

IT firms home in on aerospace

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The \$150-million aerospace technology outsourcing market in India will touch \$1 billion by 2009, according to Nasscom; and the fact is not lost on domestic IT companies.

Analysts said domestic IT firms catering to the aerospace segment have come a long way from providing back-offices services and procurement systems to providing high-end engineering services to major global players in the civil aviation sector. Besides, they have also ventured into engineering solutions in the defence sector. The analysts added that the growth in the aerospace sector would be led by high-end players who can afford huge investments required for specialised engineering.

Pradeep Udhas, global partner-in-charge, sourcing advisory, KPMG, said: "The aerospace market is a relatively new and niche market. However, it has a huge potential for

SKY IS THE LIMIT

- Aerospace accounts for 13% of Tata Consultancy's engineering and industrial services revenues.
- HCL's revenues from aerospace account for 6 per cent of its total revenues.
- Wipro, with its stronghold in product engineering and system design, expects three more clients in this segment by the year-end.
- Satyam signed a \$30-billion deal with Northrop Grumman to provide high-end engineering services to the aerospace and defence industry.
- Infosys is working with Airbus on the inner fixed trailing edge of the wing of the Airbus 380, setting up virtual aerospace engineering centre for Spirit Aero systems and working with Triumph Composite on design floor panels for Airbus 389.



growth for select players. The technology portion in the aerospace sector is among the highest in any industry."

For Tata Consultancy Services (TCS), India's leading IT company, aerospace accounts for 13 per cent of its EIS (Engineering and Industrial Ser-

VICES) revenues. The growth rate in this sector has been 40-45 per cent.

Regu Ayyaswamy, vice-president and global head, engineering and industrial services, TCS, said: "India's aviation sector is predicted to witness an era of boom and in-

credible growth in the years to come. According to the civil aviation ministry, the industry is expected to grow at 25 per cent a year for the next 10 years. Purchases of more airplanes, equipment and infrastructure are in the pipeline. These developments have opened up a window of opportunities for both foreign and Indian companies, which are eyeing the multi-billion-dollar deals in the pipeline." The company's clients include Airbus, Dassault, United Technologies, Safran and Bombardier, besides HAL, ISRO, IAF and DRDO on the home front. TCS has been in the aerospace outsourcing industry since 1992.

HCL Technologies, another big player, has global giants such as Airbus, Boeing and Smiths Aerospace among its 30-plus client list. HCL's revenues from the aerospace stand at around 6 per cent of its total revenues and its share in the aero market is likely to be between 20 and 22 per cent within the third-party category.

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G H Rao, executive vice-president, global business development, Aerospace Vertical, said: "There is great potential in the field and a robust growth is expected for the next six years."

Wipro is relatively new in the field with three years' experience. The company with its stronghold in product engineering and system design plans to pitch for more clients in this space.

It expects three more clients in this segment by the end of the financial year.

V R Venkatesh, senior vice-president, Wipro, said: "Though the revenues from the aerospace segment is not very significant right now, we expect a substantial growth, especially in the computer-aided engineering (CAE), and plan to raise our employee base to 1,000 from the existent 500-plus people by the year-end."

Satyam and Infosys are also investing in this area. Satyam Computer Services recently signed a \$30-billion deal with Northrop Grumman Corp to jointly provide high-end engineering services to the global aerospace and defence industry. Last month, Satyam also signed a multi-year, multi-disciplinary service agreement with Hawker Beechcraft Corporation (HBC), a manufacturer of special purpose aircraft, mandating Satyam to provide design, CAE, analysis, product lifecycle management and other services for the special mission and trainer aircraft manufacturer.

Infosys Technologies' achievement in the aerospace and defence sector includes working with Airbus on the inner fixed trailing edge of the wing of the Airbus 380, setting up virtual aerospace engineering centre for Spirit Aero systems and working with Triumph Composite on design floor panels for Airbus 389 freighter. For the financial year ended March 31, 2007, the manufacturing industry (of which aerospace is a part), accounted for 13.5 per cent of the total revenues of the IT firm.

Besides engineering and software development for the aerospace companies, the IT companies still provide back-end services for airlines and airports.

TCS recently signed an MoU to implement and manage the technology backbone at Chhatrapati Shivaji International Airport (CSIA). The company also provides support and maintenance for internal IT systems and external-facing applications such as e-ticketing for Singapore Airlines, Qantas, Virgin Atlantic and British Airways. In 15 years, TCS has made aerospace design one of its most important revenue streams, accounting for 7 per cent of the company's turnover this year.

NIT Technologies also earns 27 per cent of its revenues from its travel and transport vertical, where it provides software solutions to British Airways, Sabar and United Airlines.

Pradeep Udhas added: "Since these kinds of services do not require high levels of expertise and investments, it is an open game for anyone."