

India's TCS, Infosys see revenue dips on client spending cuts

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Infosys, headed by Salil Parekh, and IT rival TCS earn more than 80 percent of their revenues from Western markets.

Indian IT giants TCS and Infosys both signaled weak revenue growth in quarterly results Thursday as a client spending slowdown deepened a

seasonally weak time for the sector.

Both companies, the second and fifth-biggest in India by [market](#) cap respectively, earn more than 80 percent of their [revenue](#) from Western markets, and each benefitted from a digital services boom during the COVID pandemic.

But both have since seen demand taper as customers cut back on tech spending due to higher inflation and an uncertain global economic outlook.

Revenue from TCS operations was 605.8 billion rupees (\$7.29 billion) for the December quarter—a four percent on-year increase that represents its lowest revenue growth figure in two years.

Net profit rose nearly two percent on-year in the period to reach 110.6 billion rupees (\$1.3 billion)—a figure dampened by a \$125 million legal settlement.

The results were slightly above most analyst estimates, and the Mumbai-based firm's British business was up 8.1 percent to pare a three percent decline in North American market revenue.

"Our strong performance in a seasonally weak quarter buffeted by macroeconomic headwinds demonstrates the strength of our business model," chief executive K. Krithivasan said in a statement.

"We are seeing strong deal momentum across markets resulting in a solid order book providing visibility into our long-term growth."

Employee attrition eased to 13.3 percent in the December quarter, down from 14.9 percent last quarter, which a top executive said was now within its "range of comfort".

Shares in the firm closed 0.61 percent higher in Mumbai ahead of the results announcement.

'The higher end has come lower'

Infosys reported a decline in profit for the December quarter, and narrowed its revenue growth guidance to 1.5-2.0 percent in constant currency terms, from a previous estimate of 1.0-2.5 percent.

"In effect, the higher end has come lower and the lower end has gone up a bit," chief executive Salil Parekh told reporters. "We see the outlook, in essence, is quite similar."

A big employer of India's engineering graduates, Infosys upset markets last quarter after it said it would halt campus hiring in an effort to cut costs.

The Bengaluru-headquartered firm said [net profit](#) fell 7.29 percent year-on-year in the three months to December, to hit 61.06 billion rupees (\$735 million).

The company's revenue moved up just 1.31 percent on-year to 388.21 billion rupees.

"Typically, Q3 is a quarter with large furloughs and other end of year holidays," Parekh said. "That, we've seen continue."

Shares in Infosys ended down 1.7 percent at the close of trading in Mumbai on Thursday.

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