

Expert Speak

MR AMIT SHARMA
Executive VP & President (Asia),
American Tower Company



Standardisation has already started to happen, at least in the infrastructure industry leading to greater economies of scale. The same must be done on the regulatory front. We have no zoning in India. No zoning results in non-standard deployment. Zoning standards that are federal in nature or federal guidelines will lead to a new spurt in standardisation.

MR B S SHANTARAJU
CEO, Indus Towers



The real revolution will happen in the area of back haul sharing. 3G and 4G need a lot of back haul, in that situation a new revolution has to be the effective use of back haul. Wherever there are towers we need to ensure that even the OFC is shared, the back haul is shared.

MR MILIND BENGALI
COO (Business Operations), GTL Infrastructure Ltd



Now what we need in this country is shareability, and for that to work we need independent tower companies. Shareability, low CAPEX for time being, reduction in OPEX through good energy contracts, dismantling of overlapping towers amongst tower companies, are a few very broad-based ideas I would suggest.

MR UMANG DAS
President, Viom Networks



As we are basically energy consumers, we need to outsource this whole business of energy generation to companies who have the core expertise of generating energy. We will simply handhold the process, encouraging them to build renewable energy model and will then act as their customers.



From the Left

Mr B S Shantaraju, CEO, Indus Towers; Mr Milind Bengali, COO (Business Operations), GTL Infrastructure Ltd; Ms Paromita Chatterjee, Senior Editor, ET NOW; Mr Amit Sharma, Executive VP & President (Asia), American Tower Company and Mr Umang Das, President, Viom Networks

Concocting Excellence through Collaboration

With great ambitions for growth but several regulatory obstacles along the way, the telecom industry and particularly infrastructure providers are increasingly adopting the definitive mantra of collaborating for growth

With respect to any industry or any environment, it would be illogical or contradictory for companies to collaborate and compete at the same time. However, given a market like India, where the telecom sector has tested several business models, recent trends in the telecom industry have made this rather strange notion the only conceivable survival tactic. Telecom is at an inflection point; and it is clearly a time to focus on how the industry, particularly the tower segment, can take a fresh approach to negotiate its path towards viability for all.

With a view to discuss all this and more with some of the most illustrious names in the industry and seek a broad-based insight into the industry's present health and future opportunities, The Economic Times in association with Global Group facilitated an incisive platform in the form of the ET Knowledge Forum titled 'Collaborate To Compete-The New Age Survival Mantra.' Ms Paromita Chatterjee, Senior Editor, ET NOW moderated the discussion, where industry thought-leaders laid bare the concerns and opportunities pertaining particularly to the sharing of telecom infrastructure among a multitude of areas for collaboration. Here are some highlights of the discussion.

THE NEED FOR COLLABORATION

While 100% collaboration is impossible due to a requisite to maintain competitive edge, the need of the hour is to collaborate wherever possible. "Currently, for a tower company and in fact for companies in general, there are five key financial parameters; namely, CAPEX, OPEX, revenue, margin and cash flows. These are critical parameters ensuring collaboration through the entire value chain of telecom, and involving all the

stakeholders in the due course. It is vital for each player to collaborate and devise a strategy across the circles," directed Mr Milind Bengali, COO-Business Operations, GTL Infrastructure Ltd.

With his backend expertise, Mr Umang Das, President, Viom Networks, clarified that the essence of telecom business is interconnectivity. When one interconnects, they naturally interconnect one operator

with another who may be competitors. But at the same time, interconnections bring the revenue and the business. In that context, it is equally relevant for all industry stakeholders. The focus is a win-win platform where tower companies should share and work together, or collaborate to compete as a fundamental part of their business model.

COLLABORATION AS A BUSINESS MODEL

Mr BS Shantaraju, Chief Executive Officer, Indus Towers, who has had the enviable opportunity to oversee three competitive operators function within a single system at Indus, opined that the first principle of collaboration is that there has to be a strategic need; that need must be strongly felt by the customer. "What is it that customers want? Customers want our time, which we can manage independently; they want energy cost reduction, which is only possible with sharing; they want speed of delivering, where there is no point putting up single tenancy and rather better to share. If you put up infrastructure without a support system of at least two customers, the payback period is 11-12

years for single tenancy and the internal rate of return is not more than 3-4%. In such a scenario, how do you survive in this market? There is definite financial compulsion to ensure collaboration, so that industry tenancy will exceed 2.25-2.5 in about five years," he added.

Commenting on the extent of collaboration in Indian telecom, Mr Amit Sharma, Executive Vice President and President (Asia), American Tower Company stated, "Fiercely competitive operators still collaborate in many areas and that has spilled over to the tower industry. Operators now need to disintermediate their business and their business model. They are focussing more on the front-end, on consumers or the business customers they serve. Increasingly they are asking if they need to be even in the network business, let alone the tower business. They are questioning their



real value addition. And if it is not in running or maintaining infrastructure, maybe the entire network is best outsourced. This is where collaboration comes in. A decision like that cannot be taken if our industry is not working together; so that operator has the confidence to take a decision and there will be someone with the capability to support him. One doesn't have to find a single vendor for the whole country."

THE FRUITS OF SHARING

Sharing offers some optimism in the area of energy consumption, which remains among the most pressing concerns for operators and telcos today. According to Mr Das, "This whole business of energy

generation must be outsourced because we are basically energy consumers and not generators. Where does the core expertise lie? It lies with the people generating the energy. So, we are handholding the process, encouraging independent energy companies to use the renewable energy model and we will then become their customers."

