

THE MOTHER OF ALL DEALS

PCL wows the industry with a \$50-million export order from Dell Computer.

It's champagne time at the Pertech Computers Ltd (PCL) headquarters in Delhi's Okhla Industrial Area. Director Bikram Dasgupta is euphoric. "We've struck the deal of the decade," he says, without any pretensions to modesty. "And we're going to take the industry by storm."

The hyperbole's not entirely unjustified. Last fortnight, PCL announced that it had bagged a \$50-million (approximately Rs 150 crore) order for PC motherboards from Dell Computer of the US. That's the largest export order ever received by an Indian computer company — and worth more

But it's not yet clear how PCL intends to go about executing the order. Dasgupta talks of fresh investment to the tune of Rs 15-17 crore on plant and equipment required to produce 10,000 motherboards per month. PCL may pass on the manufacturing burden to associate company Altos India or sub-contract it to a third party.

Either way, the Dell deal promises a bonanza of benefits for PCL; the company stands to gain on a number of fronts. Con-

the fastest-growing segments in the infotech business.

■ Then, there's the pricing advantage. Dasgupta says PCL will use its export income to subsidise Dell products in the Indian market. "We'll benefit from a lot of tariff concessions and export benefits. All of this will be passed on to the Indian buyer."

The company is still in the process of working out its pricing strategy, but Dasgupta promises it will be true to PCL tradition: very, very aggressive.

"The objective is to get as close as possible to the prices of our own products," he says.

■ Needless to say, the deal will do PCL's image a power of good. Says the chief executive of a Bombay-based rival: "PCL

is seen as a company that doesn't pay much attention to the quality of its products. Its association with Dell could change that."

This comes at a crucial stage. The Indian infotech market, long dominated by price warriors, is showing signs of quality-consciousness. Says Dasgupta: "Although price remains an important factor, it is no longer the sole consideration. More and more buyers — particularly medium and large corporate houses — are prepared to pay a premium for quality."

■ Finally, the Dell contract should establish PCL's credentials in the international market. As Dasgupta points out: "Hereafter, when we deal with companies abroad, they will think, 'if Dell's doing business with these chaps, they must be pretty good.' It'll make our sales pitch that much stronger."

PCL intends to capitalise on this advantage and position itself as a serious player in the contract manufacturing business. Dasgupta says he's already angling for another large order from

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Bikram Dasgupta
director
Pertech Computers Ltd



than half the value of the country's total computer hardware exports in 1991-92. Says Dasgupta: "We've said all along that hardware holds as much export potential as software. Now, we've proved it."

As expected, the Dell order is dominating all conversation in infotech circles. Even PCL's rivals acknowledge that the company has come up with a plum. Says DCM Data Products (DCM-DP) chief executive Veer Sagar: "It's a terrific deal... just what PCL needed."

sider the following:

■ First, there's the deal-within-the-deal. Against its exports, PCL will import and market a range of Dell products. Dasgupta has committed to selling Rs 10-12 crore worth of Dell products in the domestic market over the two-year period.

This will put PCL in a position to compete with other international brandnames — Apple Macintosh, Digital Equipment Corp, HP Vectra, Compaq, Olivetti and, soon, IBM — in the top end of the PC market, one of

Dell. He's also discussing similar deals with a couple of other US-based companies. "We're hoping to build up the order-book position to around Rs 800-900 crore in another four or five years," he says.

Dasgupta has another reason to be pleased with the Dell deal: it vindicates the stand he took on foreign collaborations in the late eighties. "When all the major players were going in for equity tieups, we said we'd wait and watch before doing anything. At that time, people thought we were being too cautious." PCL maintained that it would not enter into a deal with any international giant just for the sake of gaining access to a recognised brandname. Says Dasgupta: "We wanted a deal that would give us a lot more."

When the company started courting potential partners a little more than a year ago, it considered two options: Acer Corp of Taiwan and Compaq of the US. Dell came into the picture in early 1992. Right from the beginning, PCL took a tough line on the negotiations. Its marketing muscle made the company attractive to all three foreign corporations, each of which was looking for a foothold in the rapidly-growing Indian market. But PCL demanded a high price for its selling skills. Says Dasgupta: "We made it clear that we'd market their products in India only if they gave us substantial export orders."

Dasgupta's reasoning was simple: a mere equity tieup or marketing arrangement wouldn't give PCL any significant competitive advantage over the likes of HCL-Hewlett Packard (HCL-HP), Digital Equipment India Ltd (Deil) and Modi Olivetti. It would have a brandname, but the products concerned would be as expensive as any others. "That's why we insisted on export orders — to subsidise the products in the domestic market and give people reason to buy from us." In

terms of quality, there's not much to choose from any of the leading international PC manufacturers; price is a more potent differentiator.

