

Quest Global plans SEZing takeoff

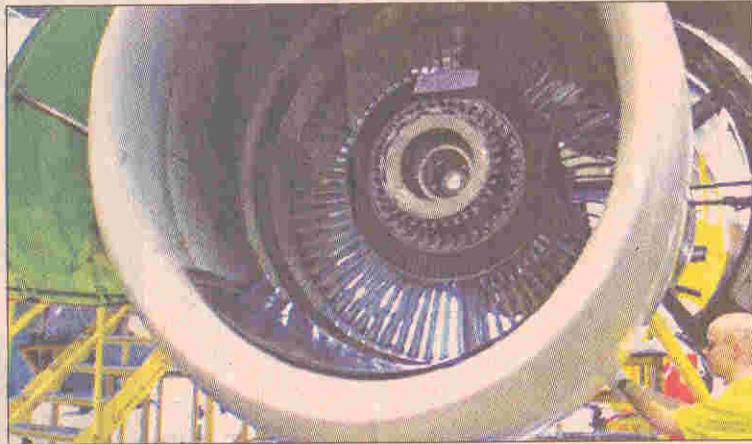
To Invest \$25 Million In SEZ In Karnataka, In Talks With European Aerospace Firms

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QUEST Global, a provider of outsourced engineering services, has invested \$10 million, and would be putting in an additional \$25 million in its SEZ in Belgaum, Karnataka. Bejoy George, chief marketing officer of the company, told ET that it is in talks with around 40 players, most of them in the aerospace sector in Europe, to set up shop in the SEZ. While declining to name any, he said that most of them were tier-I suppliers to firms like Boeing and Airbus.

The SEZ, to be built on 300 acres, involved land transfer from farmers which was conducted successfully, says George. The government has given its approval for the first phase of units that is going to come up in the SEZ. This will house companies making precision engineering components like castings for power generating turbines, flight landing gear and testing equipment.

According to the offset clause introduced in September 2006, a foreign vendor will have to invest about 30% of its or-



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der value into co-production or purchase agreements with Indian defence producers for every defence contract, or purchase valued at Rs 300 crore or more. One estimate puts the value of the offset market at \$10 billion by 2009.

Quest Global, which was planning an

IPO to partly fund the SEZ investment has postponed its plans to go public in view of prevailing market conditions. George said that the company is funding the project through promoters' loans and ploughing back of profits. This new development could help achieve the 66% growth in

revenue that the privately-held company is targeting for next year. Quest clocked revenues of \$51.3 million in March this year, said George sharing the figures for the first time. He informed that during 2004-05, between \$1.2 billion and \$1.8 billion worth of engineering services were offshored to India and this is expected to reach between \$45 billion and \$65 billion by 2020, according to a study by Nasscom and Booz Allen Hamilton.

Quest has a 50:50 JV Ontario, Canada-based Magellan Aerospace Corp, to supply landing gear parts for Boeing 747s, 777s, and 787s for 10 years. This is a \$5 million order. The company also plans to increase its sales in Germany and France, and is working towards this, says George. Quest Global currently has wholly owned subsidiaries in the US, Italy, China, Germany and Japan. The US contributes to around 46% of its revenues, followed by the UK and Italy at 17% each. The Bangalore-based firm is one of the only four suppliers of engineering services and manufacturing to Airbus. Some of its other clients include General Electric, Rolls Royce and Boeing.