

THE TIMES OF INDIA

‘India’s software revenues can touch \$7 billion’

Subash Menon, founder chairman of Subex Azure, has recently been appointed as the chairman of the product forum of Nasscom. He talks to Dhanya Krishnakumar about the reason behind the dearth of software product companies in India:

■ **Indian software product development companies have been able to capture only a meagre 0.2 per cent of the \$180-billion global market for products. Why is it so?**

There are many reasons. Till date, India has been focusing on exploiting the labour cost arbitrage. It has worked well in establishing India as a respected brand on services and executions. Also, a majority of the population believes that if the product is from the US it will work better, and if it is made here it may be lacking on some account. Entrepreneurs today are not willing to take risks. Large



corporations look at Indian product companies with suspicion.

■ **Do venture capitalists back Indian product companies?**

If you speak to VCs, you will realise that most of them complain about the lack of innovative ideas for product-based companies from India. Budding entrepreneurs contend that the software service route is easy when it comes to investment. It is also low risk. The high-risk factor and a lack of awareness are

also key factors. It is not that we are not capable, it is just that entrepreneurs today lack the will to walk the less-trodden path. Everybody wants another piece of the software pie. Traditionally, Indians have been more innovation users, than contributors. Even Israel registers more than five-seven times the patents India files for on an annual basis.

■ **Do you see this situation changing?**

According to a study conducted jointly by IIM-Bangalore and Nasscom, the revenue potential of India’s software products is as high as \$7 billion by 2010. I believe India will have several globally successful software product companies in the next four-five years. The ecosystem required to make India successful in software products is just beginning to happen. Investment needs to be promoted by changing the regulatory framework and offering attractive incentives.

Research grants should be provided to promote innovation.

■ **How do you plan to leverage your position to effect this change?**

This situation can change if key stakeholders like the industry, academia and research institutions, entrepreneurs, venture capitalists and the government work hand in hand towards building a conducive ecosystem for product innovation. The idea is to make product companies realise their USP and market them as equity earners for India. It will involve managing innovation and building a culture of encouraging innovative thinking within the industry. Most importantly, it will involve changing the perception of risk amidst budding entrepreneurs and interfacing them with funding institutions. Within the next few weeks, you will start hearing about our plans and see some action towards this end.