



'The Government should provide tax exemptions to indigenous product companies': COO Ramco Systems

Indigenous product companies that are heavily investing into R&D in India are eventually creating assets for the country. Thus, the Government should provide necessary infrastructure and tax exemptions to promote such companies, says Kamesh Ramamoorthy, COO, Ramco Systems



By Kamesh Ramamoorthy, Ramco Systems, March 13, 2012

There is a palpable sense of expectation across the country regarding the budget. As a country and as individuals, we've witnessed all sorts of economic fluctuations in the last few years. The condition in India has been marginally better. In fact, if forecasts are to be believed, the economy is definitely looking up and sales are more upbeat. Product companies like us however are still keeping our fingers crossed.

On one hand, we think as corporate companies will do — objectively and practically; but on the other hand, we think merely as Indian citizens. At its heart, Ramco Systems is an Indian company. Yes, we've made successful forays in the international market and our products have held sway against several foreign players, but essentially we are of Indians and by Indians.

Being a product company with strong focus on R&D, our expenses always tend to be high and profit margins moderate. While we are confident that these extensive R&D efforts we're undertaking will eventually pay off, we look forward to support from the government.

Indigenous product companies that are heavily investing into R&D in India are eventually creating assets for the country. Our products have all the capabilities to serve the global market because we adhere by every international norm and standard. Such companies should be listed as preferred vendors for Government and public sector projects, provided that they match the required technical and product expertise criteria. Certified indigenous product companies can also be given a fillip through investment allowances that will encourage them to continue investing in R&D. Some leeway can be given in the way of SOPs.

Moreover, to promote product development and R&D in India, the Government would do well to pitch in by providing necessary infrastructure and tax exemptions. This would be especially beneficial for small companies that have requisite talent but not necessarily the financial backing. SMEs are the torch bearers of our economy and it is my sincere desire that the Government will encourage them by providing them with loans at low interest rates. Also, it would be a great idea to bring back the special subsidies given to SMEs for investments in IT. This will help SMEs adopt IT faster and thus remain competitive in the global market.

Another welcome change that I hope to see is the introduction of a single tax code for software and commodities. By ensuring a common and simplified tax structure that is easy to interpret and apply, companies can enjoy substantial savings.

I also think that introducing changes in the education sector will go a long way in helping the IT industry. For instance, the Government could consider automating the back office activities of universities and colleges by utilizing a portion of the education cess levied. Not only would this ensure efficiency in the education sector's administrative process, it can also give a boost to the IT industry. The Government can also consider setting up finishing schools in collaboration with the industry. This will ensure that every student who graduates is industry-ready. In the long-run, the industry stands to gain much by hiring graduates who are well-versed with the basics, because most often as not, companies spend a lot of time, money and effort in training fresh graduates.

Overall, the IT industry has found the Government to be quite supportive. And yet, I think the special privileges due to a home-grown player has been lacking. By boosting and encouraging home-based players, the Government would actually be promoting a sustainable economy.

Kamesh Ramamoorthy is COO, Ramco Systems