

SECTOR:
DIGITAL INNOVATION



SECTOR OVERVIEW:
June 2013

Welcome to this quarter's UKIBC Digital Innovation report. The last few months have seen a flurry of activity on the ground: forecasts emerged putting India as an important source of growth for global internet video usage, and impressive IT infrastructure spending is expected to reach US\$ 2.3 billion by 2014.

In this quarter I have chosen to focus on the ground-breaking 4G rollout in India, touching on some of its challenges and impacts across the Indian digital supply chain. Meanwhile, global trends such as growth in the cloud computing and Big Data segments have been clear, with interesting M&E activity such as Wipro's latest acquisition in this area.

This report also includes a contribution on IP by the UK Intellectual Property Office, which may be of interest to companies working on UK-India collaborative R&D. And finally, we feature the illustrative case study of British-based RSK Business Solutions, an IT consultancy that recently set up a subsidiary in Gurgaon. I hope that you will find this report interesting and invite you to send us your comments. For more information on UKIBC's programme of work in the Digital Innovation sector, please get in touch.

CONTACTS:
Digital Innovation

Radhika Pandey
radhika.pandey@ukibc.com
+44 (0)20 7592 3040

In focus: 4G rollout in India

In April 2012, amidst great media attention, [Bharti Airtel launched 4G services in India](#) in the north eastern city of Kolkata. Since then, it has expanded its offering to [Bengaluru and Pune](#), positioning India as one of the very early movers globally in 4G deployment. This generated a lot of anticipation on what it would mean across the digital sector in the country.

Last August, in our monthly [UKIBC Digital Sector view](#), we discussed India's broadband landscape, which considered the impacts of 4G deployment and the moves likely to be undertaken by large players Bharti and Airtel. Fast forward to 2013 and many of the questions surrounding 4G remain unanswered. Will 4G become the network of choice in India? Will it generate opportunities, jobs and a spill over effect on the digital supply chain? Many still argue that it will, but there are sceptics.

Things do seem to be moving in the right direction. In a survey by [KPMG](#), India is ranked as a global innovation hub likely to overtake Silicon Valley, surpassed only by China. It also ranks as the second country most likely to produce technological breakthroughs. In addition to cloud adoption and mobile internet and commerce, 4G technology is widely considered a key driver for digital innovation in India.

4G is indeed an outstanding technology. For example, unlike its predecessor 3G, this superior broadband technology is capable of downloading full-length movies in [less than 15 minutes](#). It is potentially the onset of a virtuous cycle whereby 4G will boost both the offering as well as demand for digital content, infrastructure and devices. But this is not only appealing to consumers who wish to view, generate and distribute content faster and cheaply. It is a revolutionary (and cost-effective) promise to [news outlets](#), TV producers, studios, app developers, device manufacturers and many more. 4G also presents

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the ability to better deliver e-services in healthcare and education, which are much needed in India as it will solve the limitations of the existing broadband.

However, the issues standing in the way of nation-wide 4G deployment in India are indeed important and challenging. These are twofold: on one side technology-related, and on the other, policy-related.

Technological challenges

The first stumbling block to 4G is the high upfront cost of deploying supporting technology and infrastructure, particularly in more remote and sparsely populated areas. In addition, the technology being used in India, [TD-LTE, is not the same standard as in the US and Europe](#), which results in a lack of availability of compatible devices including smartphones.

At the moment, Airtel's commercial 4G offering consists of dongles [priced between £30 and £60](#), but to encourage wider demand, affordable devices including smartphones and tablets will be an issue.

Policy challenges

[Voice services](#) offering will also play an important role in attracting consumer demand. It would significantly cut the cost of mobile telephony and spur mass adoption of 4G technology and devices. This would indeed be very profitable to operators. But the challenge with this are licencing fees. In February, [India's Telecom Commission announced](#) that companies holding internet licences with spectrum would be allowed to provide phone call service, but the fee of £187 million is a pricey proposition when spectrum is already considered expensive in the country and there is a degree of [uncertainty surrounding spectrum auctions](#).

