

PRESS RELEASE

Retail PC Market Grows 108% in 1999; Indian PC Industry rakes in USD 1 Billion as shipments exceed 1 Million

New Delhi, 9th of May, 2000: Skoch Consultancy Services released its third annual PC Industry Analysis today. Releasing the report, the Managing Director of the Strategy and Management Consultancy firm, Sameer Kochhar said, "It is a pleasure to finally see the million PC mark being crossed after quite a few false alarms. The devil must be given it's due, the continuous duty drops by the government have really spurned this growth."

Indian PC industry crossed the one billion dollar milestone at Rupees 4540 crore in desktop PC shipments alone in 1999 up 38.8% from 1998. It also crossed one million desktops mark at 1015000 units up from 680000 units in 1998 recording a 49.26% growth in number terms.

The retail PC market consisting of first time users, small business, small office and home segments fueled this growth. This segment grew an unprecedented 108% during the year 1999. The numbers totaled up to 406000 up from 195000 in 1998. This represents a whopping 40% of the total market - two in every five PCs sold last year was retailed.

While the high end of the market segments like the corporate India stagnated at growth rate of merely 11%, Government and MNC segments actually went negative by 21 and 7.73 percent respectively. SME segment, which again is a buyer at the low end, retained an impressive growth at 103% totaling 304500 units up from 150000 in 1998.

While GIDs and Assemblers ruled the market, their average realization per CPU was six hundred Rupees higher than Indian brands at Rs. 42000 per CPU. This is in keeping with the trend started in 1998. Prices of MNC brands spiraled down a dramatic 11.17% while Indian brands remained uncompetetive at a price drop of only 1.9%. Even GID/Assemblers slashed 4.55% compared to 1998. Overall PC prices dropped by 7.08% in 1999.

The impact of these drops was apparent in market shares, with GID/Assemblers leading at 56%, followed by MNC brands at 24% and Indian brands only at 20%. MNC brands seem to have lost a market share of 4% in 1999 compared to 28% in 1998. However their overall numbers are still very impressive at 244000. This, despite the fact that real growth happened in the low end of the market where in 1999 they did not have a right price point offering. "In Q-1 of 2000 the situation seems to be changing with HP leading the charge by slashing prices and taking the battle to the assembler's turf," noted Sameer Kochhar, MD, Skoch Consultancy Services.

The geographical spread of the market also changed with nearly 50% of the market in 1999 being outside metropolitan cities.

"Given the magnitude of what India is setting out to achieve as a software superpower, the overall picture still looks gloomy with a PC penetration of 4 per thousand and a total installation base of only 4 million PCs." commented Sameer Kochhar, Managing Director, Skoch Consultancy Services.

He further added, "Internet access still remains a privilege with barely 500000 subscribers a mere 12.5% of the installed PC base. The overall Internet penetration is a poor 0.5 per thousand. Per



subscriber e-Commerce spending is also an abysmal USD 4 per subscriber for the year 1999. This makes one really wonder at the superb dot com valuations even in India".

As per the report Indian PC market is expected to post a 70% growth in 2000 taking the PC penetration up to 5.7 per thousand. The number of Internet subscribers is also likely to witness a major growth estimated at 160% taking the number of subscribers up to 1.3 million in 2000.

About Skoch

Skoch Consultancy Services Pvt. Ltd. Is a leading strategy and management consultancy firm specializing in IT and Telecom industries. Skoch works with several Fortune 500 companies in over 5 countries.

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