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Next, it'll be engineering outsourcing: Nasscom

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Bangalore, June 20 : Predicting that engineering services would power the next wave of outsourcing to India, Nasscom (National Association Of Software Services Companies) Monday initiated a series of measures to enable the Indian software sector move up the value chain.

The Engineering Services Forum that it has set up "will work towards branding engineering services to make India a premier outsourcing destination, set process standards and create a conducive environment for building the industry," Nasscom president Kiran Karnik said at an interactive session here.

The industry representative body also plans to hire an international analyst for a detailed study based on inputs from customers on how they view the outsourcing potential in engineering services, including product development and R&D.

Though the global market potential for engineering services is estimated to be about \$7-12 billion (Rs.300-520 billion), the value of projects undertaken by Indian vendors is about \$400-500 million. This does not include the work of captive centres operated by multinationals and global IT majors.

In a bid to replicate the success of the offshore delivery model in software and services, Nasscom will organize a series of events on engineering services in association with member companies in India and abroad and tap the potential.

"Hitherto, engineering services have been aggregated either under IT services as R&D services or under ITES-BPO as engineering BPO. The evolution of market demand and increasing maturity of the vendor landscape have created an opportunity to treat this fast emerging area as a niche segment," Karnik said.

With the scope of outsourced engineering services expanding beyond product design and R&D services to include industrial services such as process engineering, plant automation and enterprise asset management (EAM), leading Indian vendors are adapting the same offshore model to deliver these niche services.

Participating in the session, Nasscom chairman and TCS chief S. Ramadorai said though Indian firms had leverage in skill-sets, tools and experience from outsourcing IT software and services to gain a strong foothold in product design and engineering, the low penetration levels in industrial services such as plant automation and maintenance (ESM) offered the next big opportunity to move up the value chain.

"Engineering services augment or manage processes that are associated with the creation of a product or service. These services enable enterprises to maximise the product life span and optimise the yield associated with a product or asset," Ramadorai pointed out.

The broad areas of engineering services that beckon Indian vendors are product design engineering, process engineering, plant automation and EAM across verticals, especially automotive, aerospace, construction & equipment and manufacturing.

"With 10-17 per cent of capital spending by enterprises going into engineering services, the opportunities for outsourcing and offshoring for Indian vendors are set to grow rapidly due to cost advantage and availability of the best talent pool in the country," Ramadorai said.

Worldwide, OEM (original equipment manufacturers) and specialist engineering services vendors are estimated to spend about \$100 billion on product design and development, involving over one million engineers.

The market size for electronic design automation (EDA) in product development is estimated to about \$48 billion, while it is about \$8 billion in mechanical CAD/CAM.

According to Nasscom vice-chairman and Satyam Computer Services chief B. Ramalinga Raju, the vendor landscape for engineering services in India is dominated by four types of players - captive units set up by multinationals and global IT majors, Indian IT vendors with engineering services arms, OEM vendors and specialist engineering services vendors.

"With the increase in sourcing options, several MNCs have adopted hybrid-sourcing strategies and are working with outsourced vendors in addition to the work undertaken in their captive units in the country.

(IANS)