

COVER STORY



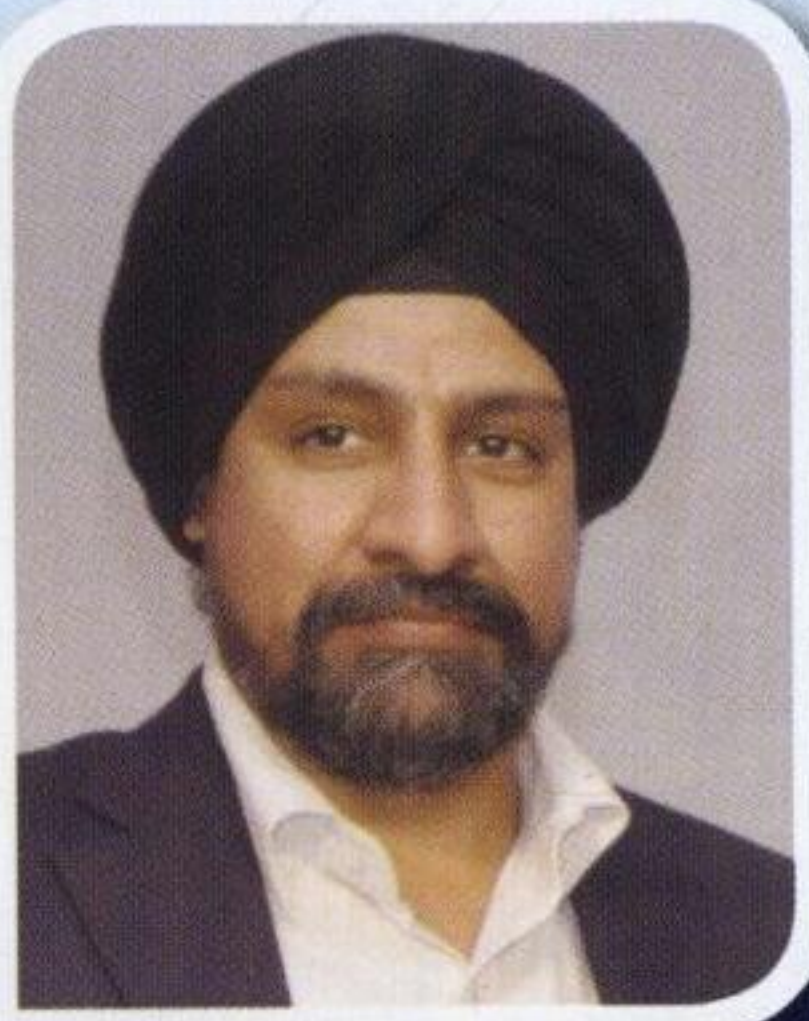
# The Big Fall of Rupee

*Rupee depreciation in recent months has affected almost all the industry and so IT is not an exception. Indian currency observed more than 20% depreciation*

*against dollar till the month of May 2012. DIGITAL TERMINAL digs out the impact and industry's action to fight the battle against dollar.*

