

# India's Infosys Q4 profit up, but below forecasts

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India's second-biggest outsourcer Infosys said on Friday quarterly net profit jumped nearly 14 percent but the company's shares tumbled as the figures lagged market expectations.

Consolidated net profit in the three months to March rose 13.7 percent year-on-year to 18.2 billion rupees (\$408 million), [Infosys Technologies](#) said in a statement, below market forecasts of 18.8 billion rupees.

Analysts called the performance, which kicked off the quarterly corporate earnings season, disappointing and blamed it on higher costs that hit margins.

"We expect the demand environment to be normal this year for the industry," said chief executive S. Gopalakrishnan, adding the company had boosted investment "to take advantage of the opportunities we see in the market."

US and other foreign firms, drawn by India's English-speaking workforce and lower costs than in the West, have farmed out a wide range of jobs from answering bank client calls to processing insurance claims and equity analysis.

Revenues of the Nasdaq-listed company, viewed as an Indian technology bellwether, climbed 22 percent to 72.50 billion rupees in the fourth quarter of the financial year ending March 31, 2010.

Analysts had expected revenues to increase 25 percent.

Infosys shares were down 8.24 percent at 3,033.60 rupees on the Bombay Stock Exchange in early afternoon amid reports analysts might downgrade the stock after the earnings figures.

"Overall earnings were not attractive. Operating margins were affected by rising staff costs," said Sanjeev Hota, an analyst at Mumbai-based brokerage Sharekhan.

However, Motilal Ostwal Securities noted the fourth quarter was "seasonally the weakest" for the industry as clients finalise their budgets and temporarily curtail spending.

News that one of the company's key board directors, Mohandas Pai, had decided to step down also undermined investor sentiment.

Infosys, founded by seven entrepreneurs three decades ago with an investment of just \$250, said Pai "has much bigger projects in the horizon".

"Mohan has been an early adopter and a keen anchor builder of Infosys," Infosys chairman N.R. Narayana Murthy added.

The company -- whose market guidance is generally considered conservative -- forecast revenues of between \$7.13 billion and \$7.25 billion in the current fiscal year, up 18-20 percent from the previous year.

It also hiked its share earnings forecast by eight to 10 percent.

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