



Republic Day of India

The Daily Star

Special Supplement

January 26, 1999



सत्यमेव जयते

Business Opportunities in India

by S Bhatia

INVESTORS are usually a risk-averse tribe. They do not like upheavals, political uncertainties or instability of any kind. They look for clear policies, availability of markets and manpower and most of all, a transparent legal regime. To any investor sitting far away, India must look to be a mysterious country, which has many attributes that would excite a businessman like a huge market and a wealth of human resources. But on the other hand, it has picked up a reputation of being a difficult country to work in. Where is the real India and is it truly the land of great potential for investors?

There are no simple answers to these questions, but it may help to look at some indicators. India has the largest pool of graduates in the world, a strong legal system and a commitment to economic reform which transcends political differences. In addition, it is a long standing democracy which often appears anarchic but in reality is vibrant and dynamic.

Investment decisions however are not made on the basis of sentiment but on hard economic and business realities. And examining those, the prospective investor would see: a burgeoning middle-class, a growing economy which is still posting between 5 and 6 per cent growth in a world where recession is becoming the most preferred phrase, a stable currency and a thriving stock market and financial system. India also has one of the highest domestic savings rates in the world — over 26 per cent.

And it has tremendous business opportunities too. The very problems that India is seen to have poor infrastructure being the most mentioned among them — are in reality what makes India an attractive destination for the investment dollar. Consider this: There is an outstanding demand for over 3 million telephones in the country, which is likely to shoot up to over 7 million in two years or so. Not all these can be met by the state-owned monopolies and the government has almost totally deregulated the telecom sector. Now private players from India and abroad can invest in this industry and exploit the vast, untapped market.

Not surprisingly, US companies like Motorola and Qualcomm are in talks with Indian companies to tap the Indian market. Similarly, companies like Enron of Houston are currently setting up power plants in India to cater to the fast rising demand for electricity as the economy revs up. Infras-

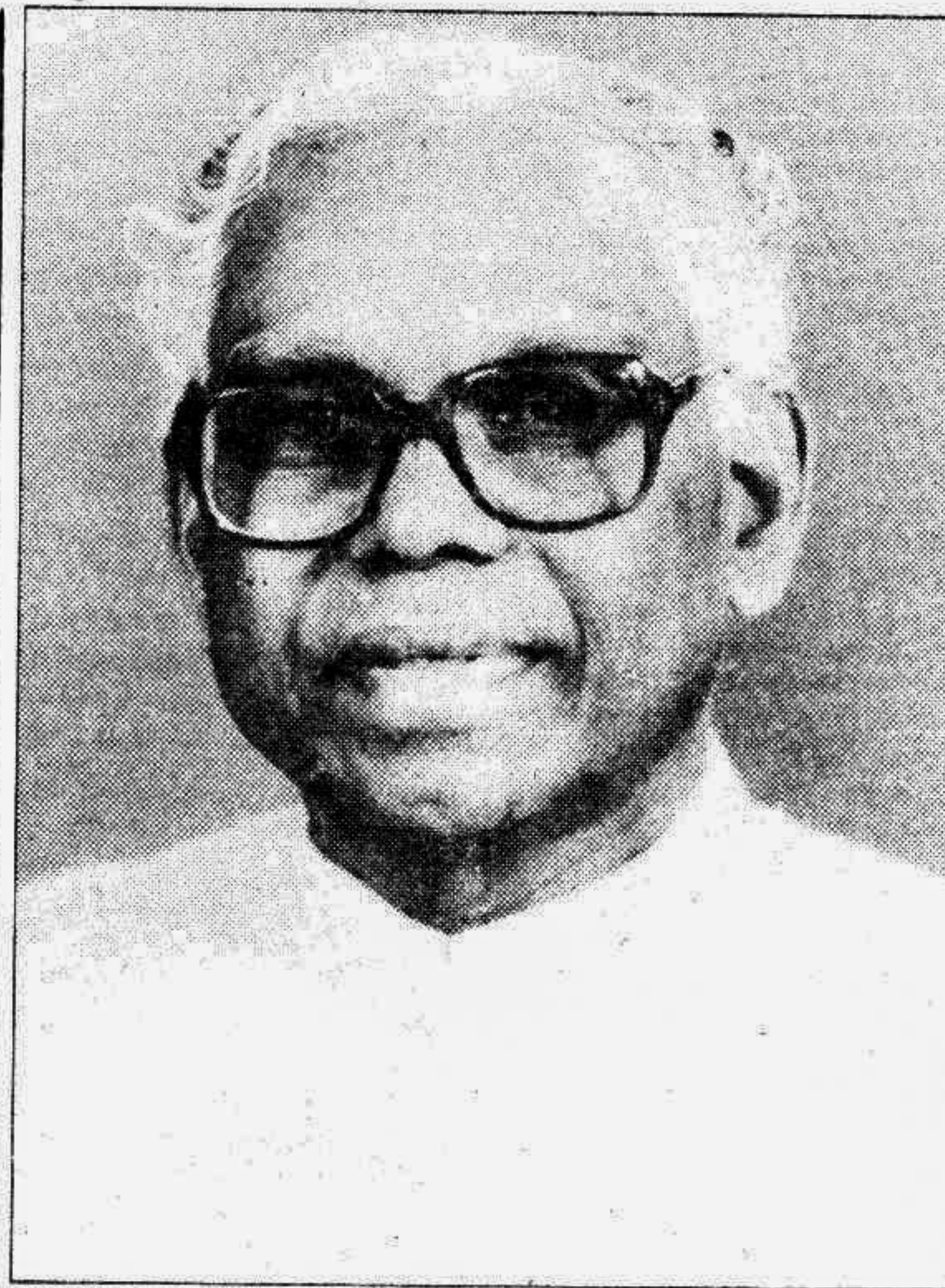
tructure — power, telecom, ports and roads are the new areas where India wants to attract investment and policies have been framed to make the investment more lucrative.