## Current Scenario

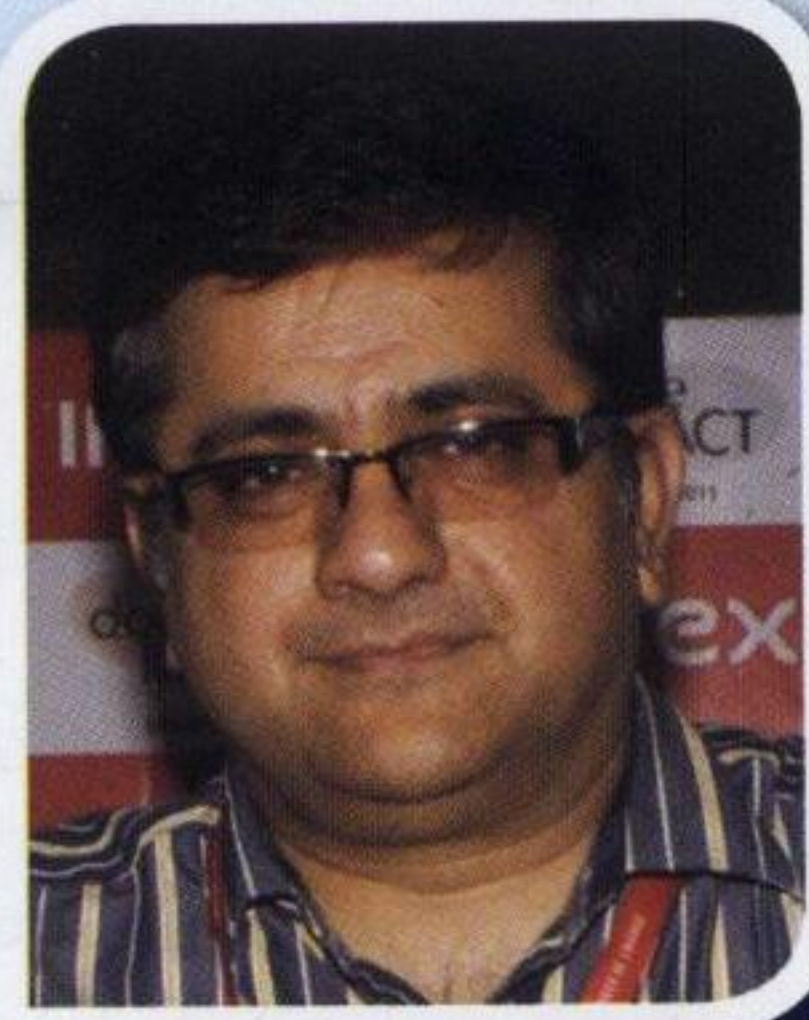
The Indian IT market has been widely affected by dollar fluctuation in recent months. As a result we have seen all major vendors have increased prices on their products. According to Mahesh Bhalla, Executive Director & GM, Consumer, Dell India, "Our industry is facing tough time due to dollar appreciation since last few months. So



**Mahesh Bhalla**  
Executive Director & GM,  
Consumer, Dell India

we were supposed to increase the price of products in between 5% to 10%. This has been followed by all vendors due to immense pressure. But this will not have any major impact on demand. Yet we see huge opportunities in consumer segment."

Few vendors see the situation very imperceptive. Vikram Kalia, GM- Product Management, Intex Technologies (India) Ltd. explains, "There is a state of confusion in IT Market on what is the way forward and by when the situation is going to improve. Some are waiting for the situation to improve and others have understood



**Vikram Kalia**, GM- Product Management, Intex Technologies (India) Ltd.

that such things are inevitable and have moved forward. In this kind of scenario, customers tend to delay their purchase decision but people who cannot avoid the purchase go for it. Despite the price hike, the impact on the price of peripherals is not so much. These short term

fluctuations do not lead to a change in decision of the customers." Rupee devaluation is giving very tough time to IT players. The IT hardware players have suffered incalculably loss in last few months. "The biggest impact to the industry is the Rupee devaluation and the



**Sabyasachi Patra**,  
Executive Director,  
MAIT.

industry has been bleeding for the last 3 months with all IT hardware companies in red regardless of domestic manufacturers or multinationals as the industry has over 85% import content," says, Sabyasachi Patra, Executive Director, MAIT.

## Boost for Domestic Players

The domestic market players don't see the situation affecting their businesses. In fact they have observed excellent growth. Sunil Kripalani, Senior Vice President – Global Sales & Marketing, eScan, says, "The current Indian market is full of opportunities. With the increasing cyber



**Sunil Kripalani**, Senior Vice President – Global Sales & Marketing, eScan

security threats, the security awareness amongst the IT users is increasing, leading to the increasing demand of security solutions. At eScan, our revenue is growing substantially year-by-year. For us, the situation is not at all panicky as we are an India-based company and our market share in

