

Info-Tech - Interview

## 'Lean period may extend beyond first half'

*Adding clients in less affected sectors to counter slowdown*



Mr B. Ramaswamy

Shamik Paul

Bangalore, May 25 While uncertainty still looms large over the IT industry and predictions widely vary, Mr B. Ramaswamy, President and Managing Director, Sonata Software Ltd, gives *Business Line* an insight into what the future may hold for the industry.

Sonata Software, an IT consulting and services company, reported earnings of Rs 16.9 crore in the previous quarter, compared with Rs 12.8 crore in the year-ago period. The company has recently said it would invest Rs 20 crore to set up its fourth facility in Bangalore. In an interview, Mr Ramaswamy said the effects of the slowdown would be felt by the Indian IT companies, and the lean period could extend beyond the expected first half of fiscal 2009. Catering to industries less affected by the slowdown could offset the slump, he added. Excerpts.

*There are reports companies in US would spend less on software. How would it affect IT companies here?*

Even in January 2008, the situation was more or less normal for Indian IT companies, but it is getting worse every month. There would be a definite impact on the IT industry, but it would not be of the same kind as in 2000. Customers would invest only in what is required to keep the light on. Spends on other software — it would have to wait.

*How has the response from customers been?*

Customers are following a hold strategy. For the past several weeks they have been cautious. They are watchful. The mood is of 'we need to watch our development plans'. So there is a time impact that's bound to happen.

*Analysts say the first half of fiscal 2009 would be lean, but the situation would get better in the second half. Do you agree?*

The uncertainty is continuing and the mood is going towards the negative. The uncertainty is killing them. It will clear only if the economy bounces back. The question is, will it happen so fast? The housing prices are still falling. Until that is reversed, there is no hope. That is not going to happen in a few months.

*Has there been any direct impact on Sonata Software?*

In the enterprise application development and management space, two small clients from the financial services industry have stalled projects. Another client (not from the financial services industry) has shelved his growth plans. The impact is different across industries. But the Offshore product development (OPD) clients are less impacted. They will look at more effective offshoring.

*What measures are you taking to counter the slowdown?*

Adding clients in industries less affected is one way of countering the slowdown. Life science is a new focus area for Sonata in the future. The company has two small clients in this segment. In terms of services offered, Sonata would focus on business intelligence and maintenance of packaged applications.

*Some analysts have said Indian IT companies would lose deals to MNCs like Accenture, IBM and others. What is your opinion?*

Indian IT service vendors largely provide cost arbitrage to their customers. They do not involve themselves in the customers' growth strategy, unlike the MNCs who can provide cost arbitrage as well as growth strategies. The reason is the Indian IT service providers often lack the domain expertise. Merely working in a particular industry does not give domain knowledge.

*Is Sonata planning any acquisitions?*

Sonata is looking for more acquisitions. We are looking at four benefits from an acquisition — client base, domain knowledge, expansion in newer geography and newer services that are of higher value. A lot of targets are coming in, but there is nothing in the horizon. The kind of deals that are there are very positive, but we don't have a time frame.

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