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HM sets up design unit in Japan

RAMPING UP: Centre to focus on design and engineering outsourcing services

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HINDUSTAN MOTORS has set up an automotive design engineering services unit in Japan, as part of its efforts to tap new markets. Having completed the formalities this July, HM plans to ramp up its operations to reach a head-count of 400 engineers by 2011.

The centre would focus primarily on design and engineering outsourcing services. HM is keen on boosting its revenue from this vertical into the double-digit bracket, sources told ET.

Currently, the design division, which is more into CAD/CAM activities, constitute less than 5% of the overall turnover. The company also has plans to enter other markets in the next stage, sources added. Engineers in HM are also undergoing a Japanese language course to support customers there. Sessions spread over 300 hours would be imparted to equip engineers to take an exam in December. On-site and off-shoring opportunities are emerging as tremendous business prospects for Indian companies that have been trying to bolster their design capabilities. With product development going global, off-shoring is the latest strategic sourcing mantra for engineering companies. Says Frost & Sullivan south Asia and Middle East director VG Ramakrishnan, last year the global R&D spend by the automotive segment was \$130-140 billion. Indian automotive engineering services segment, which generated about \$600 million, has the potential to grow 32% year-on-year over the next five years.

A growing number of auto-industry manufacturers and service providers are setting up base in Japan, reflecting the interest of auto makers to tie-up with foreign suppliers, says the Japan External Trade Organisation (JETRO).

The government-related organisation, working to promote mutual trade and investment between Japan and the rest of the world, feels that foreign companies recognise that to remain globally competitive, they cannot ignore the huge business opportunity in the market. From procuring parts from foreign suppliers, the firms have struck alliances in the design and development work.

During one of its recent survey of foreign-affiliated firms operating in Japan, Jetro suggested that firms are increasingly eyeing R&D functions "compared with other functions such as manufacturing, distribution or services" for their business expansion in the country. There is a huge gap arising out of unfulfilled demand due to lack of interest and inadequate resources. With Japan opening up more to the world, HM perceives this to be the right time to enter the market, sources said.

Apart from automobiles, HM would cater to power, construction and heavy engineering segments. It is also planning to tap the domestic appliances sector, they said, noting that on-site and remote service engagements could help bring down the costs for businesses. To set up its branch in Japan, HM used Jetro's Invest Japan Business Support Center (IBSC) in Nagoya, utilising free temporary office space and consultations with expert advisors on a range of business matters.

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