

India's TCS misses quarterly profit estimates as demand slows

October 10 2019



The revenues of software giant TCS are seen as an indicator of the health of India's IT export sector

India's largest software exporter Tata Consultancy Services (TCS) on Thursday reported weak quarterly earnings, missing profit estimates as demand for its key banking and financial sector services shrank.

The Mumbai-headquartered firm posted a 1.8 percent rise in consolidated [net profit](#) to 80.41 billion rupees (\$1.13 billion) for the quarter ended September, up from 79.01 billion a year earlier, the company said.

The downbeat figures come as India's economy endures a prolonged slowdown—with the software giant's revenues seen as an indicator of the health of the country's IT export sector.

"We ended the quarter with steady growth despite increased volatility in the [financial services](#) and retail verticals," TCS chief executive Rajesh Gopinathan said in a statement.

"We remain confident as the medium and longer term demand for our services continues to be very strong, as evidenced by our Q2 order book — the highest in the last six quarters."

Known as India's second-most valuable company, TCS was at the forefront of an IT boom that saw the country become a back office to the world as firms—largely in developed nations—subcontracted work, taking advantage of a skilled English-speaking workforce.

TCS earns more than 80 percent of its revenues from Western markets including Britain, the United States and Europe.

The September-ended quarter is generally considered a strong one for India's IT [service](#) exporters due to increased spending from clients in Western markets.

But US-China trade tensions have sparked fears for the global economy, with the International Monetary Fund forecasting the weakest growth in a decade.

India, Asia's third-largest economy, saw growth fall to five percent in the June quarter, according to official data as manufacturing activity and consumer demand cooled.

Many financial agencies have revised India's growth projections for the 2019-20 financial year, with some warning that a stronger dollar would cause the rupee to fall throughout 2019, stoking inflation and eroding demand further.

On Thursday, ratings agency Moody's revised the country's GDP growth forecast to 5.8 percent from a previous estimate of 6.2 percent for the financial year 2019-20, lower than the 6.1 percent projected by the Reserve Bank of India.

TCS shares were down 0.80 percent in Mumbai after the earnings announcement.

The company's rival Infosys is expected to announce its quarterly results on Friday.

© 2019 AFP

Citation: India's TCS misses quarterly profit estimates as demand slows (2019, October 10) retrieved 27 April 2024 from

<https://techxplore.com/news/2019-10-india-tcs-quarterly-profit-demand.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.