

# New EU law hits MindTree earnings

Fierce competition in UK also add to company's woes

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Change in emission standards for commercial truck manufacturers in the European Union (EU) and stiff competition in the UK have led to a de-growth in IT and R&D services company MindTree Consulting Limited's European revenues.

Over the last three quarters, the company's European earnings, as a percentage of total revenues, has come down by seven percentage points from 23.6% in the second quarter of



2006 to 16.6% in the first quarter of 2007.

Meanwhile, its US business has grown 8.2 percentage points during the same period from 61.7% to 69.9%. This, analysts believe, ups the currency risk of the company on account of the current economic instability in the US.

In absolute terms, MindTree's income from

Europe has slipped 22.22% during the same period from Rs 36 crore to Rs 28 crore.

This, MindTree Consulting Limited CEO and president (IT services) Krishna Kumar Natrajan says, is mainly due to two of its top automotive customers in Europe getting affected by the new emission standards.

"But once they reorient

their product to the new standards, we expect earnings to pick up again," said Natrajan.

"As the company also provides R&D services, there could be a one-time spike in the business, which could push up the number," said an analyst.

Natrajan was expecting European revenues to look up in the third quarter of this fiscal, when the product reorientation of automotive clients is completed.

"Over the last two years, Europe has been on the cusp of growth. Germany is on the take-off stage. The Scandinavian market is also opening up. In the last 18 months, we managed to get our first few customers in France, too," said Natrajan.