

Wipro posts 9.7 percent profit rise, below forecast

October 22 2010, by Naseeb Chand

India's third-biggest software firm Wipro reported Friday a lower-than-forecast 9.7 percent rise in quarterly net profit, blaming a higher rupee and wage costs for the disappointing earnings.

The lacklustre performance contrasted with much stronger second-quarter profits for rivals Tata Consultancy Services and Infosys and pulled down Wipro shares.

Bangalore-based Wipro said net profit rose to 12.85 billion rupees (288 million dollars) in the three months to the end of September from 11.7 billion rupees in the same period a year earlier.

Analysts had forecast a profit of around 13.4 billion rupees.

The company said the outlook was for tepid growth for the current quarter.

"Wipro's earnings were below expectations and (revenue) guidance is also lacklustre compared to peers," said Shashi Bhushan, analyst at brokerage Prabhudas Lilladher.

Revenues increased 12 percent to 77.3 billion rupees.

Wipro's chief financial officer Suresh Senapati told reporters the company's operating margins were hit by a firmer rupee and higher salary costs.

"We saw strong momentum in demand as customers tried to catch up with the under-investment in IT in the previous years," said Wipro chairman Azim Premji but conceded the company's performance lagged the sector.

"We will rise to the challenge by putting our organisation muscle to work to return to higher growth and margins," he told reporters.

Premji, one of India's wealthiest men, transformed Wipro into a multibillion dollar IT heavyweight from a soap and vegetable oil products manufacturer.

With the world economy seen recovering, customers now are spending more, leading to fresh orders.

But India's strengthening currency has become a major concern for the country's software giants, which bill US-based clients in dollars. A strong rupee makes Indian exports more expensive for clients in other countries.

The dollar has weakened five percent against the rupee since September.

Wipro's shares fell as much as five percent to a low of 446 rupees in afternoon trade on the Mumbai stock exchange following the earnings report.

TCS and Infosys, whose earnings comfortably outstripped analysts' expectations, have also warned currency volatility will pose challenges to growth in coming months.

TCS, which is India's biggest software services exporter, reported Thursday a 32 percent rise in quarterly net profit to 21.69 billion rupees on improved demand for outsourcing in all its main markets.

Earlier, Infosys Technologies, India's second-largest software firm, announced a 13.2 percent rise in quarterly profit to 17.4 billion rupees.

Wipro on Friday forecast revenues from IT services business would be in the range of 1.31-1.34 billion dollars for the December quarter.

Income from its IT services business rose 15 percent year-on-year to 57.47 billion rupees, the company said.

The firm added 29 clients and a net 2,975 employees in the quarter, bringing its total IT services workforce to 115,900.

(c) 2010 AFP

Citation: Wipro posts 9.7 percent profit rise, below forecast (2010, October 22) retrieved 7 May 2024 from <https://phys.org/news/2010-10-wipro-percent-profit.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.