

Embarking on offshoring

Sonata Software is planning to use its offshoring expertise in application and product development as well as in tech support for its customers in the US and Europe, says Vinutha V.

An IT consulting and software services company, Sonata Software, has come a long way. It was set up in 1986 as a division of Indian Organic Chemicals Ltd (IOCL). The division was spun off as an independent company named Sonata Software Ltd in October 1994. During its early days, the primary focus was to develop software products in niche areas. Prakashak was Sonata's first software product targeted at the vernacular press for page composition and was well received. Some publications that used Prakashak were Manipal Press (Bangalore), Hosadigantha (Mangalore), Bangalore Press, Paran Jyothi Printers (Dharwar) and Dina Tanthi (Chennai).

Says B Ramaswamy, President and Managing Director, Sonata Software, "Prakashak was a commercial success. Later, we moved to integrated business systems in the SMB segment by launching an accounting software package." When Sonata moved to expand its sales and services across the country, it realised that having a portfolio of just two products was a constraint. Additionally, it also realised that the marketing network of the division was not sustainable. "These factors drove us to spin off from the group (Organic Chemicals Ltd)," adds Ramaswamy.

Alliances for a broader customer base



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B Ramaswamy
President and Managing Director
Sonata Software

When IOCL's Sonata division was spun off in 1994, the first step was to look at the international market. By then, Sonata had acquired skilled software services. Canada-based Small Business Technologies (SBT) became its first customer. Sonata helped SBT move from DOS to Windows. "Moving from legacy IT systems to the latest technology was a major challenge for companies. Fortunately, we had the expertise on this and utilised it," adds Ramaswamy. The alliances with Microsoft, Oracle and IBM helped Sonata to expand its reach to a wide range of customer base. Sonata's customers include Cramer, Translution, Gupta Technologies, Symantec, Sapago and BMC Group.

In June 2000, Sonata floated a wholly-owned subsidiary called Sonata Information Technology to take over the Indian operations, basically product reselling. By catering to the Indian market, the company developed appropriate expertise to serve its two major international markets—Europe and the US. "By offering first level support for customers of Oracle, Microsoft and IBM, we had acquired knowledge and skills in the package implementation and support space," he explains.

Strong abroad

Earlier, Sonata's footprint in Europe was much stronger than in the US and the revenue contribution was skewed in favour of Europe. In recent times, the contributions from Europe and the US are gradually getting balanced. Although the major revenue contribution is from the international markets, Sonata expects greater opportunities to come from the domestic market also. Most mid-sized US and European companies are embarking on offshoring. For them to associate with companies for offshoring capabilities, size compatibility is an issue. "We have found that mid-sized companies in the international market feel uncomfortable associating with larger organisations. They are looking for firms that can take care of smaller companies and at the same time they have a strong customer base and proven capabilities. Sonata fits into this category," he explains.

Sonata's customer list	
ISV Division	IDP (USA), IDe (USA), Cramer (UK), Translution (UK), Gupta Technologies (USA)
Enterprise Division	TUI, Symantec, Provimi (Netherlands)
Embedded Systems Division	Sapago, Inc., BMC Group, USA

Core research group

To keep pace with the ever growing technology, Sonata has a dedicated unit—Core Research Group that conducts research on the latest technologies and tools. Every year, Sonata focusses on specific areas to gain strength for future technologies. Currently, it's focussing on methods and processes for Service-Oriented Architecture and Business Intelligence (BI). CRG is now working on Microsoft's SQL server, the next-generation data management and analysis solution.

Milestones

- 1986: Sonata Software was set up as a division of Indian Organic Chemicals Ltd (IOCL)
- 1994: Sonata division of IOCL was spun off as an independent company
- 1999: Sonata was listed on Bombay Stock Exchange (BSE) and National Stock Exchange (NSE)
- 2000: Sonata Information Technology was started to take over the Indian operations business of Sonata comprising product reselling.
- 2005: Sonata added a new development centre in Hyderabad to the existing three in Bangalore.

New areas

No doubt, India has established itself in maintenance, application development, package implementation and package support in offshoring. It's time to move up the value-chain. In addition to expanding offerings from existing domains, Sonata aims to extend a few new areas in offshoring including application support, product support and tech support. Over the last 20 years, India has grown from a market where piracy is rampant to a vibrant market for IT services. That said, the IT consulting space is still in its infancy and as the market matures, Sonata aims to exploit the opportunities. In India, Sonata has been achieving a growth rate of 30 percent in product reselling and it expects to achieve more through cross selling. The company sees BI and enterprise integration as its focus niches in the Indian market. In the embedded services, Sonata plans to concentrate on device controls for telecommunications, automotive, entertainment electronics and handheld companies. Customers in this area include Fujitsu, AudioSoft and Tesco in India.

Now, Sonata is in a sustained growth phase. The company's revenues have increased 39 percent to touch Rs 970.10 million for the year ending March 2005 as compared to Rs 696.84 million in 2004. Offshore revenues have increased to Rs 717 million, 74 percent in 2005 as compared to 62 percent in 2004. Opportunities have begun to manifest both in the domestic and the international markets. Over the last 15 months, the company has grown from 800 employees to 1,500 employees. Sonata has five offices in the US, three in Europe and one in Singapore.

Presently, the company is growing organically at a rate of 50 percent. Sonata attributes its growth to the business model that it has adopted. "Instead of servicing customers on a project, our business model focusses on partnering with customers on a long-term basis and we always aim to secure multi-year relationships," notes Ramaswamy. Although, inorganic growth is not its immediate focus, it may look at acquiring a company for tech support in favourable circumstances.