

Top IT cos will bear the brunt of US slowdown



Ashok Soota

Chairman & founder, MindTree

India still remains competitive in the global market despite all the challenges. The govt should do something to ease out the pressure on the IT industry

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BANGALORE-based MindTree Consulting's chairman and founder Ashok Soota is a restless man. He wants perfection in everything, be it the company's financials to the environment one sits in — so much so that he made us switch chairs thrice at the venue of the interview. Nevertheless, it's this restlessness, which made the MindTree as well his ex-company (Wipro) where he was the president achieve stellar revenues (MindTree revenue is \$165 million) in short period of time. Soota is passionate about technology as well as his evening walk along with his dog Linux, he's also an avid social networker (on LinkedIn). Soota talks to ET on the impact of US slowdown on mid-sized IT companies, fading tax sops, slowdown in salary growth and MindTree 2.0. Some Excerpts:

How deep is the US slowdown and how will it impact the mid-and small tier Indian companies?

The US economy is slowing down. The real estate and banking sectors in the US are in a bad shape, the venture funds have dried

up and financial institutions are suffering losses. Moreover, it seems to be deep-rooted recession as the US Federal Reserve has to deal with both slowdown and rising inflation. And nobody knows how long will it last. Some companies have gone into bankruptcy or are performing dismally. But instead of the small or mid-tier IT companies, it's the top-tier ones who will face the maximum heat because of that. All large IT companies have some or the other engagements with these clients. The growth in IT budgets will slow down but there will still be growth. Indian IT companies can reduce the impact by expanding to other geographies other than the US, by reducing dollar dependency in contracts and by creating a global delivery model.

Do you think India's competitive edge in the global IT market is here to stay for long?

Yes, I believe that India still remains competitive in the global market despite all the challenges. But the government should do something to ease out the pressure on the IT

industry. Though the government has announced SEZ benefits for IT industry, we would still want an extension of the Software Technology Parks of India (STPI) scheme as most of the industry's investments (including our's in Bangalore) have happened through the STPI scheme. Without, STPI, the IT industry certainly won't come crashing down, but the extension would help in maintaining the competitiveness of the industry. The other challenge

which needs to be addressed is the rising rupee. Every 1% rise in the rupee decreases our margins by 0.5%. Other major roadblock is rising salaries.

Is the IT industry still a very attractive option for youngsters in terms of salaries?

Salaries in the IT industry were growing at 14-18% per annum for last many years. This created a disparity in the industry. I am an alumnus of IIT Roorkee. And sometime back when I went there, I found something astonishing. Everybody in the engineering class whether a mechanical engineer, a chemical, civil or an electrical engineer, was

joining the IT sector, lured by the rising salaries. On the one hand it created a lack of talent in other sectors, on the other hand it put a pressure on the IT industry. Other sectors of the economy also need them. So, a moderation in growth of salaries (which is happening currently) is good for the economy and for the health of the Indian IT industry. It will help India in maintaining its competitive edge.

Mid-sized companies in India are getting offers to get acquired, as valuations are attractive now. Have you received some?

Yes, we have been receiving some offers for acquisition by merchant bankers. But we are not open for acquisition or diluting our equity. We still have a lot of cash assets (\$55 million). And instead we are looking at acquiring other players. We have a roadmap for MindTree 2.0 which includes achieving a billion dollars in revenues soon, though we cannot disclose the timeframe for the same. We also plan to acquire some intellectual property (IP) by way of both organic and inorganic means.

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