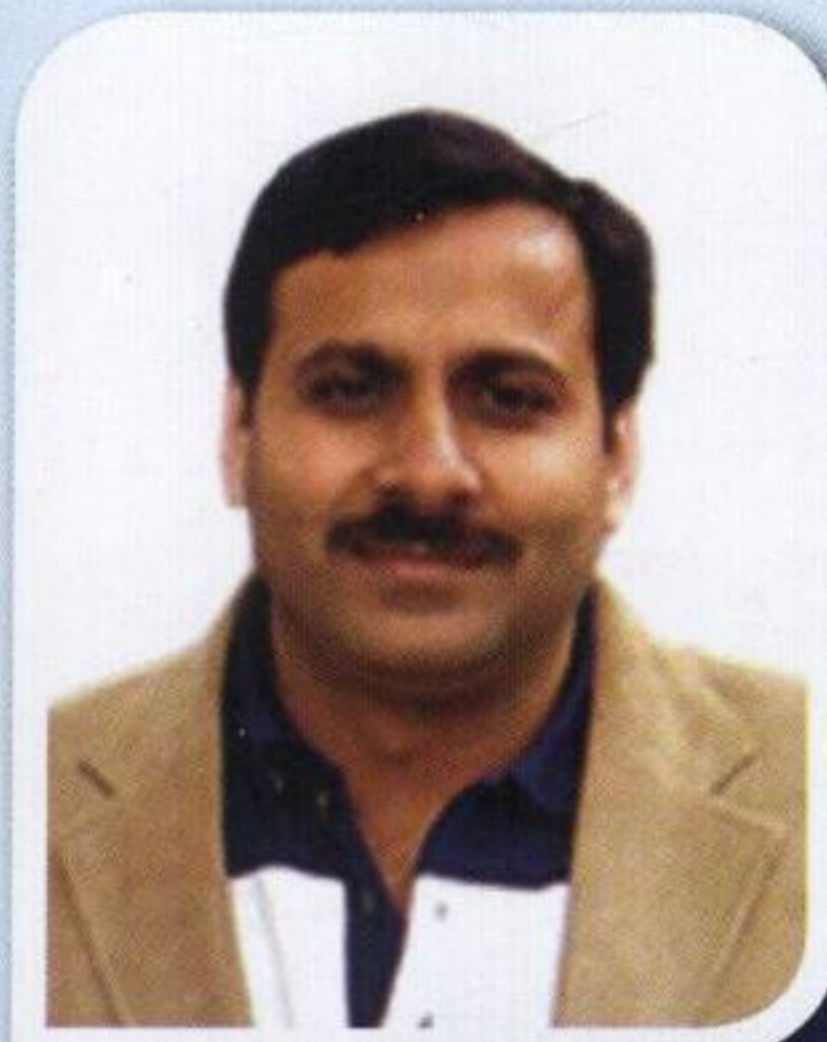
India is increasing exponentially." Adoption of domestic solutions may be one of the trace to fight back with ongoing situations. For instance, importing technologies will increase overall expense. Pavan Thatha, Co-Founder and CEO at ArrayShield, says, "Balance of payments due to higher imports and lower exports is one of the key reasons for currency weakening. It's time that we take a serious look at the kind of technology imports that we are right now doing and do a reality check on the need of importing technologies when we have much sophisticated technologies being developed within the country."



**Pavan Thatha**, Co-Founder and CEO, ArrayShield

## Pain of Assembling

Assembling business has been grieving since last year due to Thai floods which caused more than 100% price rise in HDDs. Despite this setback, assemblers have managed to stick to the growth path as the demand was constant. But now due to current high exchange rate, this vertical is experiencing a lot of mess while purchasing goods. Rajesh Goenka, VP Sales & Marketing, Rashi Peripherals Pvt. Ltd. confirms and



