

Infosys profit up 5 percent, misses expectations

October 12 2012, by Erika Kinetz

Profit at India's Infosys Technologies rose 4.9 percent in dollar terms for the September quarter, the company said Friday, missing expectations amid tepid demand from global clients struggling with economic uncertainty.

Net income for the September quarter was \$431 million. Revenue grew 2.9 percent from a year ago, to \$1.78 billion.

The numbers were below expectations. Analysts surveyed by FactSet had forecast [net income](#) of \$444.6 million on sales of \$1.86 billion.

The outsourcing bellwether said revenue for the year ending in March will likely grow 5 percent in dollar terms to at least \$7.34 billion. Adjusting for [currency fluctuations](#), its revenue growth forecast is about 0.3 percentage point lower than its July projection.

The news sent the stock down as much as 8.5 percent in an otherwise flat market in Mumbai.

"We have had a decent quarter in a very tough time," chief executive S.D. Shibulal told India's [CNBC](#)-TV18.

He said Infosys had to trim prices by about 0.2 percent from the prior quarter as clients cut back on discretionary spending and froze decision making.

"The environment is quite challenging for our clients," he said. "The growth is not there."

Infosys has struggled to maintain growth as it positions itself as a premium player in a highly competitive business. It has been warning investors since January that the [global economic slowdown](#) and chaos in Europe would hit earnings.

Still, it managed to grow revenue from Europe by 4.7 percent over the June quarter and from North America by 2.2 percent over the June quarter.

Infosys said Friday that it hiked wages by 6 percent for workers in India and by 2 to 3 percent for workers outside of India. "That means we are very confident of our future," Shibulal said.

The company also made a surprise announcement that V. Balakrishnan will step down as [chief financial officer](#). Balakrishnan will continue as a member of the board and oversee three business areas: [business process management](#), the India business unit, and Finacle, Infosys's proprietary software for banks. Rajiv Bansal, currently the vice president of finance, will take over as CFO November 1.

The September quarter's revenue guidance does not factor in Infosys's acquisition of Swiss management consulting firm Lodestone Holding, announced in September. Infosys paid 330 million Swiss francs (\$353 million) for the company, which it says will bring in 850 employees and 200 clients and boost total consulting revenue to over \$1 billion. Shibulal said Friday the deal should close in "the next week or so."

In rupee terms, net profit grew 24.3 percent to 23.7 billion rupees reflecting the rupee's weakness against the dollar. Rupee revenue grew 21.7 percent to 98.6 billion rupees.

Infosys gets nearly two-thirds of its revenue from the United States and over 98 percent of its revenue from outside India.

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