

SECTOR:
DIGITAL INNOVATION



SECTOR OVERVIEW:
MARCH 2012

CONTACTS:
Digital Innovation

Welcome to the UKIBC quarterly report on Digital Innovation. The goal of this report is to provide a roundup of the happenings in ICT and the media and entertainment industries. We provide insights on happenings in the marketplace, collaborations between UK and India, and case studies of companies that have succeeded. For those who are following our sector views, we are cycling through a variety of areas that come under Digital Innovation sub sectors and providing you with articles that we hope are informative, and which touch on the types of opportunities that we are seeing.

The Indian government is investing heavily to increase the broadband coverage across the country. In an ambitious project, a Special Purpose Vehicle will roll out five hundred thousand kilometres of optical fibre networks to connect gram panchayats in the country utilising the network of RailTel, an Indian government public sector unit a subsidiary of the Indian Railways. Another Indian government project that has significant technology investment and making news this quarter is “Aadhaar” or the Unique Identity Number Project.

The process of enrolment of India’s residents started in October 2011. 60 Million id numbers were issued by end of 2011. The aim is to enrol over 200 Million people by end of 2012. This is a very significant achievement, considering it was not even a concept that had been fleshed out three years ago.

In January, the UKIBC conducted a roundtable on the role of SME financing UK-India innovation that was chaired by Professor Mike Gregory. The roundtable concluded that Indian SME financing of UK upstream intellectual property was very welcome and would enable strides in innovation available to both countries.



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MARKET UPDATE

Vodafone wins £2.8B tax case in India

Vodafone won a £2.8 Billion case against the Income Tax Department of India. A long standing and keenly watched case, the Supreme Court of India passed a very significant judgement a few weeks ago that clarifies details on taxation rules in India. "Certainty and stability form the basic foundation of any fiscal system," chief justice SH Kapadia concluded. "Investors should know where they stand. It also helps the tax administration in enforcing the provisions of the taxing laws." In a back-up ruling, Supreme Court judge KS Radhakrishnan said forcing Vodafone to pay up would have amounted to "imposing capital punishment for capital investment". This case had caused a lot of concerns for foreign investors who were taking a wait and watch attitude towards large investments in India. Thus, this judgement should promote inflow of foreign funds to India and ultimately benefit revenue much more than the immediate loss to the exchequer.

<http://www.guardian.co.uk/business/2012/jan/20/vodafone-wins-india-tax-case>

The “Why this Kolaveri Di” Phenomena

The proof of the growing Indian internet usage can be seen by the viral effect of the catchy South Indian movie song video “Why this Kolaveri Di” which translates to Why this Murderous Rage, Girl. When this report was written, the Youtube music video had crossed 40 Million views, remarkable since the video hit in November, less than three months ago. But what has been fascinating is to see that the viral effect emerging from India has truly gone global with the song making waves as far away as Auckland, New Zealand, when a flash mob danced to the song in a shopping centre in December 2011 and getting reported on BBC and other international news. The seemingly random phrases written in a mixture of Tamil and English has become the craze across India and internationally probably because of the simplicity and catchiness of the tune itself.

Perhaps this is the first phase of Indian entertainment benefiting from the Internet.

<http://www.youtube.com/watch?v=YR12Z8f1Dh8>

Mobile Phone Application Boom in India

Globally the mobile app industry is expected to be valued at \$17bn by the end of this year and the value of the Indian value added services industry, which includes mobile apps, was estimated at \$3.4bn (£2.2bn) in 2011, according to Deloitte. India is home to 0.9 Billion mobile subscribers and is the second largest mobile market in the world. With the smart phone beginning to make significant inroads into India, the mobile phone app industry is booming. A whole variety of factors, which includes the large subscriber base and the large volume of skilled IT professionals has created an enabling ecosystem. Major providers like Bharti Airtel and Vodafone have already created their application stores. Airtel’s app store “Airtel App Central” sells third party developed application at a starting a price from Rs. 5. The app store has more than 1200 apps.

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Rare Milestone achievement of Indian chip firms

Bangalore based Cosmic Circuits announced in December 2011 that it had shipped 12 million integrated chips (ICs) so far. This is of considerable significance for India because it is a first for an Indian company to achieve such numbers and it is one of the few companies in India currently to export completed chips. Due to the service industry focus, India has primarily been known to contribute to IP to be put onto a chip, rather than creating a complete product of its own. Cosmic expects to ship another 4 million chips in the next few months. The CEO of Cosmic Circuits, Ganapathy Subramaniam said "In the initial years, it took lot of efforts to convince customers that serious IP work can be done from India." <http://www.eetimes.com/electronics-news/4233580/Indian-chip-firm-hits-rare-milestone>

Blippar Makes Stand in Las Vegas CES show

UK start-up Blippar has begun demonstrating its augmented-reality apps to the crowds at CES 2012, after winning a UK Trade and Investment (UKTI) competition to discover the best in British innovation. The London-based company, which launched in August 2011, received sponsorship from UKTI to go to Las Vegas, including a paid-for booth on the show floor. It is showcasing its free app for iOS and Android — also called Blippar™, which uses a mobile device's camera, GPS and image-recognition technology to provide augmented reality for advertising. According to the website, Blippar™ is the first image-recognition phone app aimed at bringing to life real-world newspapers, magazines, products and posters with exciting augmented reality experiences and instantaneous content. <http://blippar.com/>