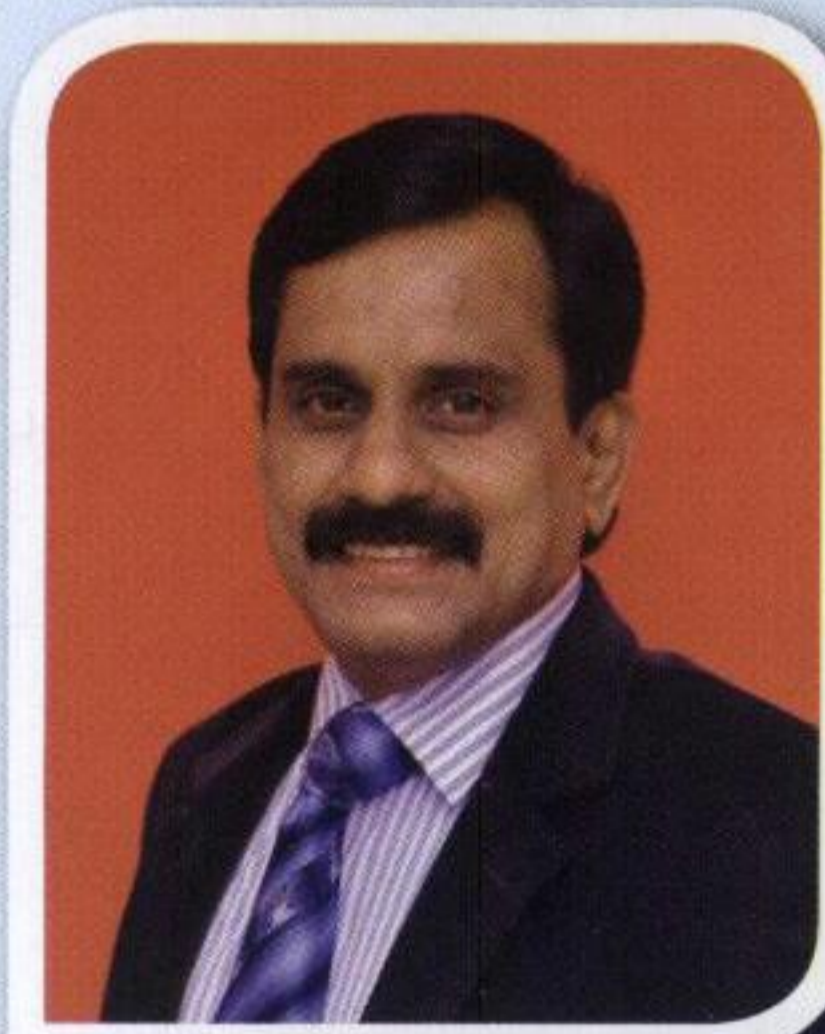
Rajesh Goenka, VP Sales & Marketing, Rashi Peripherals Pvt. Ltd.

says, "The major impact can be seen in the DIY PC because this business is more susceptible to dollar fluctuations also in this case neither the vendor nor the

distributors have such deep pockets so

as to sustain fluctuating price levels. This coupled with continued hard disk shortage and high price is hitting the DIY market hard."

According to S Sudhir, Managing Director, Inspan Infotech Pvt Ltd, Chennai,



S Sudhir, Managing Director, Inspan Infotech Pvt Ltd

rework on the costing depending on the frequent changes. IT market is best known for the assemble market, rupee depreciation and hard drive price hikes have effected a lot, there is also a huge pressure on Desktop market."

"Current exchange rate fluctuation is one of the major factors affecting the IT market. The reason being Forex losses due to which all distribution houses have to

Purchase by end customer has reduced with the increase in price on all products. Similarly channel partners are feeling the brunt of the same. "IT Market is primarily an import dependent market as the key peripherals and components are imported from Taiwan or China. With a shaking Rupee, the pricing of finished product landed in India has become unstable. The price estimated at the time of

planning and the final price landed in India after 30-45 days, has a great difference and thus is weakening the business,"

Sushmita Das, Country Manager- India, Kobian Pte Ltd includes.



Sushmita Das, Country Manager-India, Kobian Pte Ltd

## Close to Panic Button

When asked about the need of pressing panic button, almost denied this and confirmed the situation under control. This may be one reason to relieve for now at least.

Alex Huang, Country Manager, System Business Group, ASUS India Pvt Ltd,



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says, "The current IT sector is low as a result of the global economic scenario. However this will have a limited and short term impact on the Indian Information Technology market. The situation is unlikely to provoke panic in the industry and the

situation. There is definitely buying in some of the sectors."

impact is believed to be limited to the next six months."