A positive outlook

As I mentioned earlier, there are positive developments on 4G in India. In the last few weeks it was [reported that Reliance Jio's 4G services](#) are likely to be rolled out by March 2014. This was the first instance of the company disclosing a timeline. The reason this is so transcendental is that Reliance Jio, backed by Mukesh Ambani's Reliance Industries Ltd, is the only operator in India to hold nation-wide 4G licenses. Hence, all eyes are on Mr Ambani's next move. [According to Tarun Jhunjunwala](#), Business Head at Reliance Jio East, Kolkata is likely to be amongst the first few cities where the services will be rolled out, followed by Mumbai, Delhi and Jamnagar.

The company is expected to invest close to £800 million in India's eastern region over a 3-year period to roll out 4G services, building 3,500 towers across 56 towns and laying a network of around 5,500 km of optical fibre cables. While a pricing strategy has not been announced, Reliance has given assurances that it will [offer affordable devices supporting 4G services](#).

Reliance's network would make India [home to the largest 4G network outside the US and Japan](#). Experts say India could eventually have more 4G wireless subscribers than Brazil, Russia or Indonesia. Meanwhile, China is yet to commence any commercial 4G rollouts. Mobile telephony has allowed many Indians in rural and remote areas to leapfrog landlines. 4G is once again offering the possibility for millions more to leapfrog by accessing wireless internet long before copper and fiber optic cables are laid out.

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Market Update

UKIBC India Entry Workshop: Technology

On 20th June, the UKIBC, in collaboration with Grant Thornton, Addleshaw Goddard and Barclays, hosted the first of a series of experiential workshops focusing on doing business in India. This programme responds to the challenges regularly faced by businesses in our network who are trying to tap onto the India opportunity.

The full-day training was designed exclusively for small, high-growth technology companies, and provided a fantastic opportunity for one-on-one engagement with experts on India. Arun Muthirulan, Director at Accelerator India, gave an overview of the technology sector and clusters in the country, focusing on IT, pharma, automotive and creative industries.

Later, Anuj Chande and Atul Monga, Partner and Associate Director at Grant Thornton, provided guidance on market entry structures, and attendees heard the presentations from Wadaro and ITC Infotech, two insightful case studies. The workshop also provided sessions on business culture in India and on raising finance, the latter one conducted by Barclays.

If you wish to learn more about our workshops offering, or wish to have access to the presentations from the workshop for India entry for technology SMEs, please get in touch at Radhika.Pandey@ukibc.com.

UK Intellectual Property Office launches IP toolkit for India

By Anshika Jha, Senior Intellectual Property Liaison Officer, UK Intellectual Property Office, British High Commission, New Delhi

The UK Intellectual Property Office, working alongside Indian partners, has developed and launched an IP toolkit to help support the management of intellectual property in Indo-UK research collaborations. The toolkit aims to facilitate increased levels of productive research collaborations between the two countries by providing model agreements and guidance on issues such as IP ownership, licensed or assigned agreements, exclusive licences and dispute resolution. The toolkit will potentially be very useful for IP practitioners, academics and businesses working on cross-border R&D collaborations between the UK and India.

To read more about the UK Intellectual Property Office toolkit and consult the model agreements, [click here](#).

Internet video users in India to increase sevenfold by 2017

In a forecast by CISCO, India stands out for its [impressive growth in Internet video users](#), which is pegged to grow to 113 million by 2017 (excluding mobile only) from only 16 million in 2012. Globally, internet video users are expected to double in 2017, from about one billion in 2012. According to Digivive, owner of mobile TV service nexGTV, Indian mobile users consumed about 2.6 million hours of live video cricket matches during the recent Indian Premier League in April-May. Long-term evolution (LTE) services will further fuel data consumption.

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Wireless connectivity in India is expected to grow, with about 40% of traffic coming from WiFi users by 2017, and most traffic originating from non-PC devices including tablets, smartphones and televisions.

