

October 19, 2010, Tuesday

NIIT Technologies posts 35.6% rise in Q2 profit

Plans 4-5% wage hike for offshore staff

Our Bureau

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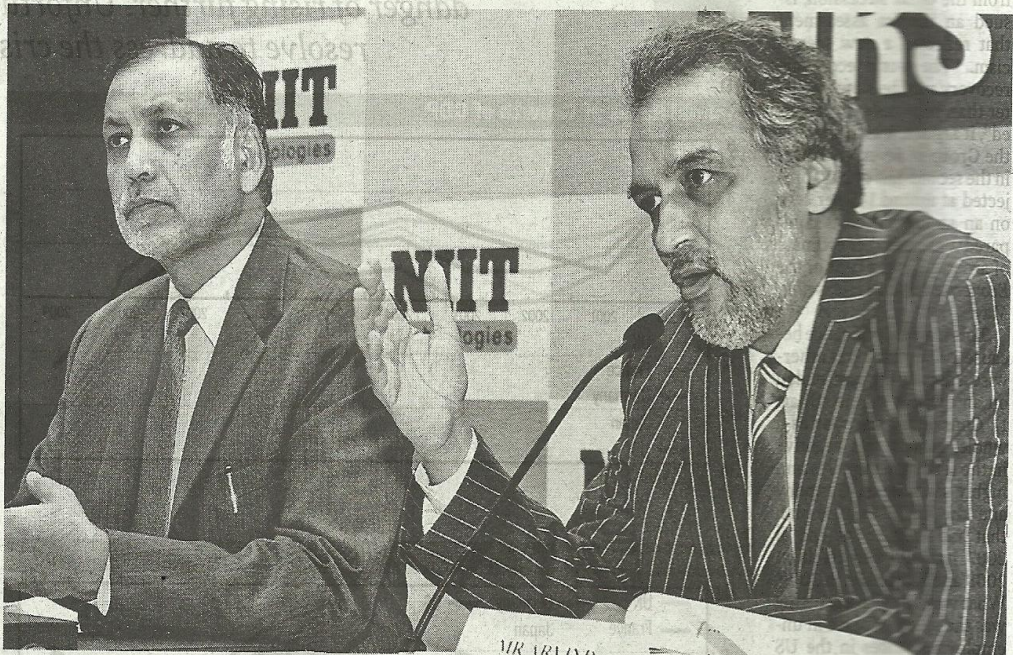
Helped by pent-up demand for technology services after the global downturn, NIIT Technologies Ltd on Monday posted a 35.6 per cent growth in its second quarter net profit and said it has effected wage hikes, starting with the onsite staff.

But despite broad-based growth that saw its consolidated revenue rise 43.5 per cent during the quarter, the IT solutions company has flagged concerns about "unusual uncertainty" in markets of US and Europe, and the currency volatility. "We have benefitted from the pent-up demand for technology services. During the downturn, there was cutback in IT spending and all that is now coming back," the NIIT Technologies CEO, Mr Arvind Thakur, said at a conference.

However, operating margins were depressed (18.3 per cent versus 20.3 per cent) owing to a large turnkey project that NIIT Tech is executing for Border Security Force. "The first phase of the project entails large amounts of hardware purchases and that has impacted the margins," he said but added that operating margin will improve quarter-on-quarter.

On a sequential basis, the PAT grew 6.6 per cent while the revenue was up 11.4 per cent over first quarter of the fiscal.

The company had given onsite wage hike (three per cent average) in the July-



The NIIT Technologies CEO, Mr Arvind Thakur (right), with the CMD, Mr Rajendra S Pawar, addressing a press conference in the Capital on Monday. — Kamal Narang

Q2 scorecard

	Quarter ended		%	NIIT Tech (in Rs cr) 235 (BSE closing price) Rs 227 1-month return 22%
	September	2010		
Consolidated revenue	226.3	324.6	43.5	
PAT	32.1	43.5	35.6	

September quarter, Mr Thakur said, adding that 22 per cent of the company's total employee strength is onsite (in client locations outside

India). It also plans to give wage hikes of four to five per cent to the offshore staff in third quarter.

NIIT Tech said that while

it had witnessed broad-based growth, there were "fresh challenges" in form of currency volatility and uncertainties in the US and Europe.

"The issue (currency) is coming back to haunt us. It will be a headache that we will have to deal with. Internally, it is about hedging on currency movements. We have a hedging policy where we cover contracts for two quarters," he said.

Its outstanding hedge position stands at \$45.5 million

at an average rate of Rs 43.46 against the US dollar.

The company booked fresh orders worth \$60 million in the second quarter. It added three clients - two in travel and one in insurance space - during the quarter and has orders worth \$141 million to be executed over the next 12 months.

Further, NIIT Tech added 409 staff on a net basis, taking the total number of employees to 4,994 as of September 30. moumita@niitindia.co.in