Many of us believe that market is slow. So we need to look in the verticals which are still growing. Shibu Paul, Country Sales Manager, Array Networks confirms,



Shibu Paul, Country Sales Manager, Array Networks confirms

"There is a lot of apprehension and definitely decision making has become very slow. There is a definite impact because of the current scenario but it's definitely not a panic

situation. There is definitely buying in some of the sectors."

Few believe that we should play wise and be safe by controlling our own expenses. "I would say that this is not the right time to press panic button. It's true the market spending has decreased over last 2-3 quarters.

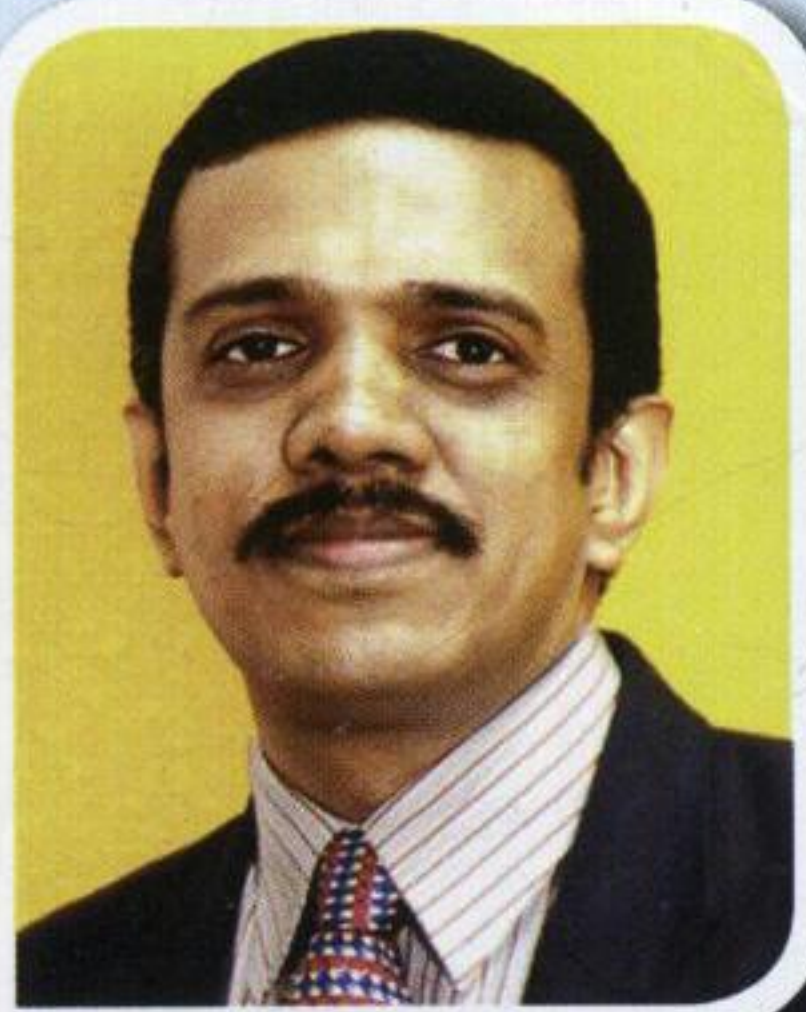
We should rather hold for stakes for some time, reduce corporate expenses and work towards more efficient systems,"

admits, Rohit Gupta, Director, India Outsources Pvt. Ltd.



Rohit Gupta, Director, India Outsources Pvt. Ltd.

## Opportunities with Lesser Margin



S Sriram, CEO – iValue InfoSolutions Pvt Ltd

**M**ost of us do not see challenges on the business front. Yes closures are taking lon-

ger and payments are getting delayed off late. Growth opportunities continue to be strong when our approach is to understand and address customer's business and IT challenges. S Sriram, CEO – iValue InfoSolutions Pvt Ltd, adds, "Challenges facing business including IT are high costs due to relatively high inflation, higher cost of money slowing down investment for growth and expansion. Indian business

and IT hence have a challenge on managing a profitable growth despite opportunities. With margins in single digit for most IT partners, such sudden depreciations of high magnitude become unmanageable without vendor & customer understanding & support. Orders are stuck across the chain over the last few months affecting all."

