

India's Infosys reports profits jump on improved tech spend

October 15 2010, by Salil Panchal

Infosys Technologies, India's second-largest software firm, reported a rise in second-quarter profit on Friday as firms raised spending on technology.

Net profit rose 13.2 percent to a higher-than-expected 17.4 billion rupees (386 million dollars) for the three months to September, up from 15.3 billion rupees a year earlier. Revenues were up 24.4 percent at 69.5 billion rupees.

Infosys also raised its revenue forecast for the fiscal year, citing an improved global economic environment and increased technology budgets among overseas clients.

It said it would also expand and pursue new customers in the Asia-Pacific, Middle Eastern and Latin American regions -- outside the company's main US and European markets.

The outsourcing giant expects full-year revenues to March 2011 to be 269-271 billion rupees, up 1.5 percent from its previous forecast three months back.

Infosys is among the "Big Three" Indian software exporters and seen as an bellwether for the industry.

Infosys stock fell however on profit taking after the earnings' announcement, slipping to 3,112 rupees by noon, down 2.2 percent. The

shares had risen 11 percent in the four weeks before the announcement, dealers said.

"Though the economic environment continues to be challenging, we have leveraged our client relationships and investments to grow faster in this quarter," chief executive Kris Gopalakrishnan said in a statement.

In the quarter, Infosys added a net 27 clients and 7,646 employees. The company had 122,486 employees at the end of September, it said.

Analysts expressed confidence in Infosys, but warned that a rising rupee would be a concern for Indian IT firms.

The Indian firms bill US-based clients in dollars and the greenback has weakened against the rupee.

"The rupee will be a concern, but nobody is sure how it will play out," said Hardik Shah, IT analyst with brokerage Asit C Mehta.

The strong rupee makes Indian exports more expensive for clients in other countries.

"We remain bullish on strong revenue growth for the firm. Earnings guidance will continue to be strong in coming quarters," said Pathik Gandotra, head of research with IDFC-SSKI Securities.

The National Association of Software and Services Companies (NASSCOM) has forecast that India's software industry revenues will grow three times from current levels to touch 175 billion dollar revenues by 2020.

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