based content management company, Interwoven, launches Hong Kong operations, acquires GE's healthcare software arm in India and global Energy practice of American Management Systems, creating vertical competencies in healthcare and energy domains for software solutions business
- 2003 - Acquires Wipro Nervewire, a Massachusetts-based IT consulting company serving customers in the financial services sector
- 2004 - Signs agreements with UAE's leading systems integrator, ITQAN, as business partner; Gulf Insurance Company for IT consultancy; eGain Communication Corp, a wholly owned subsidiary of the California-based eGain to offer

system integration services. Establishes a subsidiary company, Wipro Shanghai Ltd. In China

- 2005 - Opens up its third office in Munich, Germany after those in Kiel and Dusseldorf.

Wipro has emerged as one of India's truly global corporate houses with over 75 per cent of its revenues originating from global clients for both IT solutions and IT Enabled Services, and it operates globally through both offices, and incorporated entities in other countries. 40 global development centres spread over 35 countries employing over 35,000 employees from 23 nationalities is a clear testimony to Wipro being a true global transnational company. Further Wipro has managed to attain low regional concentration risk with over 20 per cent of revenues coming from European markets and has also successfully ventured into Asia Pacific Markets with its IT solutions. Significant overseas incorporations include Wipro Holdings Ltd. (UK), Wipro Technologies UK Ltd., Wipro Shanghai Ltd, Wipro Japan KK and Wipro Inc. (USA).

Factors fuelling Wipro's global initiatives

The key factors which have enabled Wipro to globalise its operations are both intrinsic and extrinsic. The growing need for customised IT applications required skilled manpower at competitive costs. With most product software companies finding it difficult to provide downstream support and installation and maintenance services, an opportunity was created for existing Indian IT companies. Availability of low cost skilled manpower, early entry in the business life cycle coupled with increasing demand for IT services and solutions enabled Wipro capture a significant market share of both the systems integration and software solutions pieces. The company also set high quality standards through successive SEI-CMM levels, and created an

organisation-wide quality culture by adopting Six Sigma tools and processes.

The key factors behind global success of Wipro are as follows:

- **Comprehensive range of IT services:** Wipro provides a comprehensive and integrated suite of IT solutions, ranging from consulting to application development and maintenance and end-to-end responsibility for project execution and delivery. This is done through a combination of offshore development centres in India and several near shore development centres located in countries closer to clients' offices. This integrated approach is primarily to take advantage of key growth areas in enterprise solutions, including IT services data warehousing, implementation of enterprise package application software such as enterprise resource planning, supply chain management and customer relationship management.
- **World-class quality as measured by SEI-CMM and Six Sigma initiatives:** Wipro is the first IT services provider in the world to achieve this standard. SEI-CMM is widely accepted in the software industry as a standard to measure the maturity and effectiveness of software processes.
- **Service offerings in emerging growth areas:** Another important factor, which is driving the performance of Wipro, is its ability to identify the key value drivers. For example, it identified technology infrastructure outsourcing as an emerging growth area in 1998.
- **Broad range of research and development services:** Wipro is one of the few major IT services companies in the world capable of providing an entire range of research and development services from concept to product realisation. Wipro provides IT services for



designing, enhancing and maintaining platform technologies including servers and operating systems, communication subsystems, local area and wide area network protocols, optical networking systems, Internet protocol based switches, routers and embedded software, including software used in mobile phones, home or office appliances, industrial automation and automobiles.

- **Global delivery model:** Wipro is the first India-based IT services companies to implement the offshore development model as a method for delivering high-quality services at a relatively low cost to international clients.

Future plans

Increasing need domain specialisation in software solutions business, and a growing market for IT enabled knowledge processing would require change in existing strategies for information technology majors. Service delivery models may require a significant shift from a predominantly onshore to a substantially off shored model in areas where cost competitiveness is the key. Emerging markets needs would increase and widen

as they evolve on the software/IT life cycle. New technologies and solutions would have to be developed in emerging business areas such as data warehousing and business intelligence.

Wipro, with its mission of being in the top rung of global IT solution providers has chalked out plans to remain competitive and address all segments of business along the value chain and cover wider geographies. It has identified the following key directions for its future growth and value creation

- Significantly expand Global IT Services and Products business
- Focus on services-led growth in India and Asia-Pac IT Services and Products segment
- Focus on developing industry knowledge
- Pursue selective acquisition of IT companies

Globalisation at a glance

- Revenues from outside India constitute nearly 75 per cent of total sales
- Subsidiaries in the US, UK, China and Japan to assist global businesses
- 40 global development centres across 35 countries, with employees of 23 different nationalities

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