For instance, a huge project to link India from east to west and north to south by 7000 kilometres of highways has recently been announced. Expected to cost over 7 billion dollars, the project will involve both the state owned sector and private enterprise. Similarly, private investment is now welcome in building airports and sea ports too.

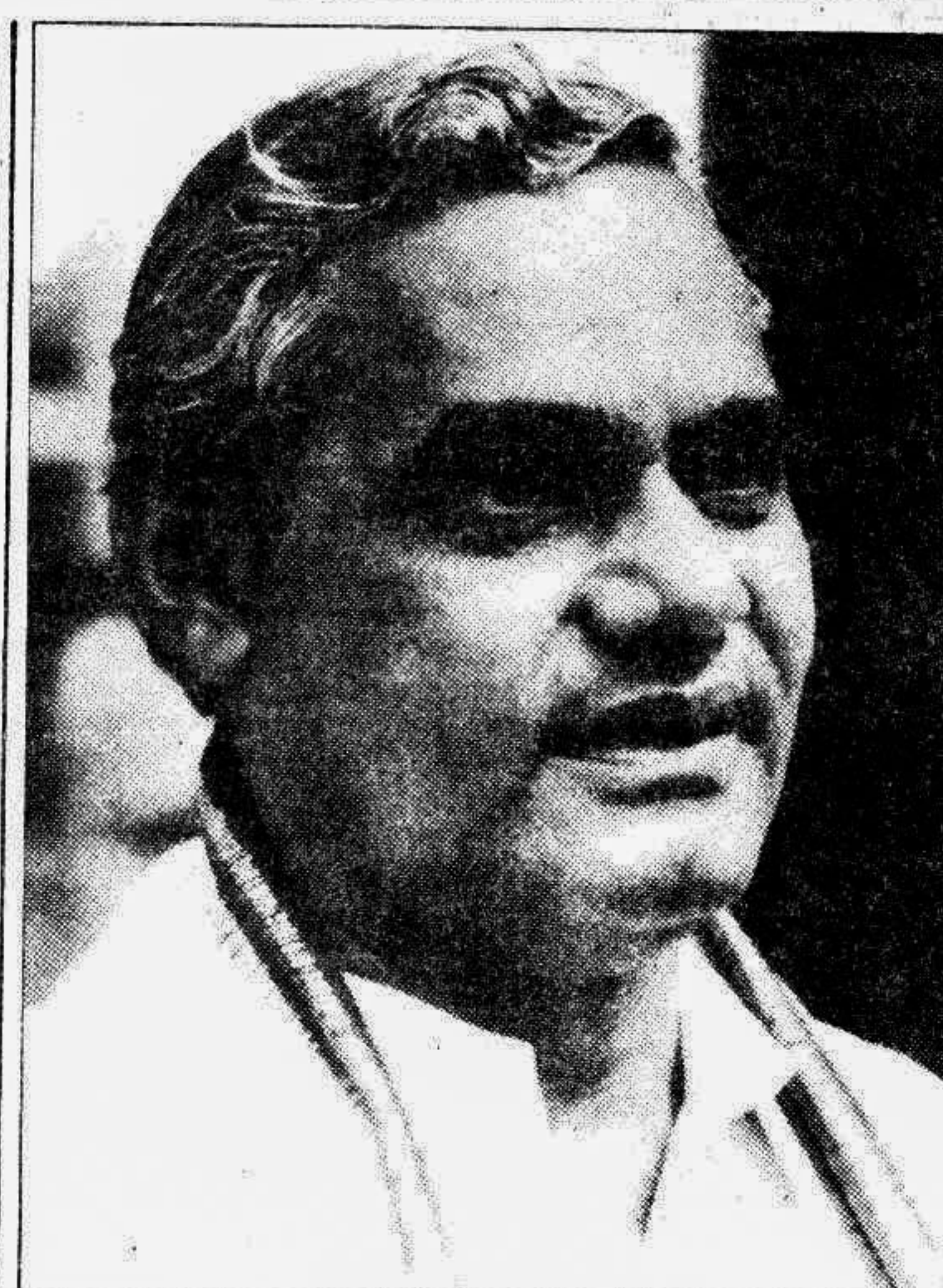
Many global investors, including from the US, were attracted by India's advantages when, in 1991, India unleashed a wave of reforms which have transformed the country's economy. The liberalisation process allowed the dormant spirit of entrepreneurship among Indians to bloom forth and also brought in much needed investors from abroad. The synergies created a groundswell of economic opportunities and India became a favourite destination of many international companies looking for new markets. Today, companies making diverse products ranging from computer chips to chewing gum have manufacturing bases in India.

