

Tech Mahindra Q2 net up 60 pct, warns on Europe

Written by Administrator

Friday, 30 December 2011 04:33 -

Tech Mahindra, India's fifth largest software services firm, reported a 60 percent rise in net profit for the quarter to end-September, but cautioned on falling European spending, adding lower revenue from its top client hit margins.

India's showpiece \$76 billion IT industry gets over 90 percent of revenue from overseas clients and counts Europe as its second-largest market as it looks to hedge against excessive exposure to the United States, its top market.

"The discretionary spend in the euro zone is definitely coming down," Chief Executive Officer Vineet Nayyar told reporters. "On the other hand, most of the telecom firms are under huge pressure to cut their costs."

Tech Mahindra provides IT services to the telecom sector and counts London-listed BT Group and Vodafone, U.S.-based AT&T and Motorola, and France's Alcatel-Lucent among its clients.

Profit margins declined over the period due to salary increases and a decline in revenue from the firm's largest client BT, Nayyar said. BT holds around 30 percent stake in Tech Mahindra.

"There will be a challenge on margins for one or two quarters, but we hope to readjust our relative capabilities in a manner that will neutralise this downward movement," said Chief Financial Officer Sonjoy Anand.

The firm expects to see market share and revenues from BT increase after the British firm completes its retendering process, Nayyar added.

Tech Mahindra said net profit for the second quarter of the fiscal year that ends in March 2012 stood at 2.4 billion rupees (\$47.3 million), up from 1.5 billion rupees a year earlier.

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The firm said it had incurred a loss of 522 million rupees (\$10.3 million) on loans held in foreign currency.

Revenue for the quarter was 13.33 billion rupees (\$263 million) against 15.34 billion rupees in the previous year, when

a one-time fee from a client had boosted the figure.

The firm added 807 staff during the quarter to swell its total headcount to 43,657.

Mahindra Satyam, which Tech Mahindra bought in 2009, warned last week that the euro zone debt crisis could dent demand for outsourcing.

Top software exporter Tata Consultancy Services said last week that the global economic uncertainty could see customers suspend their technology spending.

Source :reuters.com