## Government Interventions

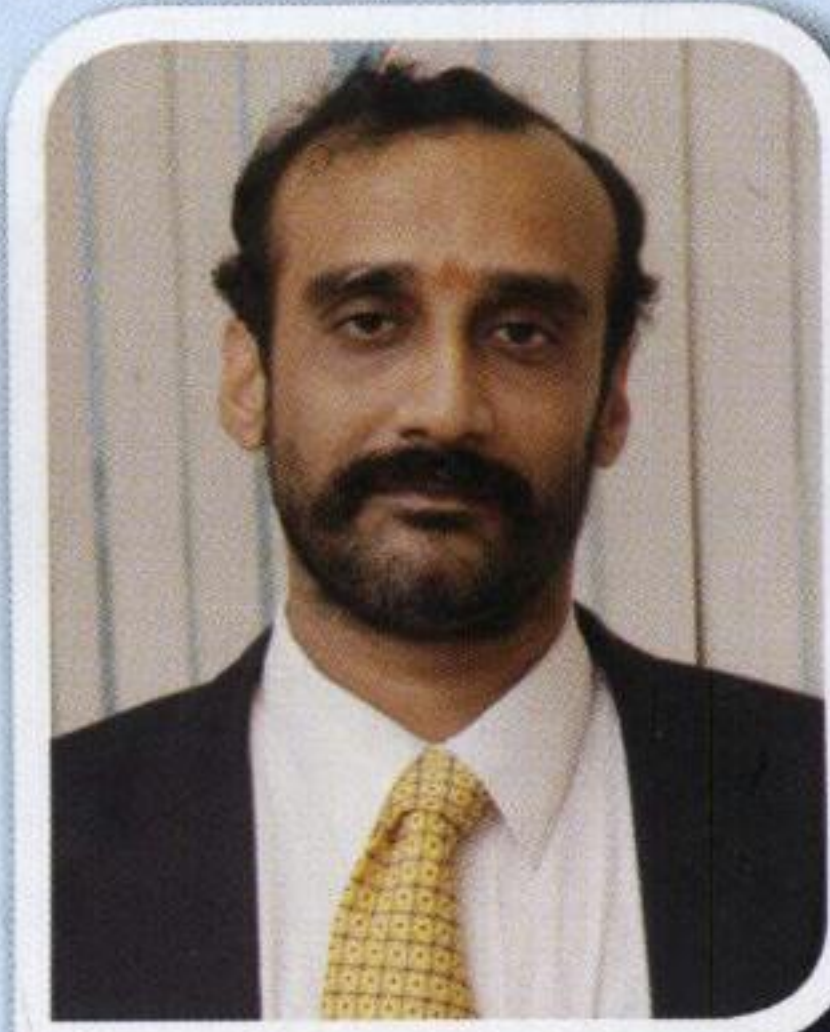
**A**t every such crisis, all industry looks at policy makers to announce some relief in any form either its duty cut or any other benefit. These will surely help industry in fighting against the on-going dollar fluctuation. Mr. Goenka, further adds, "The government should announce some economic measures and duty cuts to boost the IT industry. At this time, we very importantly need intervention from the RBI as they have the power to control dollar fluctuation and benefit the industry on a whole."

According to Mr. Kalia, there are some steps which can give short and long term relief to industry. These are making our currency tradable in the international markets, giving boost to the Indian IT manufacturers by giving them more benefits to manufacture and export, rule of 40%-50% purchase of the made in India products to be used in manufacturing process and offices and developing infrastructure around the coastal areas for shorter product production and shipment time.

He further adds, "For short term relief the steps would be to ensure that Rupee remains under control and does not depreciate further and giving an import duty relief on some of the product categories so that companies are able to overcome the problem of dollar appreciation."

