Chemtex Global Engineers

**Header: Destination India…**

**Strap:** India has always had it. Now is the time to utilise the brand rub off from the IT and BPO sector to position India as a hot-spot engineering outsourcing destination

This is a shock. India has the second largest technical force in the world. Yet the country does not have a strong BPO sector operating in engineering operations. Some in the engineering industry blame it on the inadequate quality of Indian talent. Some say that the necessary skill sets are missing in India – the engineering technology being a closely held secret. Others point to the fact that since the engineering design services form just a small component of building up a plant, there is not sufficient incentive to outsource to India. Guess what? They are all wrong. There is an American company that has been outsourcing engineering design services from India for the past 35 years!

Chemtex was founded in 1947 as "Rayon Consultants" by several former DuPont employees. It became Chemtex in 1958 and was privately held until December 1989, when Mitsubishi Corporation acquired a majority interest. Previously specialising in engineering man-made fiber plants, over the past 10-15 years Chemtex has diversified into chemical and petrochemical plant engineering.

Chemtex Global Engineers is the Indian subsidiary of Chemtex and is an entirely export-oriented unit providing engineering services to Chemtex. While Chemtex had a peak strength of 700, it has right sized to 340 in view of a slow down since 2001. However, with business picking up the numbers are likely to grow soon. Though due to the cyclical nature of business one needs to maintain a certain number of people while the remaining work is done through contract employment.

So why can’t the success story at Chemtex be repeated elsewhere? B B Darak, vice president, engineering, Chemtex, says that there are doubts about Indian talent. Apprehensions are still there about the quality of engineering services. There are concerns whether the deadlines can be met. But the fact that Chemtex has been successfully outsourcing and delivering work from India proves that Indian talent has met with repeated success over almost
four decades and that doubts about the lack of Indian talent can be brushed aside.

But what are the reasons for not outsourcing? After all if there is a billion-dollar plant to be set up, the engineering design services component would just amount to one per cent of costs. Mr Darak agrees with this. However, he points out that though the engineering costs for the plant may be just one per cent, for the engineering company doing the design, the engineering costs would amount to almost 100% of the turnover. And if the company can cut down its costs by more than 50% by outsourcing to India, it could dramatically improve profitability.

Mr Darak says that there is an incorrect perception that needs to be corrected. And this would require a strong marketing effort. Once there is a breakthrough in marketing the profile and branding of India as a strong engineering nation can be established.

Though India has not made a mark as yet, things, Mr Darak says, are changing rapidly over the last three-to four years, with many engineering companies outsourcing some work to India. However, it is not going to be easy to change things that fast. There needs to be a change of mind set in India. Subsequently, efforts need to be made to remove the mind block about the inadequacy of engineering talent in India. The concerns about quality and schedules need to be answered well.

Startup Year : 1962
Area of Operations : Engineering Design Services
Location : Mumbai, Bangalore
CEO: Bharat Gala
Ownership : Mitsubishi Corporation
Approximate Number of Employees : 340
Revenues : NA