

India's Infosys sees weaker sales, shares tank

March 13 2014, by Aditya Phatak

Shares of Indian outsourcing giant Infosys slid almost nine percent Thursday after the firm warned that quarterly revenues may be weaker-than-expected following project cancellations.

Analysts said the revenue warning could also have implications for the rest of India's flagship outsourcing sector, which has made the country a top business destination by offering services including software development, information technology and engineering to other, mainly global, companies.

"Some of our clients have seen a slowdown in their business. These are across various verticals leading to unanticipated project rampdowns and cancellations in Q4," Infosys chief S.D. Shibulal was quoted by domestic media as saying.

Shibulal's comments late Wednesday came as the Bangalore-based company has been seeking to reinvent itself with a strategic overhaul to focus on higher-value software and consulting services instead of labour-intensive outsourcing services.

The company's shares pared some losses to close 8.54 percent lower at 3,357.50 rupees after trading down nine percent earlier in the day Thursday.

Infosys' shares have shed 12.73 percent of their value from their 52-week peak hit in early March.

Last December, V. Balakrishnan, a top executive at Infosys and tipped as a future chief executive resigned, one of a string of departures since co-founder Narayana Murthy returned to lead the company.

Murthy was reappointed executive chairman last June, two years after he retired, amid hopes he could help Infosys regain market share lost to rivals such as Tata Consultancy Services (TCS) and HCL.

"Attrition in the top-level management combined with subdued client spending might affect Infosys' ability to get increased client wallet share," Ankita Somani, an analyst at Mumbai's Angel Broking, told AFP.

Analysts had seen Murthy's return as a positive, given his stature as a pioneer of India's "outsourcing revolution", and were impressed after the company raised its revenue outlook for 2013-14 in January.

The firm now expects its revenues for the January-March quarter to expand at the "low end" of its projected range, the Press Trust of India national news agency reported.

"Some challenges in skill miss-matches between skills clients need and what we have has led to a slowdown in ramp-ups. These factors are leading to a decline in business momentum for us during the quarter," Shibulal added.

Back in January, when Infosys improved its [revenue outlook](#), the move suggested better economic conditions in key United States and European markets.

In turn, it meant better earnings for other big Indian IT firms such as TCS and Wipro.

But now, the subdued revenue growth projection from Infosys might

mean trouble for its peers, analysts suggested.

Shares of leading outsourcing company TCS fell 1.16 percent to 2,153.45 rupees Thursday while Wipro, which stands in third-place by revenue, slipped half a percent to 563.40 rupees.

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Citation: India's Infosys sees weaker sales, shares tank (2014, March 13) retrieved 23 June 2024 from <https://phys.org/news/2014-03-india-infosys-weaker-sales-tank.html>

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