Not all companies have succeeded, but for those which have stayed the course and settled down for the long term, India promises great rewards. It is significant that the changes in national government, which have occurred smoothly and through the electoral process, have not in anyway destabilised the move towards greater liberalisation. The current government too has proposed a number of investor-friendly steps and is in the process of opening up various key sectors. It has declared its intention to fully exploit India's inherent strengths in Information Technology and has announced a comprehensive plan for the sector which will allow thousands of enterprises.

India today is in many ways self-sufficient, and is large enough as an economy to absorb external shocks. But it does not want to remain insulated. On the contrary, there is a resolve to engage constructively with the rest of the world and to be part of the emerging global economic order. India needs capital, skills and technology from abroad and on its part can offer a conducive environment for business and its people; there is much potential for an equitable partnership which will benefit everyone.



K R Narayanan
President



Atal Behari Vajpayee
Prime Minister

Indian Trade Exhibition, Dhaka, 1999

India Trade Promotion Organisation (ITPO) will be organising an exclusive trade exhibition in Dhaka, Bangladesh from March 09-15, 1999 in order to promote trade with Bangladesh. It is after a gap of 12 years that such an exhibition is being organised in Dhaka.

ITPO is committed to play a major role in promoting trade, especially in the SAARC region. ITPO has been encouraging the Bangladeshi companies to participate in trade fairs in India. In fact, India International Trade Fair (IITF) held every year in November has become very popular with the Bangladeshi companies. To encourage the Bangladeshi companies to India, ITPO has also been giving free Constructed/Decorated space to Bangladeshi companies in India International Trade Fair. ITPO gave space on special reduced rates at 50% during 1998; 24 sq. mtrs. built up space was given completely free to all the SAARC countries apart from the offer of additional space at half rates. The continued presence of Bangladeshi companies in IITF has resulted in substantial business for them.

The Indian Trade Exhibition, Dhaka, March 9-15, 1999 is likely to attract participation from cross section of companies in India from Engineering, Pharmaceuticals, Chemicals, Textiles, Plastics, Consumer goods sectors. The important companies will include Motor Industries Co. Ltd. (Fuel injection equipment & parts), Sarvottam Pumps Ltd. (Monobloc pumps, jet pumps), Diamond Auto Industries, Atlas Machines (India) (lather machine, power press), Aromatan Perfumes Pvt. Ltd. (Perfumes, cosmetics & toiletries), GD Pharmaceuticals Ltd. (Boroline, Boroline's Elen), Nilkamal Plastics Ltd. (Plastics products), HMT (Machine tools), TCIL (Telecom. Equipments), etc.

