Indian outsourcer HCL quarterly profit up 6.9 pct

ERIKA KINETZ - AP Business Writer - Associated Press

Indian outsourcer HCL Technologies Ltd. said quarterly profit grew 6.9 percent in dollar terms, beating expectations on strong global demand for its software services.

Profit for the April-June quarter was 3.42 billion rupees ($74 million) and revenue was 34.25 billion rupees ($738 million), up 21.5 percent in dollar terms from the same quarter last year, the company said Thursday.

India's information technology outsourcing companies perform a range of functions for local and overseas corporations looking to cut costs, from call center management to software development to business consulting.

In the last two years, the top Indian IT companies added $2.9 billion of incremental revenues and HCL contributed $844 million, or about a 30 percent share of the increased revenue, chief executive Vineet Nayar said in a statement.

A survey of analysts by India's CNBC-TV18 had forecast net profit at 3.0 billion rupees and revenues at 32.6 billion rupees.

"Results are above expectations," said Kotak Securities analyst Dipen Shah. The 10.7 percent growth in constant currency terms in the IT services business was higher than the growth reported by HCL's larger peers, he said. But profit margins declined more than expected due to increased staff numbers.

The strong revival in demand has sparked a war for talent at India's major outsourcers, who are offering raises and other perks to stem attrition.

Growth at HCL was broad based and led by health care and retail — which grew near 20 percent from the prior quarter — followed by manufacturing and financial services, the company said.

Revenues from the United States grew 11.3 percent from the prior quarter, followed by Asia Pacific with 9.1 percent growth and Europe with 4.2 percent growth.

The United States accounts for 61.5 percent of HCL's business.

HCL Technologies added 6,428 employees during the quarter — its highest quarterly addition ever — bringing headcount to 64,557 people.

Strong cash flow allowed the company to cut net debt to $36 million in June, from $221 million a year earlier.

HCL said it signed deals with companies including the Singapore Exchange, Merck,

Dr. Pepper Snapple Group, Sony Corp., Nokia and CISCO during the period.

After spiking 6.2 percent on the news, the stock was up 3.8 percent at 386.9 rupees in morning trade on the Bombay Stock Exchange.

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