

India's Infosys quarterly profits disappoint

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India's second-biggest software exporter Infosys announced Tuesday a surprise 2.4 percent fall in first quarter consolidated net profit but raised its revenue outlook for the full year.

The company said it was confident of riding out the effects of the European financial crisis and was "preparing for a high-growth path" in the months ahead, though profit was hurt by currency fluctuations and rising staff costs.

Consolidated net profit in the quarter ended June was at 14.88 billion rupees (316 million dollars), from 15.25 billion rupees a year earlier, Infosys said in a statement to the Mumbai stock exchange.

Analysts had predicted a quarterly profit of just over 15 billion rupees.

Revenues rose 13 percent to 61.98 billion rupees for the quarter, by international accounting standards.

Infosys said revenues from the United States and new markets had improved but growth from Europe had declined.

North America accounts for 67 percent of the firm's revenues and Europe 20 percent.

The company has raised its full-year outlook, forecasting revenues of between 265 and 270 billion rupees (5.72 to 5.81 billion dollars) for the financial year to March 2011 -- a growth of about 20 percent.

"We are preparing for a high-growth path. Feedback from global clients is that demand is improving," chief executive S. Gopalakrishnan told the CNBC-TV18 television channel.

He later told reporters that the business environment across Europe was challenging, but that Infosys was "going to stay invested in the region, and look for new clients or build new relations with existing clients".

Pricing in Europe was stable and no major projects had been called off, officials said.

The Bangalore-based software giant gained 38 extra clients for the quarter and made a net addition of 1,026 employees, taking its total number of staff to 115,000.

India's top software firms have all raised salaries and hired staff in recent months as business sentiment improved in the United States, the main market for Indian outsourcers.

Infosys said it planned to hire 36,000 more people this year.

Shares in the company fell 3.25 percent, or 94 rupees, to 2,800.95 in early afternoon trade and the broader market also dipped, although Mumbai's Sensex index ended up 0.27 percent.

"The markets reacted nervously to Infosys earnings, as expectations were too high. We expect Infosys's revenue growth to improve across markets," said Gaurang Shah of Geojit BNP Paribas Financial Services.

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