India: Growing IT infrastructure spending and trends in data storage

[InformationWeek](#) reported findings by Gartner Inc. showing an upwards trend in IT infrastructure spending in India, which is expected to reach US\$ 2.3 billion by 2014. Of this segment, which includes server, storage and networking equipment, the server market is clearly dominating with 753 million in 2013 and forecasts to total US\$ 962.3 million by 2017. Emerging trends in India around Big Data, cloud services, social media and mobility are changing the way IT services are delivered and how businesses run their IT and storage demands. According to the survey, [external controller-based storage is the fastest growing segment](#).

Investment Update

Start-up Village Angel Fund of \$10 million in Kerala

In a very positive development for IT startups, India's Securities and Exchange Board of India recently [approved a Startup Village angel fund of US\\$ 10 million](#). The focus area of the fund will be Telecom/Internet, making it the first incubator in India to have its very own in-house fund. It will invest in promising local startups but will also be made available to other similar enterprises across the country. The angel investment ecosystem in India continues to develop.

Wipro expands presence in Big Data analytics space

In May, Wipro announced it had [acquired a minority stake in New Jersey-based Opera Solutions](#) for US\$ 30 million. Following last year's acquisition of Promax Application Group, this move consolidates the company's footprint in the Big Data analytics space. Opera Solutions is a leader in Big Data science and predictive analysis, and a provider of signal products which are typically cloud-based. This will most likely enable Wipro, with its technology expertise and global delivery model, to create industry-specific and comprehensive solutions.

This is yet another example of the [increased M&E activity in the cloud computing and big data segments](#) in the last couple of years, which includes Citrix Systems acquisition of Cloud.com and Red Hat's purchase of Gluster, another cloud computing startup. Most recently, cloud computing firm [8KMiles, founded by Indian entrepreneur Suresh Venkatachari](#), acquired US-based technology company FuGen Solutions for US\$ 7.5 million.

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Case Study: RSK Business Solutions

Praveen Joshi, Director

www.rsk-bsl.co.uk

1. Please give us a brief description of your business and your product offering.

RSK Business Solutions is a consultancy offering a range of IT and risk management solutions. The Company is part of the RSK Group, one of the UK's largest privately owned consultancies with offices throughout the UK, Europe and the Middle East. Our clients include various large UK based organizations such as the BBC, National Grid, REED, CADLine, AkzoNobel and various others.

2. Can you describe your entry strategy to the Indian market?

We entered the Indian market in 2008. Rather than using a local partner, we preferred to set up our own subsidiary in India. Our main aim was to tap into India's abundant IT talent and grow within multiple verticals of IT without substantial investment. We are currently operating in New Delhi, NCR region (Gurgaon) and aim to grow at rate of 20% annually in India.

3. Have your expectations been met? If yes, how?

Yes. We have found a pool of talented IT staff for our various development projects in the UK. India also offered us a greater choice in regards to technical staffing. Currently, we are expanding rapidly in the mobile application development (www.mobile-application-developer.com) market and we are using competent programming resources from our office in India to help with this growth.

4. Can you describe the key factors that have contributed to your success?

Setting up our own subsidiary rather than enter a partnership with a local company has given us complete control on operational and staffing matters. Also, we see the office in India as an extension of our team in the UK rather than a replacement. We have maintained the team of highly skilled project managers, business analyst and system architects in the UK.

5. What have been your biggest challenges of entering and operating in India?

The legalities, paperwork and drawing contracts can all be challenging. Even trivial tasks such as opening a business bank account can take a considerable time in India. From a regulatory perspective, the legal and tax matters are also time consuming and many of the government and banking processes still remain paper-based. However, if you take proper advice from professional accountants or solicitors then it's not much of an issue.

6. What advice would you give to other businesses in the UK looking to do business in India?

Do your homework! Make sure you know all about the local market, legalities and tax rules before setting up shop in India. If you go with a local partner then make sure you have a detailed contract in place before making any commitment.