India software giant TCS profits up 30%

17 January 2011

India's largest software exporter Tata Consultancy Services on Monday said profits rose nearly 30 percent in the third quarter, beating forecasts, as outsourcing orders strengthened.

Consolidated net profit was 23.69 billion rupees ($526 million) for the three months to December, up 29.8 percent from 18.24 billion rupees a year earlier.

Turnover for the quarter rose 29 percent to 98.57 billion rupees, a statement to the Mumbai stock exchange said.

Analysts expected TCS to show profits of about 22 billion rupees.

"We have delivered another stellar quarter, capturing volumes. Demand continues to be strong," the company's chief executive N. Chandrasekaran said in a statement.

US and European markets continued to lead demand recovery, the company said.

Profit was boosted by a more than three-fold jump in other income to $40 million, including foreign exchange income through hedging gains.

TCS does not offer a revenue outlook.

Indian software firms have seen improved demand from their key markets in the past two quarters, but their gains are being weighed down by a firm rupee and rising wage costs.

TCS has exceeded its 50,000 hiring target previously set for the fiscal year ending March, adding nearly 12,500 employees and 35 new clients in the quarter.

TCS now has 186,914 employees, as of the quarter-end in December.

"Earnings were a mixed-bag, but largely positive," said Shrishti Anand, IT analyst with Mumbai-based Angel Broking, who had forecast higher revenues.

In the quarter, TCS won a multi-year contract from a UK-based financial firm and also signed a multi-year, multi-million dollar contract with a global airline. It did not disclose further details.

TCS shares rose 1.74 percent or 19.45 rupees to 1,138.45 on the Mumbai stock exchange, prior to the earnings announcement.

Last week, rival tech giant Infosys posted a disappointing 14.1 percent rise in consolidated net profit to 17.8 billion rupees, warning future growth could be hurt if recovery in developed markets weakens.