

Intel inside India with \$1B investment

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Just a few days after rival Advanced Micro Devices announced its plans to grab a chunk of the Indian mindshare by helping India build a \$3 billion chip plant, Intel Chairman Crag Barrett announced the company's first major India investment plan exceeding \$1 billion over the next five years.

On the first day of a visit to India that started Monday Barrett said that the four focus areas -- which he called "four areas of advancement" -- of the Intel investment roadmap would be business expansion, venture-capital funding efforts, the company's research and development unit in Bangalore and its education initiatives in the country.

"The investment demonstrates the company's long term commitments and builds on the foundation we created during the last ten years," Barrett said.

The major part -- \$800 million -- of this investment will go towards expanding its business operations, while with the balance Intel will set up a \$250 million venture-capital fund. This, however, would not be Intel's first venture funding initiative in the country, because the company has already funded about 40 start-ups over past several years including successes like Indiainfoline, Futursoft, NIIT and Satyam Communications.

However, Barrett belied India's hopes of Intel building a chip fabrication plant here. "We are not talking wafer fabrication manufacturing unit in India but would like to focus on Israel for the time being because we feel

that Israel offers distinct advantages to Intel compared to India," Barrett said.

For the past six months, ever since India's IT and Communication Minister Dayanidhi Maran visited Intel's California headquarters in mid-June, the country's industry was ripe with rumors that Intel was close to taking a decision for building a chip plant here. In fact, following the visit Maran even announced that he had managed to persuade Intel to invest \$400 million in the country -- a claim that Intel denied later.

That speculation reached its crescendo in the past few days following AMD's announcement on Nov. 30 of the \$3 billion semiconductor manufacturing facility in the country in collaboration with SEMINDIA, a consortium of U.S.-based non-resident Indians.

Ruling out the chip plant, Barrett said, "The Israeli government happens to be very aggressive in providing incentives for investments in Israel, and because we are in business we always look for what makes financial sense to us as well as being able to build of out installed base of employees and that matches very nicely for us."

He added that, "Intel has a strong infrastructure base in Israel already, which includes two manufacturing facilities and several thousands engineers."

But the chairman confirmed that Intel is "talking to the Indian government" about setting up a back-end manufacturing and chip-testing facility, "although no decision has been taken just yet." That investment, speculate industry sources, could entail an additional investment of \$400 million.

This year's visit is Barrett's seventh visit to the country in the past 10 years and his first since he became the chairman of Intel. According to

Barrett, the significance of this visit, besides the business expansion efforts, is the fact that developing start-ups in India has also emerged as an important issue.

"In the Indian start-ups we are looking for strategic capabilities and compatibility with Intel apart from sound financial investments," said Barrett, adding that Intel's "first and foremost motivation from these (VC) investments" is strategic alignment that the company derives from introducing the new technologies or capabilities in the market.

"Over the last several years we have made about a 1,000 investments globally," Barrett said. "If you look at the totality of our returns from all those investments we are positive to the extent of a couple of billion dollars. So it has been a good financial return for us, perhaps big enough to go for another big and expensive chip plant."

The other two components of Barrett's "four areas of advancements" are designing low-cost personal computers meant specifically for Indian conditions, "and work closely with the government, industry and educators to increase the impact of the country's information and communication technology."

According to Barrett, Intel's design center in Bangalore is currently working on the design of a low-cost PC meant for the platform that exists in rural marketplaces where machines need to tolerate rugged conditions like moisture, dust and inconsistent power supplies.

According to reports this computer would be developed with local PC maker Xenitis Infotech that focuses on low-cost computers. The PC is likely to be priced at around \$250, which would be the cheapest machine with an Intel chip.

Barrett added that the design center in Bangalore that is developing a

successor to the Centrino chip is an integral part of several of its products groups, "from enterprise microprocessors to next-generation micro processors" and would "continue to grow in terms of employee count" as well. The R&D center currently employs 2,800 professionals.

The education initiative plans to train an additional 500,000 teachers on new technologies "so that they can make classes more exciting for children." The initiative also conducts a program called "Intel Earth Program," which teaches young children in a community environment how to use technology to solve problems, work together and connect with other young children in the community, Barrett said.

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