Wireless usage in UK will double during Olympics

UK Communications regulator Ofcom is set to ensure that mobile operators can meet the huge mobile broadband usage that is expected during Olympics and Paralympics events this summer. The data traffic over the networks could increase by more than 200 percent, it has been predicted. Ofcom will borrow spectrum from public sector bodies including the Ministry of Defence to cope with the doubling of demand from wireless technologies. <http://www.internetdongle.com/uk-to-create-olympic-wireless-plan/>

ASDA investing £500M in technology

Cross-docking is a practice in logistics of unloading materials from an incoming semi-trailer truck or railroad car and loading these contents directly into outbound trucks, trailers, or rail cars, with little or no storage in between. News reports state that Asda is set to create 5,000 jobs and invest £500 million this year, as part of a programme to open stores and overhaul distribution centres with IT-driven 'cross docking' capabilities. Cross docking, run by advanced software, will be rolled out across new distribution centres, as part of the plan. The technology allows Asda to receive goods from suppliers and then

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almost immediately load them to its own trucks, minimising storage requirements. <http://ukbusinesstimes.com/index.php/uk-technology/17328-asda-in-500m-investment-for-high-tech-depots-and-stores-cio-uk.html>

Technology Strategy Board reveals name for its Technology and Innovation Centres

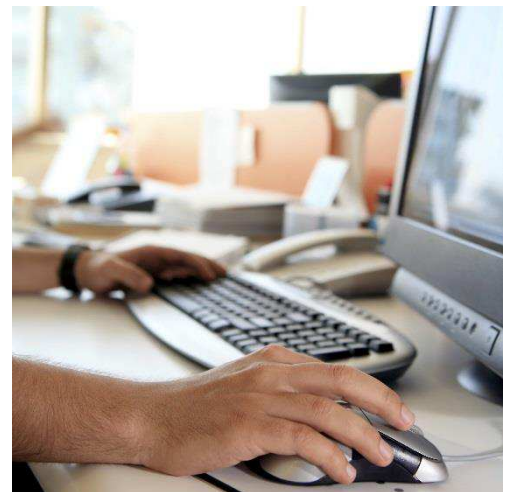
Technology Strategy Board has named its technology and innovation centres – Catapult. The Technology Strategy Board announced that it will establish a new Catapult centre in Satellite Applications. The new Catapult will help UK businesses develop new satellite-based products and services and stimulate growth across the UK economy. The Catapult will focus on applications of R&D in four growth areas: communications, broadcasting, positioning and observation. <http://www.uk-cpi.com/news/technology-strategy-board-reveals-name-for-technology-and-innovation-centres/>

INVESTMENT UPDATE

Some of the highlights on the investment front include:

- India plans to launch a \$1 billion fund by June-July, with an initial capital of Rs 5 billion, to invest in innovations that can generate services and products to uplift the poor, a top government official told reporters on Monday

- Internet of Things - Ten British companies are to receive up to £50,000 each to undertake preparatory studies to better understand how to move towards an application and services marketplace in the 'Internet of Things'. This is the first investment in a government-backed initiative, managed by the Technology Strategy Board, aimed at encouraging and accelerating the formation of an Internet of Things ecosystem of applications and services.



CASE STUDY - PRIOCHIP

Picochip is a privately held venture backed company that was founded in 2000 that has recently been acquired by MindSpeed. They are a fabless semiconductor design house, selling chips and technology for next generation wireless equipment. Picochip's key technology, experience and expertise is in the design and deployment of femtocells - low-cost

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cellular base stations for use in residential, enterprise, rural and metropolitan environments.

Headquartered in Bath, Picochip has built a global presence that includes development sites in Europe and China, and sales and support operations across the globe including Taiwan, Korea and India.

Picochip primarily sells to mobile infrastructure providers such as Alcatel and Huawei. While these players have subsidiaries established in India, the target for Picochip sales teams are the sales and design teams of these organisations in Europe and China. As a result, initially, Picochip did not see many opportunities to sell in India. However, this is changing because of the increased activity in the electronics and mobile infrastructure industries there.

Picochip started their sales into India on a fly in basis from the UK, but has moved to the next stage in 2010 when it established an agreement with an Indian company, Entuple Technologies to sell and distribute their products in India in July 2010. One of Picochip's first major successes in the India since increasing their presence was Rancore Technologies Ltd, a subsidiary of a major Indian conglomerate. Rancore selected Picochip's wireless baseband technology for the development of 4G base stations for the rollout in India's next-generation networks.

Picochip has also established successful relationships with several other Indian technology companies including Aricent, L&T Infotech and Tata Elxsi.

UKIBC interviewed the VP of Marketing, Rupert Baines of Picochip. Rupert said that when a company decides to go down the path of having an agency or representative in a country, it becomes crucial to identify the right person or company with the right skill set. A mistake on this front could have a massive impact on the reputation of the hiring company and therefore this one decision could make or break a firm's success. Setting up a dedicated office, perhaps by transferring a trusted employee might reduce that risk but cost more. Working with an established local agent or representative may make sense – but check their references thoroughly and plan on investing a lot in support training and working together – this is a long-term commitment.