

India's Infosys profits up 14.1%, lag forecasts

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Indian tech giant Infosys on Thursday posted a disappointing 14.1 percent rise in consolidated net profit, and warned that future growth could be hurt if recovery in developed markets weakens.

Net profit for the Nasdaq-listed firm rose to 17.8 billion rupees (\$397 million) during the three months to December from 15.6 billion rupees a year earlier.

Infosys shares slumped as much as 5.15 percent to a day's low of 3,201 rupees, before recovering marginally to close at 3,212.3, still down 4.82 percent or 162.65 rupees on the weak earnings.

Analysts had expected Infosys, India's second largest software exporter, to show an 18 percent rise in quarterly profit, but the strong rupee and wage costs offset improved demand.

Infosys forecast its full-year turnover, ending March 31, would rise between 25.7 percent and 26.1 percent to between \$6.04 billion and \$6.06 billion.

"The weaker economic recovery in developed markets coupled with high unemployment and risk of sovereign default could impact industry growth," Infosys chief executive Kris Gopalakrishnan said in a statement.

"We are working with clients to fine tune their future strategies."

Most of India's software firms are tapping new markets in China, Latin America, Eastern Europe, the Middle East and Africa to boost revenues, as growth remains sluggish in the main markets of the United States and Europe.

Infosys, which builds software programs and provides back-office support for clients, got 64.7 percent of its revenues from the US and 21.8 percent from Europe, showing flattish growth from a year earlier.

Revenues, by international accounting norms, for the Bangalore-based outsourcer rose 24 percent to 71.06 billion rupees, it said in a statement to the Mumbai stock exchange.

The company, which is closely watched by investors as a barometer for the country's technology sector, added 40 clients and a net 5,311 staff in the quarter. It had a total of 127,779 employees at the end of 2010.

Analysts were upbeat on Infosys's upcoming hiring plans.

"Despite disappointing data, Infosys has an aggressive hiring target," said Shrishti Anand, analyst with Mumbai-based Angel Broking, after Infosys said it planned to recruit 26,000 graduates in 2011-12.

The company also warned of "greater currency volatility" in the future due to uncertainties in the global economic recovery.

"We are living in a volatile environment. All of the developed economies are still challenged," Infosys chief financial officer V. Balakrishnan told reporters.

Infosys bagged four deals worth \$50 million to \$100 million in the quarter, and is chasing a dozen more in the range of \$100 to \$300 million, officials said.

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