The government itself is one of the largest consuming verticals in India, so govern-

ment wise decision of IT penetration may uplift the growth story. M P Vijay Kumar, Chief Financial Officer, Sify Tech-

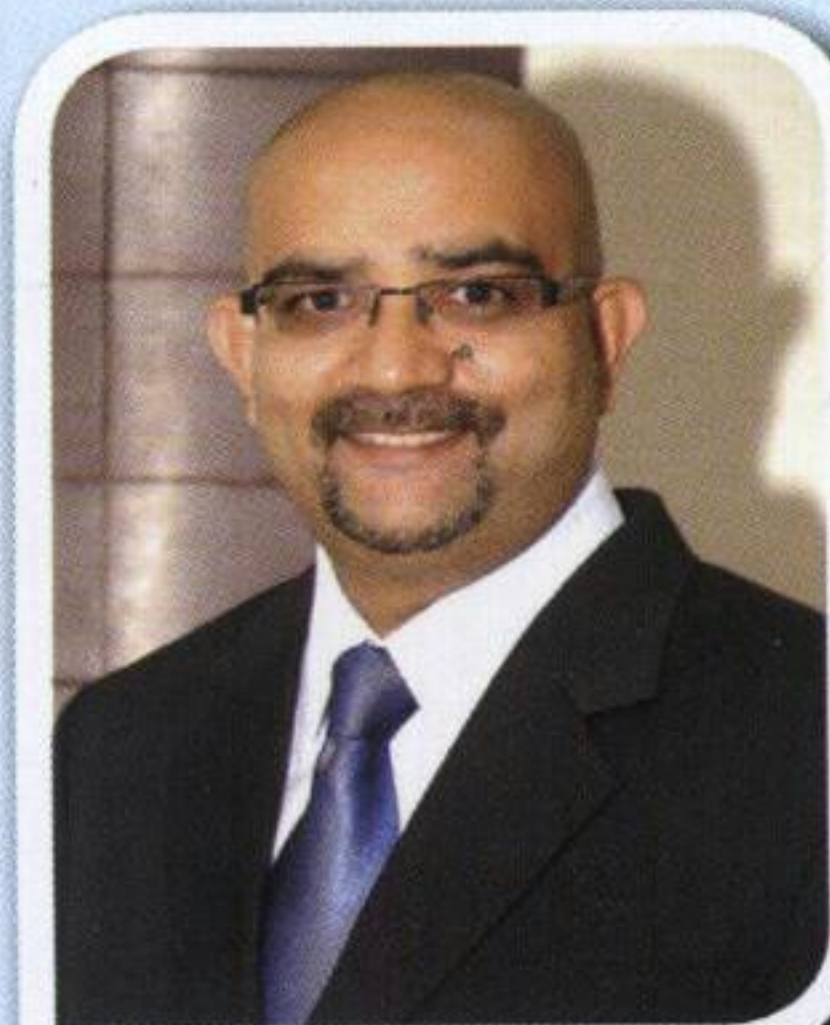


M P Vijay Kumar, Chief Financial Officer, Sify Technologies

and transparency. And hence quickens the pace and volume of investment. Such moves will send out positive signals to both the industry and also other business that is viewing the current slowdown with increasing alarm."

As we all understand the role of IT for our country, government need to boost R&D and innovations. Better policies need to be delivered to boost this segment which will shape the future of Indian domestic market. "Indian government should understand that the future of Indian IT industry lies in fostering IT companies who innovate especially companies investing in

nologies, states, "In the current business environment, it is important that the government views it's IT spend as a means of increasing productivity, efficiency



Sriram Rajaram  
President – Strategy & Corporate Development, Cigniti Technologies

companies investing in IT innovation can cluster," says, Sriram Rajaram, President – Strategy & Corporate Development, Cigniti Technologies.

Government should take some immediate corrective measures for strengthening back the rupee. "It is not only important for IT market but for all business groups. The weakening rupee has led to drainage of funds and if not controlled now then we shall have a great economic challenge in front of us. 2008 was termed as Global economy melt down, but India swerved through it. But if no stimulus actions are taken now, this shall be the biggest economic meltdown for India," Sushmita Das, concludes.

non-linear growth. This means encouraging companies that innovate by providing tax breaks, creating special funds and setting up special innovation zones where