

By 2010, says the chairman and CEO of India's largest PC brand, HCL Infosystems, the country will be importing \$50 billion of computer hardware, a figure marginally higher than our software exports. So, he tells Sunil Jain and Gaurie Mishra, the government still needs to correct existing anomalies and billions of investment dollars will be here for the asking. Excerpts:

Are we seeing your great Indian hardware story taking off now with AMD and others making the kind of announcements they're making? In any case, most of the tax anomalies were taken care of last year.

Things have been fixed at the customs end, but there are still excise distortions on inputs like motherboards and monitors, so the value chain gets spoilt — I don't get credit for buying these locally since the excise on finished computers is zero. Our association took a delegation to Taiwan with the Department of Information Technology, and many players wanted to come here, but didn't because of this, since the margins are razor-thin — once you fix this, you can see billions of dollars of investments coming in. There's a study which says our hardware imports will be \$50 billion in 2010, which is roughly the same as the projected software exports — so it is critical to develop critical mass in production here.

But with PC sales at around 5 million, surely India has enough critical mass to attract such investment? Isn't that why AMD and others have made their announcements?

You need to have around 8 million or so to attract investors — we'll be that in two-three years. As for the announcements, they're just that! We need to look at getting the anchor manufacturers here (like a Seagate for disk drives) and the rest will follow.

Does that require huge fiscal concessions?

Only in chips, not for the rest. For the rest, the market needs to expand. We've given suggestions on how to do this in terms of PCs for schools, e-governance and so on — we need some big initiatives.

Your market share is still very low despite the grey market getting hit badly. What are you doing about it?

The grey market is at around 40 per cent for the reasons I just gave you, and more. Grey firms sell grade B or C monitors, for instance, and this creates a significant price barrier. So, we're trying to educate customers, but you're right, the organised industry has not taken this up strongly enough for it to have an impact. But our market share in the total market has gone up from under 10 per cent five years ago to around 11-14 per cent.

In the home market, we're 15 per cent compared to around 1.5 per cent six-seven years ago. We had 800 dealers earlier, now we have 3,000.

But haven't the LGs and others eaten up your share?

They only reach the consumer market, not the corporates and government.

Isn't it true that with zero import duties, firms like Lenovo and HP will carve up the market? You're not aggressively adding capacity, you're not buying firms abroad, you're not shifting production to China to shave off costs....

Why isn't Dell a success here? Because we're a very touchy-feely market, we want to see the product, we want a person to service it... Our service network is the biggest entry barrier we've created. Corporations don't want to deal with 40 dealers like they have to with some of the competitors — they'd rather deal with just one company, one face. We have our PCs in 45,000 bank branches and we give a monthly report on uptime — banks cannot afford a downtime of even three-four hours. LIC uses HCL, half of SBI is on HCL machines... We do Rs 250 crore already out of a new service business...we look after the printers, copiers, all office equipment for clients as a single-point contact — this will grow to 20 per cent of our hardware business.

Look at any conference room and it typically has a white board, projectors, and other display

facilities — we've gone to clients and said we'll integrate all of it, get a single console to control everything. The Audio Visual group is just six months old and we've got 15-20 clients already. On the issue of scaling up, we did 3 lakh PCs two years ago, we'll do 1.5 million next year.

Why aren't you in China?

It makes little sense. The service barrier, for instance, cannot be done out of China. Second, when it comes to testing and validation of equipment, which is really high value stuff, our engineering talent is very competitive. Besides, all vendors have this concept of country leaders for the large producers, so we get all components at international prices even in India. And once we fix our duty structure, the Taiwanese component chaps will all come here anyway.

Haven't other companies sold more of the Rs 10,000 PCs than you have?

They may have...but our sales of Rs 15,000 PCs rose after we came up with the sub-10,000 one. Our idea was to create price points to get the customer in, and it is up to the customer after that. We contacted 22 banks to provide low-cost finance and were the first to talk of EMIs as low as Rs 499 on national TV in the third quarter of last year. We have Rs-300 offers today. Earlier 3-4 per cent of our sales were through financing, today's it's around 20 per cent.

These Rs 10,000 PCs are the ones with the Via chips?

We began with Via, do AMD and Intel... the customer decides. Even on our laptops, we offer similar choice for the Rs 27,000 laptops.

What's the breakup of your business in terms of the PC business and the Nokia/Toshiba trading kind of business?

That part of the business is around 60 per cent of our \$1.8 billion turnover — it was 45 per cent two years ago.

Hardware imports will nullify software exports

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