Mr Bengali elaborated that there are fixed energy contracts which exist between tower companies and telcos, but on a pan-India basis they are not standardised. One needs to look at standardising energy contracts since cash flow is important, and it helps to create good, visible, strong cash flows for the tower companies. When there are good cash flows available for a tower company, outages due to power failure would automatically reduce for the operator, leading to better uptimes. There is more business generation for the telco, benefiting subscribers as well.

However, there is another revolution on the cards, back haul sharing, which will be driven by 3G and 4G use. Mr Shantaraju pointed out, "Let us look at our cities, we don't have much Optical Fibre Cables (OFC) underground; compared to any part of the Western world our OFC infrastructure is pathetic. Now digging to install the OFC is not going to work. How do we ensure that OFC is shared where there are towers, or share the back haul; how do we help customers to really leverage the power of the tower beyond what they have already seen?" Collaboration seems to answer this question as well.

SUMMING UP

The forum threw up several erudite ideas that could be beneficial for the industry in charting its way forward. It is time for the Government to take a broader look at the subject of national telecom infrastructure, especially for rural penetration, and provide guidance as well as create a viable taxation regime. However, the future lies in the growth of data and therefore, all stakeholders will have to think in terms of what makes data deployment more efficient. For instance, analysing the trade-off between using a big tower on a roof or using an in-building system which can provide better coverage. These are things that the industry needs to work on to enable networks to meet high quality standards. These improvements will require collaboration among different parties as opposed to a drive to outdo.

Companies can exercise more 'shareability,' maintain low CAPEX and reduce OPEX through good energy contracts. Dismantling of overlapping towers amongst tower companies wherever possible is also advised. Also, it is believed that some consolidation is inevitable and healthy for the industry considering current oversupply. Given these factors, it is only natural that collaboration is vital for remaining competitive in the present times of turmoil.



Catch the coverage of the ETIG Knowledge Forum on ET NOW on July 28, 2012 at 4:00 pm and repeat telecast on July 29, 2012 at 4:30 pm.

Quelling Doubt, Dispersing Hope

Panellists resolved uncertainties raised by the audience regarding the scope of telecom collaborations and infrastructure sharing in the near future

A challenging business environment and regulatory hurdles hindering India's telecom industry compelled its stakeholders to acknowledge the urgent need to strategise the future course of action. Over the last five years, tower and optic fibre infrastructure coverage

with the astute panel. With respect to 2G and 3G, the internal rate of return of tower companies has not been encouraging. However, for tower operators, the requirements are expected to be much more with respect to 4G or LTE. A member of the audience inquired

the tower." According to Mr Amit Sharma, Executive Vice President and President (Asia), American Tower Company, the telecom regulatory authority had once raised the question about making sharing mandatory. Both, operators and tower compa-



A rapt audience interacts with telecom honchos

has exponentially widened, but sentiments remain dampened by constrained growth. In this vein, the ETIG Knowledge Forum on "Collaborate to Compete-The New-Age Survival Mantra," attempted to dispel some anxieties and define the road ahead for the industry. The forum's success was evinced in the manner in which it enthralled and enlightened its audience, while encouraging their participation by way of a Q&A session

whether the panellists expect to see collaboration or consensus on the road ahead to meet these requirements for 4G/LTE rollout. Satisfying this query, Mr Milind Bengali, COO, Business Operations, GTL Infrastructure Ltd, clarified, "It is not just LTE, but also 2G rollouts where you see different operators come to different tower companies. So it is already there, nobody wants to invest new CAPEX and it makes sense to share

nies unanimously denied it. But as per the present economic model, the only way they can survive in this business is by sharing and it need not be made mandatory. "With respect to growth of LTE, no one knows how many urban sites will be required. Nobody will build a tower on a roof where there is already another tower present. And therefore, we are already collaborating informally; simple economics will drive us towards more

Preparing for an Imminent Boom

Another question raised by the audience queried whether given present conditions, can the telecom sector witness a boom in the next 2-3 years. To this Mr Sharma replied, "When I last came across the statistic, about 30 million smart phones or near smart phones were sold, and that market is growing at about 100% and doubling every year. What we have seen in other countries, for example, is that a smart phone user has about 8-10 times the data usage of a conventional phone user. The next factor is critical mass. There is a certain point of penetration of phones, when it sort of becomes ubiquitous and people are then sending stuff to each other, creating a sort of exponential growth in the curve. It is very difficult to predict timing, but if you are an optimist, you may say 18 more months, and if you are a pessimist, you may say 3 or 4 years. But I have rarely heard anyone say that it will take longer for data to take off in India. My belief is that fortunes will change with the growth of data and change the entire value chain as well."

Mr Shantaraju further pointed out, "The unfortunate thing about data is that it needs much more CAPEX compared to the voice model. I think in that, the economics will change. Coming to tower companies, only people who can invest in data networks and improve network quality and customer experience will survive in the data arena. This is the

of this," he further elaborated. Mr BS Shantaraju, Chief Executive Officer, Indus Towers, further explained that valuation is a pure equation of the cash flow. "If you don't see the cash flow, valuation will eventually collapse, and we are seeing that happen. Now everybody recognises that there is no value for the steel and cement, the value is in the underlying tenancy and cash flow. And hence, in our wisdom, we are

seeing that as long as we don't have another few tenants coming in, there is no point in putting up a tower. Secondly, if two towers co-exist, over a period of time, both will become inefficient.

So informal sharing is already happening and our customers are also recognising it. My view is that this collaboration may not be well discussed, but it is happening at a very sublime level without too much discussion,"

he said. Through the forum and the Q&A session, it was established that there are already several instances of collaborations taking place in the Indian telecom industry. Much rests on the outcomes of the impending 2G spectrum auctions expected to take place sometime in August this year, redefining not only the fate of towers but an entire gamut of network delivery and network deployment aspects.