

India's Wipro says profit up 31 percent, outlook strong

July 23 2010, by Naseeb Chand

India's third-biggest software exporter Wipro said Thursday quarterly net profit jumped a forecast-beating 31 percent and was upbeat about revenue prospects, citing better outsourcing demand.

Consolidated net profit totalled 13.19 billion rupees (280 million dollars) for the three months to June 30, according to international accounting standards, from 10.1 billion rupees a year earlier.

The Bangalore-based firm said in a statement to the Mumbai stock exchange that revenues had risen nearly 16 percent to 72.36 billion rupees for the quarter, during which Wipro signed up 22 new information technology clients.

Analysts had forecast profits for the quarter of 12 billion rupees.

"We are seeing strong demand across our industry verticals despite macro challenges," Wipro's billionaire chairman Azim Premji said, referring to the still uncertain economic outlook in the West.

"There is a reasonably sound indication that discretionary spending is back, led by pent-up demand from earlier quarters," Premji told reporters.

Wipro is a pioneer of India's software and outsourcing industry, which has benefited from work farmed out by global companies seeking to cut costs by taking advantage of India's lower wages and engineering talent.

"Looking ahead for the second quarter ending September 30, we expect our revenues from IT services to be in the range of 1.25 to 1.27 billion dollars" as demand for technology services rise, Premji added.

Wipro, which is also listed on the New York Stock Exchange, predicted strong revenue growth in the fiscal year to March 2011, in line with similar forecasts from rivals Tata Consultancy Services and Infosys Technologies.

Analysts now believe that India's software giants, whose main clients are in the United States, could see higher growth in coming quarters, as billing rates are stabilising and new deals being struck.

Companies in the West are paying increasing attention to costs as they emerge from the global economic downturn, helping fuel demand for outsourcing services, analysts say.

"Wipro has met the top-end of its guidance for the past eight quarters. This makes its guidance very realistic," said CLSA in an analysts' note.

The company's shares fell 0.84 percent or 3.5 rupees to 412.105 on profit-taking after jumping more than four percent to a day's high of 433 rupees.

Wipro said revenues from Europe remained flat, contributing 25.4 percent of total revenues, while United States region was the largest contributor with a 57 percent share.

Premji has built Wipro into one of India's biggest IT companies from a maker of soaps riding on an outsourcing wave by US firms seeking to cut costs.

In the quarter, Wipro won seven large deals worth a total of 390 million

dollars, including a multi-year deal with Hungary's Magyar Telekom (MT), a subsidiary of Deutsche Telekom.

The firm added 4,854 people to its staff this quarter.

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