A cultural festival would run concurrent to the trade exhibition where renowned artists from India would be performing. The state of West Bengal is participating in a big way in the exhibition.

Software Paradise to Software Superpower

by Mr Dewang Mehta

THE next time you buy a pair of Levi's or Reeboks, take a few minutes to think of the process which has made it possible for you to acquire them. While it takes just eight innocent minutes to stitch a pair of Levi's 501, hundreds of stages are involved in converting the raw denim from the mills to the final product in the shop window — problem-laden stages that are a process manager's nightmare. So, what is the solution? Information Technology (IT) of course! The driving force being the power of "Quality Software Solutions". Millions of people who wear jeans or Reeboks may not realise that they need to thank software houses in India for the efficiency with which their favourite brands reach them.

It is evident that, just as the Gulf has its natural resources in crude oil and South Africa in diamonds, India's natural resource lies in its abundant technically skilled manpower. And this natural resource easily transforms India into a software paradise. It is no wonder today, when people talk of software development, they talk of India — more precisely

the Indian software industry. **Mathematics and Logic**

So what is the mystery behind India's success in providing efficient software solutions? Some say that it is the mathematical ability of Indians, others quote, "after all it was India that invented the numeral zero", while some concede that it is the cost and quality advantage. But the truth is all this and much more. Here is one country that offers cost-effectiveness, great quality, high reliability, speedy deliveries and, above all use of state-of-the-art technologies in software development. It is no wonder that last year, 158 of Fortune 500 companies outsourced their software requirements to India, to retain their competitive edge.

The current rate of growth of the Indian software industry can easily make any industry turn green with envy. A compounded annual growth of almost 55 per cent in the last five years speaks volumes of the performance of this industry. In the fiscal year, 1998-99, the software industry in India is projected to earn revenues of Rs 16,000 crore or US \$4 billion. Out of which exports was as high as Rs 11,000 crore or US \$2.6 billion.

USA continues to be India's largest export destination, with almost 60 per cent of Indian software being exported to USA. In the last couple of years, exports to Europe have increased and in the year 1997-98 constituted about 22 per cent of total exports. During the year, India consolidated its market share in Japan, Australia and West Asia. New markets being explored are South Africa, Latin America and China etc.

Over the past few years, a number of trends have emerged in the software industry worldwide. On the technical side, they encompass such areas as the emergence of Java and modern techniques of web design and web access; use of Computer Aided Software Engineering (CASE) and Fifth Generation Languages (5GLs) such as Visual Basic, C++ in software development; the adoption of Graphical User Interfaces as the standard user interface; the move on the part of end-users towards open systems; the use of Object Oriented Programming techniques; the emergence of Client-Server computing; and the use of formal software development methodologies.

A recent study undertaken by NASSCOM amongst Indian software companies demonstrated that more than 79 per cent of Indian software companies were using state-of-the-art technologies, whereas 14 per cent had plans to implement these in next one year.

Outsourcing
In the last few years, more and more companies around the world are looking towards India for outsourcing their software requirements. The changing business environment is demanding new applications. In particular, the spread of client-server computing in decentralised organisations involves the development of applications specific to a user's business.

Outsourcing is becoming a strategy for forward thinking IS managers. It is no longer just a means for reducing costs, but a tool for adding value to business. It enables organisations to concentrate on their core business, carry out business re-engineering and provide information that is valid, timely and adequate to assist decision making at the management level and quality and cost con-

trol at the middle and lower levels.

As a result, outsourcing has gradually grown beyond the traditional idea of "having a third party running the data centre". It has come to mean, any use of an outside contractor to replace or extend in-house resources.

Outsourcing is closely linked with corporate strategy, since it must support the organisation's major initiative in using IS. It should enhance and add value to the business. A rule of thumb to start and gain experience is, "if IS is low cost and of high value addition, keep it within the organisation, i.e. in-source. If IS is high cost and of low value addition, consider outsourcing."

In the past few years, whenever organisations around the world have outsourced to India, the Indian software companies have substantially helped to cut costs in software development projects or MIS environments, while maintaining high quality. Moreover, all these cost and quality advantages are coupled with the use of state-of-the-art technologies.

