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Re appreciation will reduce hedging losses: NIIT Tech



NIIT Technologies has declared its third quarter results of FY10. Its standalone net profit went up to Rs 29.1 crore versus Rs 26 crore in the previous quarter. Standalone net sales increased to Rs 129.3 crore from Rs 117.6 crore (QoQ).

In an interview with CNBC-TV18, Arvind Thakur, CEO, NIIT Technologies spoke about the results and his outlook for the company.

Here is a verbatim transcript of the interview.

Q: Things look distinctly better this quarter. Is there any visibility or guidance that you can hold out now for how FY11 will shape up for NIIT Tech?

A: As a company we don't give specific guidance. But what we are seeing is definitely return to growth. This is coming on the back of sequential growth we saw in the last quarter. So we hope to see this trend continuing going forward as well.

Q: Specifically on Banks, Financial Services & Insurance (BFSI) what kind of expansion in terms of order book or an order pipeline do you have right now?

A: Overall, we have had an order intake of USD 57 million. We have seen robust growth in our travel and transport sector. In BFS as well we have seen some growth coming on the strength of some scaling that we have done with our insurance clients and also acquired a new BFS customer.

Q: Could you give us some more information on your transportation business. Last quarter also you added about 2-3 clients, it has been gaining traction this time it's about 34% of your share, that and your retail business that has taken a bit of hit this time?

A: Yes. During the period of the downturn, there has been some amount of consolidation that has been happening with different customers. In the segments that we are strong particularly



transportation and insurance, we have been able to gain from that consolidation. But in segments where we don't have that strength in terms of positioning, we have been seeing some of our clients ramping down.

So that is the reason why you see decline in revenues in our retail and manufacturing sector as compared to our insurance and travel sector. Travel indeed is a very strong segment for us. We grew quite significantly in this quarter in that segment and it now contributes to 34% of our revenues.

Q: Another interesting trend this quarter after many quarters is that you have rehired now, about 197 net additions in staff members, do you sense that hiring may now pick up for you as a company over the next couple of quarters and what sort of potential order book you maybe catering to in the next 3-6 months?

A: I think yes, given that the economic indices all around have improved although there is debate on whether it is sustainable that it could be because of the all the stimulus which has been happening. We have been seeing that worst is behind us.

Organizations which had to restructure, reorganize they have done so and they are looking at now engaging and offshoring is an important element of those engagements. So we indeed after a long time have had net additions to our business and I think this will continue going forward as we are seeing hiring picking up in the industry as well.

Q: You have kept your hedges steady at a USD 123 million, you are confident of holding on to margins despite any rupee appreciation?

A: Actually the rupee appreciation helps us because we have a hedge position at non-average rate of 42.50 to a dollar which means every appreciation in the rupee would only reduce hedging losses. So hopefully the trend will continue and from what I understand and hearing from people to understand this subject there seems to be a belief that rupee will only get stronger going forward.

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