

India's Infosys cuts revenue outlook, shares tumble

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Shares in Indian software giant Infosys fell more than eight percent on Thursday after the company announced a surprise cut its full-year revenue outlook and reported a lower-than-expected profit.

The company, closely watched by investors as a barometer for the country's flagship technology sector, scaled down its full-year dollar revenue outlook to around \$7.34 billion, marking growth of just five percent.

That compared to an 8.0 to 10 percent growth estimate announced in April.

"This is a difficult economic environment all over the world," Infosys chief executive S.D. Shibulal said.

"A lack of confidence, slow decision-making and holding up decisions on new projects are the reasons for the lower revenue guidance," Shibulal told AFP after a board meeting in the southern IT hub of Bangalore.

The news spooked investors who did not expect Infosys to cut its revenue outlook, prompting shares in the company to tumble 10.1 percent to a low of 2,216.05 rupees in early trade.

The company's shares ended down 8.15 percent at 2,265.25.

Analysts said they would scrutinise earnings to be reported by TCS, India's largest software company by sales, late on Thursday and the tone from its management on the business outlook.

Nasdaq-listed Infosys reported a consolidated net profit of 22.89 billion rupees (\$416 million) in the first quarter, a rise of 33 percent from 17.22 billion rupees a year earlier.

But it was still below analyst forecasts of a profit of 24.34 billion rupees.

Infosys cut its sales outlook twice last year, and eventually missed its own guidance for the first time ever.

Shibulal said the company wrote off \$15 million on a transmission project in Europe, which resulted in a fall in revenue.

Infosys added 51 clients and a net 1,157 staff in the quarter.

Bhuvnesh Singh, an analyst at Barclays Capital said: "We are worried as two indicators are now flashing red -- order cancellations have started and billing rates have tumbled in the quarter."

Revenues rose 28.5 percent to 96.16 billion rupees for the first quarter by international accounting standards, the company said.

India's rupee -- which has hit record lows against the dollar -- helped Infosys, which like other Indian IT outsourcers bills overseas clients in dollars and then converts into rupees.

India's software firms get more than 85 percent of their revenues from the United States and Europe.

The National Association of Software and Services Companies

(Nasscom) forecasts India's IT export revenues will slow in the current fiscal year.

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