In 1997-98 more than US\$700 million worth of software development work was outsourced to India (the total software exports from India during the year was US \$1750 million). This was 40 per cent higher than US\$500 million worth of outsourcing orders in 1996-97. It is estimated that the quantum of outsourcing may reach as high as US \$3 billion by 2000 A., when India's software exports during the year would be US \$6 billion.

Millennium Bug — Year 2000 Solutions
India has always managed to provide state-of-the-art solutions to the world. Let us take the example of the millennium bug. In popular detective story fiction, it is well known that poisons, such as arsenic accumulate slowly in the body. Tiny doses each harmless in itself, can slowly accumulate until the victim perishes.

In some ways, the "Year 2000 software problem" resembles the slow accumulation of arsenic. For many years, software applications have been built with two-digit fields for the year dates, i.e. the year 1998 have been stored in the computer as 98. Users with a date field of only two digits, will not be able to operate, when the year date is "00" as on January 1, 2000.

Indian companies have designed a step-by-step methodology in solution finding approach to this problem. The high standard of mathematics, engineering and logic-adapted by Indian programmers offer error free, quick and efficient solutions to Year 2000 problems. Services offered by Indian software companies for the Year 2000 date problem include:
— Feasibility study
— Finding solution and isolating the Year 2000 sections of application
— Modifying the application to repair the problem
— Testing the repairs to ensure that the solution works
— Regression Testing the application to ensure that no secondary damage has occurred.

India #1 by World Bank
It is not surprising that corporate giants in the US, Europe and Japan are increasingly looking towards India for cost-effective, high quality software solutions. A World Bank funded survey revealed that India was not only rated as the #1 outsourcing destination by vendors in USA. The survey also indicated that India commands a 16.7 per cent market share in the global customised software development market. Thousands of ATM users at Citibank in US, Barclays bank in UK or Hongkong and Shanghai Bank in Far East can thank the software engineers in the Silicon Valley of India for the efficiency and state-of-the-art technology of ATM machines. Even passengers travelling on British Airways, Singapore Airlines, American Airlines, Swissair etc., may not realise that they need to thank a group of software engineers from India, for helping these airlines to run a schedule.

The list of software multinationals operating from India, reads like a Who's Who of global giants — IBM, Microsoft, Nov-

ell, Oracle, AT&T, Fujitsu, Motorola, Computervision, Digital and Hewlett Packard.

Observers, Analysts and Forecasters around the world agree that India is fast reaching the top of the league in software development. When Bill Gates visited India in early 1997, he observed that India will emerge as the software superpower of the 21st century. Many Indians share his sentiments. In the next two years, India has all the pre-requisites to emerge as the global IT leader, especially a software superpower.

The Silicon Valley(ies) in India

Although, the Indian software industry has been growing by 50 per cent annually, the industry experts in India are not satisfied. They would like to see growth rates of at least 100 per cent annually, in the near future. There are indications that such growth rates can be achieved quite soon. Over the last few years, cities like Bangalore, Hyderabad, Chennai, Mumbai have emerged as the Silicon Valley(ies) of India. The events in the last few months also indicate that in the next ten years, India is bound to

have at least 25 more Info cities. The IT savvy, Chief Minister of Andhra Pradesh, N Chandrababu Naidu has already taken the lead and has established Hyderabad as a major software centre in a matter of few months. Locally, Hyderabad is fast being referred to as Cyberabad. Not to be left behind, many other Chief Ministers are also trying to promote Info cities in their respective states. The states of Karnataka, Goa, Orissa, Maharashtra, Punjab, Gujarat, Tamil Nadu, West Bengal, Kerala, Delhi, Rajasthan, Uttar Pradesh, Madhya Pradesh and Himachal Pradesh are fast drafting their state government's IT policy and are racing with each other to set up as many software development cities as possible.

The new wave is to set up Department of Information Technology (DoIT) in every state. With extra thrust on computer software by Government of India, national progress of India and software industry and increase in infrastructural availability have led to the entry of almost all the major software houses to set up their development centres in India.

