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## Mphasis sees pricing woes persisting

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By Sweta Singh

BANGALORE (Reuters) - Indian software firm Mphasis Ltd (MBFL BO: [Quote, Profile, Research, Stock Buzz](#)) expects pricing pressure to continue and does not see a significant increase in IT budgets in the near term, the firm's top executives said.

"Pricing pressure is the order of the day. It is not going to stop," Chief Executive Ganesh Ayyar said at the Reuters India Investment Summit in Bangalore on Wednesday.

The mid-sized company, majority owned by Hewlett-Packard Co (HPQ N: [Quote, Profile, Research, Stock Buzz](#)), expects to acquire companies for about \$50 million or less to boost growth.

The company had about \$200 million in cash as of October 30.

"We don't want to make a huge acquisition which we find difficult to integrate," Chief Financial Officer Ganesh Murthy said.

The company has been benefiting from its association with HP amid the global slowdown and hopes to continue gaining clients through its parent.

On Tuesday, the company reported a 34 percent rise in quarterly net profit, helped by new outsourcing contracts won mainly due to its partnership with HP. [ID:nBOM501567]

### EYES COST CUTS

The company plans to set up services delivery centers in low-cost emerging countries outside India, CEO Ayyar said.

"We are actually looking at two possible centers and are in the final stages of evaluation. The board yesterday approved the investment in one of them," CFO Murthy said, but declined to give further details.

The company has hiked the variable component of its employee salary structure, linking it to individual and company performances, and has lowered the fixed component, as part of its cost-optimization plans, Murthy said.

Mphasis, which closed a facility in Bangalore, also plans to close one in the southern city of Chennai to cut costs, he said.

Mphasis, which currently gets about 40 percent of its revenue from financial institutions, has room for further growth in the finance sector and is also looking to boost its presence in other verticals like healthcare and telecom, the CEO said.