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NOVEMBER 25, 2009, 5:17 A.M. ET

UPDATE: Mphasis CEO: Expect Clients' IT Spending To Rise In 2010

(Adds chief executive's comments on billing pressure and growth plans, background)

By Dhanya Ann Thoppil
of DOW JONES NEWSWIRES

BANGALORE (Dow Jones)-Mphasis Ltd. (526299.BY), which has a steady revenue source in parent Hewlett-Packard Co. (HPQ), believes that overall business will rise in the next few quarters.

"Sentiment is up," Chief Executive Ganesh Ayyar said Wednesday.

"The confidence that people have (now) may lead to quicker decision-making, and more deals may actually flow in rather than just remain in the pipeline," Ayyar told Dow Jones Newswires in an interview. During the economic downturn, Indian software companies suffered as many projects which were in the pipeline were shelved as clients fretted about spending in a difficult business environment.

There was billing pressure as well, as customers sought lower rates to suit trimmed budgets.

Bangalore-based Mphasis has bucked the industry trend, mainly because it gets about 70% of its revenue from majority owner Hewlett-Packard.

Ayyar expects clients' technology spending to improve marginally in 2010 as the global economic recovery leads to a rise in demand for outsourcing services.

Clients in the U.S. and Europe—the main markets for Indian software services companies—are currently finalizing their technology services budgets for 2010, and most Indian software exporters say they expect spending to remain flat or grow marginally.

Ayyar said that although he doesn't expect customers to stop asking for lower rates, the pressure is likely to ease.

Also, he is seeing a marginal increase in the number of large deals.

New Growth Opportunities

Ayyar said Mphasis is looking to increase its share of revenue from the Indian market by tapping into both the public and private sectors.

The company Tuesday reported a 34% jump in fourth quarter net profit to INR2.45 billion on a 26.5% rise in revenue to INR11.32 billion, helped mainly by technology outsourcing contracts from Hewlett-Packard.

In the current fiscal year through October 2010, Mphasis plans to expand its business through a deeper partnership with Hewlett-Packard and by setting up offshore delivery centers outside India, said Ayyar.

The company is planning to open a new offshore delivery center in the next four weeks in an emerging country, he said, adding that two locations have been shortlisted.

The company is looking at growing also through effectively utilizing its cash, including on acquisitions, Ayyar said.

On Oct 31, Mphasis had about INR9.40 billion in cash and bank balance.

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