(Abridged)

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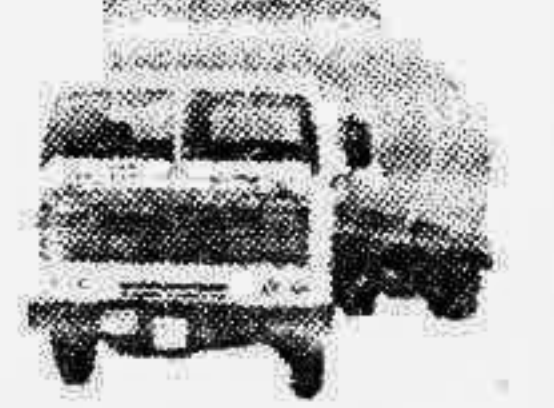
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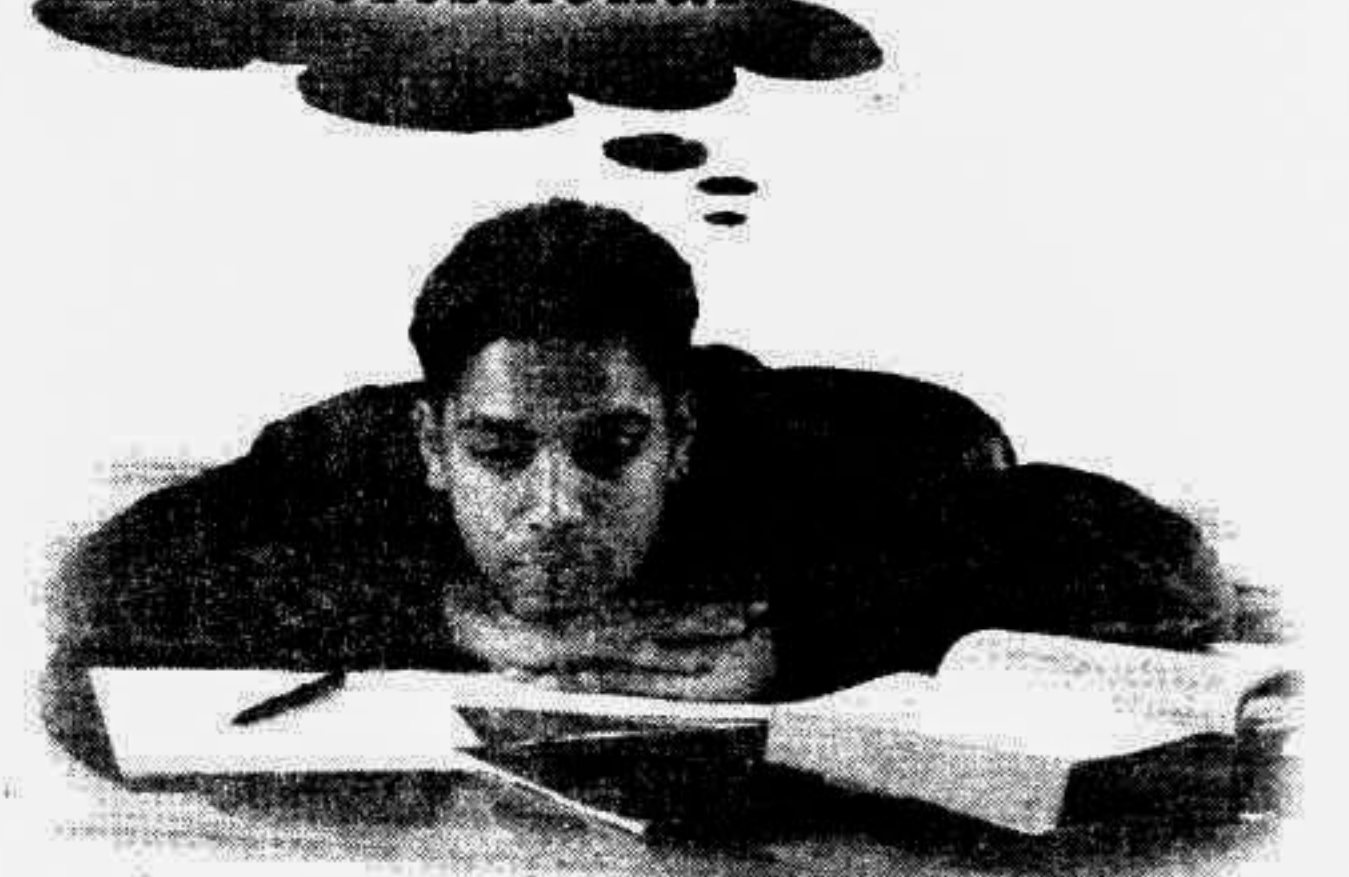
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