

India's Infosys Q2 profit up near 10%, shares jump

October 12 2011, by Gulab Chand

Indian software giant Infosys on Wednesday said quarterly profit rose by nearly 10 percent, powering its shares upwards as investors ignored a warning about an uncertain global market.

Consolidated net profit for the three months to September rose 9.7 percent to 19.06 billion rupees (\$388 million) from 17.37 billion rupees a year earlier, the firm said.

Shares of Infosys, India's second-largest software exporter, jumped 6.83 percent to 2,680.5 rupees as investors disregarded a company warning about challenges ahead in the face of global economic turmoil.

Infosys, which garners 85 percent of its revenues from clients in North America and Europe, said the uncertain global economy would present challenges for the IT sector.

"We remain very cautious on worries arising out of the prevailing situation in Europe and the US," chief executive S.D. Shibulal told a news conference at its headquarters in the southern city of Bangalore.

In the United States, high unemployment and slow recovery are a cause for concern, while in Europe the sovereign debt crisis and turbulent financial markets were impacting the outlook.

Infosys' chief financial officer V. Balakrishnan expected global recovery to be slow and said they would wait to see how IT budgets and spending

panned out.

"We, however, see headroom for growth in banking, retail, energy and utilities sectors," he said.

Shibulal said clients were looking for new opportunities for growth, accelerated innovation and increased returns on investments.

Infosys, which is also listed at the Nasdaq in New York, is one of the "Big Three" Indian software exporters and is seen as a bellwether for the country's flagship technology industry.

About 40 of Infosys's global clients are Fortune 500 companies.

The outsourcer marginally lowered its revenue outlook for the 12 months ending March 2012 to between \$7.08 and \$7.2 billion, citing unfavourable currency movements.

It, however, raised its revenue outlook in rupee-terms.

The company's results were in line with analysts' forecasts of a 19-billion-rupee profit.

Revenues were up 16.5 percent at 81 billion rupees.

The results were good "in a quarter which had demand-weakening headwinds", said IT analyst Shashi Bhusan at Mumbai brokerage Prabhudas Lilladher.

Indian IT firms are expected to see better earnings this quarter, aided by a strong dollar, as firms such as Infosys and rival TCS largely bill their overseas clients in dollars.

India's currency has depreciated 10 percent against its US counterpart in the past eight weeks and hit a two-year low of close to 50 rupees against the dollar last month.

India's outsourcing sector is still expected to post 16-18 percent export revenue growth, despite fears of a fresh slump in its key US and European markets.

The National Association of Software and Services Companies (NASSCOM) has forecast the sector will notch up annual export revenues of \$68 billion-\$70 billion in the financial year which began April 1.

TCS, India's largest software exporter, reports its quarterly earnings next Monday, with the third-largest, Wipro, at the end of the month.

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