

Decline in outsourcing demand arrested, recovery in sight

The declining trend in demand for outsourcing IT services has been arrested and conditions for recovery are clearer, a senior official of IT bellwether Tata Consultancy Services (TCS) said here Wednesday.

'We feel the conditions are little clearer in the sense demand for outsourcing in terms of decline arising out of global meltdown seems to have been arrested,' TCS chief financial officer S. Mahalingam told reporters here.

Mahalingam, however, admitted TCS was waiting for demand to pick up, as enterprises were cautious on discretionary spending after the collapse of financial behemoth Lehman Brothers in the US last September.

'At that point of time, many clients across industrial verticals, including the banking, insurance and financial services (BFSI) had slashed their IT budgets resulting in demand crunch and pricing pressure,' Mahalingam said.

'We have to see whether the demand will reach a plateau or take a 'v' shape in the near future, as discretionary spending on new projects or contracts had declined over the last two-three quarters.'

To weather the impact of downturn, especially the financial crisis in the US, the \$6-billion TCS followed a diversification strategy in terms of revenues, verticals, new geographies and cost management.

'Diversification has paid off in terms of growth element and currency effect despite exchange volatility. We also expect to see growth in emerging markets,' Mahalingam said.

With growth expected to be muted this fiscal, TCS has decided not to go for fresh hiring but honour the campus offerings made to 24,500 people last year.

'Cost management will continue to be our focus area. We are making optimal utilisation of our infrastructure facilities. We have also reduced our administration, travel and other costs by 15 percent,' Mahalingam said.

On the currency front, he said exchange movement was not in line with prediction, as the rupee depreciated to 51 last fiscal against the dollar, while averaging 46.30 for the entire year.

'We need to be able to operate in volatile exchange environment.'

TCS has not yet entered the forex market this fiscal except in the routine course to protect its receivables, which have been fixed at a specific rate.

'We have not taken additional hedges. We hedged \$1.5 billion last year, with \$700 million for receivables and the balance (\$800 million) as options (forward cover),' Mahalingam added.

-- Indo-Asian News Service

fc/ank

(© IANS / India eNews)