

Engineering services are those that either augment or manage processes that are associated with the creation of a product or service or maximize the life span and optimize the yield associated with a product or asset.

The total engineering services market stands at USD 746 billion, forming 3% of the global GDP. The main verticals in engineering services are hi-tech/ telecom, automotive, aerospace, construction, utilities, etc.

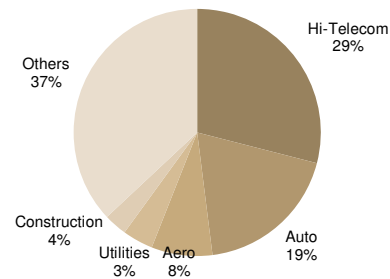
The global offshore engineering spend is mostly concentrated among emerging economies with India, China, Canada, Mexico and Russia emerging as the large players. However, a few other countries like Philippines, Nigeria, South Africa, and Vietnam are slowly moving in at the lower end of the value chain by offering significant cost advantage.

The engineering services industry in India stands between USD 1-2 billion. The industry is divided into different categories of firms - Large IT services firms, Specialized engineering services firms, Indian engineering company spin-offs, Captives, Non-Indian engineering firms, etc. The industry is in the growth stage moving towards maturity. Players require building capabilities and scaling up through innovation and consolidation.

The major demand drivers prophesying the growth are cost reduction, reducing time-to-market, exploiting government incentives, accessing to high quality talent and capabilities among other things.

However, certain supply side functionalities may obstruct the growth. Currently, India has the largest pool of talent for offshore services – 28% of the total talent pool available with emerging markets. However, to meet with the

Exhibit 1: Indian Engineering Services Market



Total Market Size = USD 746 bn

Source: o3 Capital Analysis, Compass Intelligence

growth expectations of 2020, India will face a significant shortfall in engineers, especially in the area of High-Tech/ Telecom.

Offset programs, acquiring design shops and attracting large players will create most value for stakeholders relative to the efforts required.

On the other hand, a more long term initiative is that of establishing partnerships and developing a strong talent pool.

With the Engineering Services industry on the verge of tremendous growth in the coming years, o3 Capital has provided an analytical overview of the market, its sectoral segments, key players and their respective profiles, finally culminating with a section on transaction opportunities in this segment.

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