

India's Infosys quarterly profit dips but forecasts upturn

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Indian outsourcing giant Infosys Technologies reported Tuesday quarterly net profit slipped, but forecast better times ahead despite a rising rupee that could eat into earnings.

Infosys, the country's second-largest outsourcing exporter by revenues, said consolidated net profit in the fiscal fourth quarter to end-March 2010 fell 0.9 percent year on year to 16 billion rupees (359 million dollars).

"We have emerged stronger from a tough quarter," company chief executive S. Gopalakrishnan told India's CNBC-TV network.

"I strongly believe that unless something dramatic happens we are again back on a growth curve," he said. Clients "are investing in growth."

Infosys' shares were up 2.83 percent or 75 rupees to 2,759 rupees in afternoon trade on the back of the earnings announcement.

Company chief financial officer V. Balakrishnan said the strengthening rupee was "a cause for concern" and would put pressure on earning margins.

India's outsourcing industry bills in dollars and a weaker US currency translates into lower Indian rupee earnings.

But he said Infosys "has an active hedging programme to minimise" the

impact of the rise of the rupee, which gained 3.6 percent against the dollar in the last quarter alone as global investors bet on a strong Indian economy.

The profit posted by Infosys, traditionally the first of India's outsourcing companies to report earnings and regarded as the bellwether of the flagship sector, was slightly below market estimates.

The profit decline came despite a 13 percent rise in revenues to 59.44 billion rupees in the fourth quarter and a one-off gain of 480 million rupees from the sale of an investment in OnMobile Systems Inc.

But Infosys forecast consolidated revenues for the full financial year to March 2011 would grow by 16 to 18 percent growth to as much as 5.67 billion dollars as business conditions globally pick up.

"Overall, the scenario has improved compared to eight to 12 months back, but we're still not back to pre-(financial) crisis levels -- the boom times," Apurva Shah, research head at Mumbai brokerage Prabhudas Lilladher.

Infosys and other outsourcing companies have made India a top business destination by offering software development and information technology, engineering and design, and business process outsourcing (BPO).

India's outsourcing sector was hit particularly hard by the recession in the United States, which accounts for 60 percent of the Indian industry's revenues. Many businesses put IT spending on hold during the slump.

But lately Indian outsourcing companies have reported a more buoyant US market. A recent study by Massachusetts-based Forrester Research Inc forecast US information technology spending would increase by 8.4

percent in 2010 after bottoming out in the calendar 2009 third quarter.

In the quarter, Infosys, which had been cutting prices to retain customers and attract new ones in the key US and European markets during the global financial crisis, said it added 47 clients.

Infosys, which like other Indian outsourcers has increased hiring to be ready for better demand globally, added 3,914 employees during the quarter to bring its total worker headcount to 113,796.

"We will focus on employees and do everything we can to keep them happy," said Mohandas Pai, Infosys human resources head.

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