

QuEST to exceed revenue, profit target

There has been no significant impact of the current global economic situation on QuEST Global. This is because its major market segments are Aerospace, Power Generation and Oil & Gas, which account for about 85 per cent of its revenues. These sectors have long product development and engineering cycles, and new product development programmes very rarely get cancelled once initiated.

"We forecast a steady growth for the next 18 months based on our current visibility. We expect OEMs and large Tier 1s to consolidate their supply chain and look for greater value addition from vendors, and we believe that QuEST Global will benefit immensely by this due to our design to build offerings", QuEST Global Chief Marketing Officer Bejoy George told Aeromag Asia in an exclusive interview.

"The one area where we have seen some impact due to the economic downturn, is in the industrial sector, where our manufacturing volume ramp up for a couple of customers has been postponed for a few months. However, we do not expect to see any significant revenue loss due to this"

the year ending March 31st 2008, QuEST Global achieved revenues of US\$ 51.3 million, which is a 50 per cent growth over the previous year. For the first three quarters of the current fiscal year, which will end on March 31 2009, the company expects to exceed its internal targets for revenue and profits, and grow between 60 per cent and 65 per cent over last year.

QuEST Global SEZ in Belgaum is absolutely on track as per schedule. As of now, two buildings totaling 75,000 sq.ft are ready out of which 20,000 sq.ft is for API (Aerospace Processing India, a JV between QuEST Global and Magellan). All the necessary equipment has been installed, personnel have been trained, and currently trial runs in aerospace special processing are going on. The company expects to go live in the next couple of weeks. API will support activities such as chromic acid anodizing line, titanium etching, shot peen, paint and primer booth, MPI and FPI in the initial phase.

QuEST Global Engineering is also setting up operations in the SEZ, to provide low cost engineering services, and plans for engineering processes set up, resource planning, equipment installation, etc. is

underway.

In addition, the company has received expressions of interest from seven MNC companies for setting up their manufacturing operations in the QuEST Global SEZ.

QuEST is a leading provider of outsourced engineering services and manufacturing. The company helps customers in the aerospace, power generation, oil & gas, civil structures, industrial products, and transportation verticals to cut product development costs, shorten lead times, extend capacity and maximise engineering resources availability by providing support across the complete product life cycle from design and modeling through analysis, prototyping, automation, data documentation, instrumentation and controls, embedded systems development, manufacturing support, vendor management, and in-house precision machining. Through its Global Product Development framework and on-site/off-shore/on-shore models, it leverage its local presence and global reach to support globalisation initiatives for its customers.

In addition, some of its other customers are Rolls Royce, EADS, Pratt & Whitney, Toshiba, Hitachi, Mitsubishi, Danaher and Technicas Reunidas. The company currently has more than 50 active customers with whom it has at various stages of scaling up its relationship.

If required, the company will look at an IPO or private placement of equity 12 to 18 months down the line. "Our capital investments requirement for expanding our manufacturing operations and for our SEZ expansion is about \$ 25 million for the next 12 to 18 months, and this is being funded by loans from a leading nationalised bank. Internal accruals are sufficient for funding the expansion of our engineering operations", Bejoy said.

The company's philosophy is to be able to optimally service product development services requirement of our strategic customers, which has led to the setting up of QuEST Global Manufacturing where it does precision machining for aerospace, automotive and industrial sectors.

Fueling this philosophy, the precision engineering SEZ (special economic zone) of 300 acres in Belgaum, Karnataka has been set up. In this SEZ, the company is expanding its precision machining capacity, as well



Bejoy George
Chief Marketing Officer
QuEST Global

as setting up a unit for special processing/surface treatments like anodizing, alodyning, shot peening, chemical etching, and heat treatment.

"We are also launching a sheet metal facility of our own, in the SEZ. Our intent is to be able to supply finished sub-assemblies to our customers. This is in line with our plans to offer 'design & build' services to our customers under one 'roof'", he said.

"We also look at acquisitions to build capability. We recently announced our acquisition of ASE Technologies Inc. This move steers us ahead in the Global Aerospace market, where we leverage on ASE Technologies' capabilities in advanced engineering technology, research, product design and process development with major emphasis to aerospace and derivative industry. Coming with significant experience in defence aerospace, this combined team would catapult QuEST Global as one of the largest aerospace and fluid sciences engineering teams in the world, servicing military and commercial applications and also supports our on-site/off-shore/on-shore delivery models".

Defence offset policy stipulates an offset percentage of 35 per cent to 50 per cent for all defence procurements and India is expected to procure about US\$ 100 billion worth of aerospace and defence products over the next 10 years. Hence, offset component will range from US\$ 35 billion to \$ 40 billion, over the next 10 years. Such a large value cannot be fulfilled through design services alone – and there will be a significant amount of manufactured products that will need to be sourced by companies, in order to fulfill their offset obligation.

"With our manufacturing capabilities, QuEST Global is in a position to offer design and build services to customers. Also, the setting up of the SEZ in Belgaum will position us to assist in fulfilling offset requirements, as investments in the SEZ will be eligible for offset credit", Bejoy said.