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EE Times:

Indian design firms see uptick when recession ends[K.C. Krishnadas](#)

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BANGALORE, India — The current global recession is driving development costs down, prompting many Indian chip and embedded design service providers to predict an uptick once the downturn ends.

For now, providers are seeing a decline in new products and features or reductions in some projects.

"Most of our work in the semiconductor and embedded design space is strategic to our customers," said Abhishek Vanamali, head of marketing and strategy for engineering and R&D services with HCL Technologies Ltd. "As global technology companies are trying to deal with this recession by driving down costs without sacrificing product launches or product features or quality, we find that our value proposition of running extended R&D centers in India has only become stronger."

The chip industry has been slowed by weakness in the handset and consumer markets, but "semiconductor companies serving the industrial, medical and defense sectors are not much" affected, added S. Janakiraman, president and CEO for product engineering services at Mindtree Ltd.

"The pace of growth has slowed down a bit, though overall impact is low as the semiconductor sector makes up for only 6 percent of our overall business," Janakiraman added.

Mindtree, along with Wipro, HCL and Tata Elxsi, are among the largest Indian design service providers. "Any slowdowns in the past have proved to have a long-term positive impact on India, and [outsourcing to India](#). [We] see the slowdown as more of an opportunity than a problem by strengthening internal processes, IP programs and skill levels," Janakiraman said.

"Customers are deferring ASIC plans, and while it is not stopping it is a concern for Indian design companies," said Nitin Pai, general manager of marketing at Tata Elxsi Ltd. "Sustenance rather than growth is the theme for Indian design services firms."

According to Praveen Acharya, vice president of semiconductor solutions at KPIT Cummins Infosystems Ltd., the number of design starts has dropped considerably as most OEMs and ODMs. "Since the semiconductor industry is capital intensive and serves almost all end markets, the impact has been severe. However, the semiconductor business is expected to recover when some vertical markets recover faster than others" like industrial and automotive, Acharya predicted.

"Indian design firms have neither increased nor decreased project costs, but are holding onto them," said Nirav Shah, director of marketing at eInfochips Ltd. "There have been some cutbacks in ongoing projects and delays in new orders. Also companies are undergoing some cost-cutting measures and holding back on major capital expenses."

"The recession means the number of design starts will be fewer and a proportionately [fewer] number of design starts would be outsourced. The price tag on each deal will also be very competitive. Vendors are already asking design service providers to show productivity improvement," said one semiconductor industry analyst.

According to the India Semiconductor Association, VLSI design revenues could hit \$1.13 billion in 2009, while hardware and board design could reach \$560 million and embedded design and services about \$7.29 billion.

—K.C. Krishnadas is site editor for TechOnline India

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