

World's Envy India's pride

Software has boosted India's position in the world market. In the past 5 years India's software exports has risen by a whopping 700%, thanks to companies like Tata Infotech. Mr. Suhas Pathak, Vice President, Systems Integration Division, Tata Infotech explains the reason behind its success in particular and India's success as a software exporter in general

G P Vinaybabu

When was Tata Infotech established?

Tata Infotech started its operations in 1979 as Tata Unisys. It initially started with hardware manufacturing and a little bit of software manufacturing. Even now we are into manufacturing hardware. We started with the manufacture of printers – dot matrix printers, then we went on to manufacture many electromechanical devices. Currently we are manufacturing cheque sorting and cheque processing machines used in banks. We sell it to Unisys Corporation USA. We do this basically as an OEM to them.

What kind of software development is Tata Infotech into?

Tata Infotech develops software for various vertical market segments like

financial, telecom, transportation, airline, commercial applications and so on. Along with that we cater to various horizontal segments like Imaging, systems, Y2K, DSS and so on.

What do you attribute India's success in Software export to?

Basically India has a large number of engineers. Every year around 14,000 engineers come out of our universities. Mostly, Indians are very methodical people. The mathematical grilling that happens in the childhood obviously helps. And there is also the price factor. The other aspect is we can speak English. All these aspects combined together makes an attractive proposition for Indians to get into software. Consultants feel that they can get better brains than what they get elsewhere at a lower cost and they get better solutions as well. So it's a win-win situation for all.

Does the world think so?

There was a study done by World Bank recently. They interviewed various large companies around the world. From



Currently there are not many countries competing with India. There are other countries with the same advantage – Pakistan, Sri Lanka and Australia. But their costs are slightly higher than ours.

With China the problem is English speaking. However China is a threat 2-3 years down the line. Their market is quite large.

There is a thinking that Indians are executors – not managers. What is your opinion?

That's the way Indian software Industry started. Because we were new to this industry we were offered such jobs. But nowadays more and more companies are doing the work back home. 70 per cent

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their point of view also, India was the first choice for outsourcing software jobs.

of people work from India and only around 25 per cent work overseas. We

have a number companies getting their software development done entirely in India managed by us. TCS develops software for many foreign clients entirely here in India. Similarly Infosys is handling software development for Reebok.

Isn't it just contract manufacturing?

Most software projects starts off as contract manufacturing assignments, but once the client develops confidence in you, they offer you more and more responsibilities. Today, GE depends entirely on Indian companies for their software development. TCS couldn't handle all the work, so we are also chipping in.

What is India's effort in the development of software products?

Software product development is a different ball game altogether. Products have to be internationally successful. There are a number of products that have come out of India. But only a few of them have been successful in the world market. We have sold some products in the range of 20-30 copies. We can't sell millions of copies like some US companies do. For that we should have a totally different kind of investment. You have to be very close to the customer. You have to be in that area so that new technological advancements are immediately incorporated. Today, if a product hits the market, marketing and merchandising costs billions of dollars before even a single copy is sold. Microsoft is spending US \$50 million to US \$100 million for marketing its Windows NT98 even though it's not necessary for them to advertise. That is the kind of investment needed.

What is Tata Infotech's contribution in the total software exports from the country?

Around 3% of the total. Not long ago our share was 50 per cent. As more and more companies are entering into software

development, everybody's share is going down but the total export from India is going up.

What do you export?

We develop programs for applications. We send people from here to customers' site to develop some products. Sending people out on projects or 'body shopping' as some people call it is not a bad thing to do. Simply because it generates new ideas for our own people. By getting exposed to the product development efforts there, you can develop such products for Indian conditions as well. We also keep in touch with the market by sending people out.

What are the Infrastructural facilities available for software companies in India?

Even as recently as 8-10 years back, to get links outside India was very difficult. Today, you can connect easily to a customer and work on his machine. That is not a hindrance anymore. Telephone services are improving. Tax benefits, tax holidays and infrastructure in terms of exclusive facilities like SEEPZ are being provided. In zones like SEEPZ the entire infrastructure required for the business is provided at one place. And with even other companies located in the same zone, you can talk to them and get some help. There are lots of advantages in operating from such zones. For the last 8-10 years government has made IT a priority area. That has reflected in the improvement in exports.

What are the special facilities provided to companies at SEEPZ?

I can get specialised hardware for my projects from outside. I can get links for SEEPZ directly from VSNL without any delay. Even outside SEEPZ, I can get the same kind of benefit, but not the advantages of being in a centralised infrastructural set up like - customs clearances,



banks, high speed links. Outside SEEPZ it'll take a long time to get even a leased line from VSNL. Here we have a large bandwidth connection.

Don't you think companies outside such zones are at a disadvantage?

I can't say they are at a disadvantage. If you are starting something new, it takes its own time to evolve. Therefore the government is setting up special areas like STP where the government can provide the necessary infrastructure and the software industry can grow. If each company has to get bandwidth, power, water etc, it becomes difficult. If the government makes sure that all these facilities are provided, it becomes easier for the companies to concentrate on the job on hand.

Don't you think Electronic hardware should be given equal importance along with software?

Hardware industry is changing a lot. Worldwide I have to compete with countries like Taiwan, Korea, Hong Kong and Singapore to survive where all the factories are available and the products are produced in billions of units. To compete with them on that volume scale would be difficult for us. Even in the Asian market we are nowhere. Total number of PCs all over India today equals that of New York. Even in the Asian market we are not in the top ten. Asian market as a whole is 200 billion dollars (excluding Japan), and our share is not even 2 billion dollars. Japan itself accounts for 160 billion dollars. So volumes don't justify the investment in the hardware sector.

How long do you think the Software boom would continue?

10-15 years at least. By that time, we should establish ourselves as a major player in the market. In the next 3 years we'll be 3rd in the Asian market. We have to keep coming up with new products and our own new IPRs.

What are the future initiatives of Tata Infotech?

We have decided to concentrate more on creating more intellectual property rights. We want to go into product development. Around 20 per cent of our revenue comes from the development of our own products. We want to change that. At least 30-40 per cent of the revenue should come from our own products.



Exports from SEEPZ

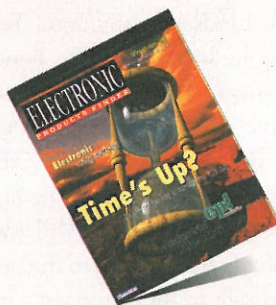
Category-wise exports

Category	Percentage During				
	94-95	95-96	96-97	97-98	98-99
Computer, Computer sub-assemblies & peripherals, etc.	56	50	39	28	10
Other electronic components.	08	08	09	09	08
Consumer electronics.	03	05	03	04	04
Computer software.	32	36	48	58	77
Instruments & communication equipment.	01	01	01	01	01

Country-wise exports

Country/Area	Percentage in Total Exports				
	94-95	95-96	96-97	97-98	98-99
USA & Canada	44	45	50	52	56
W Europe & UK	16	15	13	16	17
East Europe	08	08	01	01	00
South-East Asia	27	27	27	25	10
Other Countries	05	05	09	06	17

Source: SEEPZ



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electronic hardware & software industry

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