

# Wipro profit up better than expected 24 percent

November 2 2012, by Erika Kinetz

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Wipro reported September quarter profit of 16.1 billion rupees (\$300.6 million) Friday, an increase of 24 percent in rupee terms, as customers in Europe turned to outsourcing to cut costs and growth begins to return to the U.S.

Profit was better than expected, though revenue came in slightly below expectations, at 106.6 billion rupees (\$2.0 billion).

Analysts polled by FactSet forecast profit of 15.5 billion rupees (\$289.2 million) on sales of 108.5 billion rupees (\$2.0 billion).

The company said revenue in its core outsourcing business was \$1.54 billion, up 4.6 percent in dollar terms from a year ago.

India's third largest [outsourcer](#) said revenue in its core information technology business would tick up slightly, to between \$1.56 billion and \$1.59 billion in the December quarter.

T.K. Kurien, chief executive of Wipro's IT business, said he was "cautiously optimistic" about future growth, as clients in Europe turn to outsourcers to save money and growth begins to return to the U.S.

He said deal closures, which had been frozen by global economic uncertainties, improved toward the end of the [second quarter](#), a trend he hopes will improve after the U.S. [presidential election](#).

"I wouldn't say I see a blow-out future ahead of us but I see more optimism than I did a quarter ago," Kurien said, speaking on [CNBC-TV18](#). "Pipeline in both these geographies is looking pretty strong. What we are waiting for is closure."

Revenues from the Americas rose 4.0 percent from a year ago, while in Europe they grew 2.7 percent, against a 9.3 percent decrease in Wipro's Japanese business and a 3.1 percent slide in India and the Middle East. Wipro's small offerings elsewhere in the [Asia Pacific](#) and other [emerging markets](#) grew by 25.1 percent from a year ago.

Kurien said pricing increases made up for weak volume growth. Wipro raised prices by 1.9 percent in work done at client sites and 1.5 percent for offshore work from the prior quarter, a trend Kurien said he does not expect to reverse.

The company said it added 53 clients and just over 2,000 staff, net.

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

Wipro's growth pales beside that of market leader Tata Consultancy Services, which reported 34 percent revenue growth in rupee terms and 44 percent profit growth in rupee terms for the September quarter from a year earlier. TCS said it added 10,531 employees, net, during the quarter, or roughly five times as many as Wipro.

"Wipro has given a slightly optimistic outlook as far as decision making by client is concerned. We expect growth rates to trend higher over the next few quarters as the developed economies stabilize or at least there are no major catastrophic events like defaults," said Dipen Shah, head of Kotak Securities' private client group.

Wipro on Thursday said it will hive off its non-outsourcing operations into a separate, privately traded company and focus solely on its core software services business within publicly traded Wipro. The news sent the stock up 2.7 percent Thursday. Wipro also has consumer care and lighting, infrastructure engineering and medical diagnostics businesses.

IT services accounted for 79 percent of consolidated revenue and 93 percent of operating income during the September quarter. Just over half of revenues come from North America and nearly a third from Europe.

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Citation: Wipro profit up better than expected 24 percent (2012, November 2) retrieved 27 April 2024 from <https://phys.org/news/2012-11-wipro-profit-percent.html>

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