The foreign companies were initially turned off by PCL's rigid stance. After all, many other Indian companies were prepared to give them access to the market without any pre-conditions. On the other hand, none of these companies could boast of PCL's undoubted marketing clout — at the most they could tie up with

representatives made 11 trips to India," Dasgupta recalls. The Taiwanese company backed out first (and is still looking for a suitable Indian partner). Then Compaq decided to get into a marketing arrangement with Bangalore-based Microland.

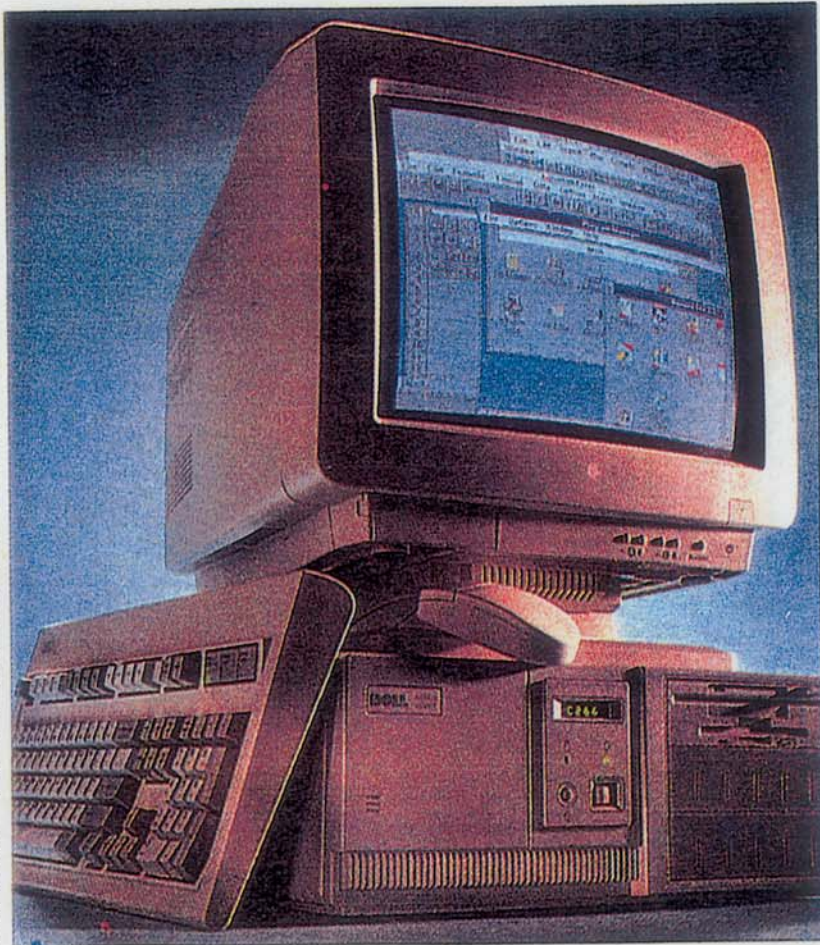
That left Dell. Dasgupta turned his attention to the Texas-based company, making several trips to its Austin headquarters and "building close relationships" with its top brass. As Dell depends on outside sources for almost all the components that go into its PCs, the corporation was more receptive to Dasgupta's demand for export orders. "All we had to do was convince them that we could match their stringent quality standards. After that, everything fell into place." The deal was finally struck in mid-October.

In addition to pitching for the order, Dasgupta spent a lot of his time at the company's headquarters closely studying the marketing style that has helped Dell double its sales in the recession-stricken US market. The company is expected to close calendar 1992 with \$2 billion in revenues, up from \$900 million in 1991. In time, Dasgupta hopes to incorporate some aspects of the Dell strategy into PCL's own processes. "It's amazing," he says. "They do all their selling by mail or over the

telephone. People are prepared to buy Dell computers without even looking at them."

Of course, it's pretty unlikely that the average Indian buyer will pick up the phone and place an order with PCL. But Dasgupta's convinced it's only a matter of time before that happens. "Once we start selling world-class products at reasonable prices, we can reach out to the customer through every marketing channel available."

□ Aparisim Ghosh



PCL's objective is to hold the prices of the Dell machines close to that of its own products

some small company that could sell 100 machines a year. But PCL could sell them in the thousands.

Hectic parleys continued over several months. "The Acer people visited us four times and Compaq's