

India's Infosys profit up 27% but shares tumble

April 13 2012, by Gulab Chand

Indian software exporter Infosys on Friday said its quarterly profit rose 27 percent, but disappointed the markets with a lower-than-expected growth forecast that saw its shares plunge.

The Nasdaq-listed firm said clients were cautious in an uncertain global economic environment as it announced a consolidated net profit of 23.16 billion rupees (\$454 million) in the three months to March.

Profit was 18.2 billion rupees in the year-earlier period.

Infosys forecast its full-year dollar-based revenue for the new fiscal year, which started April 1, at \$7.55 billion to \$7.69 billion, an 8 to 10 percent rise.

Analysts had been looking for a projected revenue rise of up to 15 percent, and Infosys shares plunged as much as 13.08 percent to an intraday low of 2,390.1 rupees at the Bombay Stock Exchange.

Infosys finally closed at 2,403.3 rupees, down 12.61 percent.

India's IT lobby group Nasscom forecasts software export revenues to slow in the new fiscal year, estimating growth of up to 14 percent to \$78 billion in the period.

"It has been a pretty difficult quarter for us. There has been a slowdown in decision-making from clients," Infosys chief executive S.D. Shibulal

told television channel CNBC-TV 18.

Shibulal said the year ahead "looked challenging" for the IT services industry, with slow recovery in global markets, poor client spending and pricing pressures.

The weak revenue outlook was based on an expected fall in client budgets, he told reporters later in the day in Bangalore. "Discretionary spending may decline by 10 to 20 percent across verticals."

Analyst Ankita Somani of Mumbai's Angel Broking called the Infosys' results disappointing.

"The revenue forecasts are well below IT industry estimates," she said.

Infosys faces a "tough short-term", added Bhuvnesh Singh from Barclays Capital in a note to investors, without elaborating.

"The results and the guidance will likely refuel debate on structural issues with the company but also question the demand for IT services going into next year," he said.

Infosys added 52 clients and a net 4,906 staff in the quarter.

The firm, a bellwether for India's export-focused outsourcing sector, underwent a top management restructuring in 2011.

Veteran banker K.V. Kamath took charge as its new chairman, replacing founder-chairman N. Narayana Murthy last year.

Murthy and six other entrepreneurs created Infosys in 1981 with an investment of just \$250.

India's IT industry, centred in high-tech hub Bangalore, carries out a wide range of jobs for Western firms such as answering bank client calls, processing insurance claims, number-crunching and software development.

India, with its English-speaking workforce, accounts for at least 50 percent of the global outsourcing market.

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