

Wireless to the Rescue

The rising demand for portable devices has pushed the wireless equipment business way ahead of its wired counterparts



Highlights

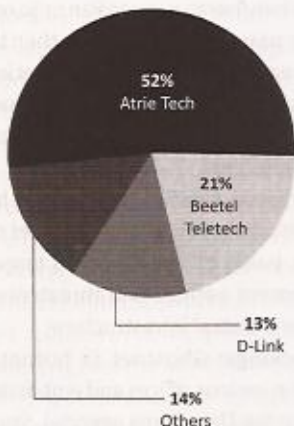
- Dial Up modems are dead now
- Futuristic and mobile devices are the 'in' thing
- Telecom, BFSI and ITES biggest drivers
- Advent of converged devices that can triple of as switches and routers killing the modem industry

The year 2011-12 was all about going wireless and it reflected in the performance of almost all communication networking products in the country. Be it switch, router, modem or other networking products, the demand was to grab a wireless product than a product that can only be connected through physical mediums. Virtues like connectivity, portability, and being future-proof drove the wireless equipment business way ahead of its wired counterparts.

Market Dynamics

Modems continue to be in demand for high speed broadband data connectivity and new emerging applications. The market has seen consolidation over the last couple of years. The largest contributors to the overall revenue of this market are telecom service providers, followed by

Market Share
Total Market Size: ₹332 crore



V&D Estimates

BFSI and IT/ITeS verticals.

Last mile connectivity based on wireless technologies such as 3G and WiMax will boost broadband in India. The demand for 3G modems and routers will increase significantly. This will probably decide the future of this market. The modem has undergone several innovations and this era has given a push to 3G modems.

With speed becoming the deciding factor in choosing broadband service, the dial-up modem market seems to be on a continuous decline as it is being replaced with better options. However, on the technology front, there has been good evolution in terms of services being offered to consumers. Of late, the market has seen good demand for DSL modems.

Besides, the ADSL2+ technology modem continues to gain more and more popularity in the SOHO market due to its effectiveness to offer a high speed broadband

Top Players (FY 2011-12)

Players	Revenue (in ₹ crore)		Change (%)
	FY 11-12	FY 10-11	
Atrie Tech	171	198	-0.27
Beetel Teletel	71	97	-0.26
D-Link	43	51	-0.08
Others	47	32	0.15
Total	332	378	-0.46

Others include: Dax, Digilink, LikQuest and Belkin

V&D Estimates

connectivity to small and medium businesses, along with home consumers. The newer ADSL models with further enhanced chipset like the latest ADSL2/2+ standards provide internet transmission of up to 24 Mbps downstream, 1 Mbps upstream. And these modems also continue to be the hot favorite of service providers.

Moreover, increasing demand for mobility and the buzz around 3G and Wimax has given a boost to the adoption of 3G modems. Users are demanding reliable and faster connectivity on the go, and that's what 3G promises. Hence faster and sleeker devices will soon make their way in, with options of removable storage allowing users to take both network and their files with them wherever they go.

The devices will be small enough to fit into pockets without the hassle of batteries, cables or additional hardware. Further the growing popularity of smartphones, tablet computers, and other internet ready devices is driving the demand for anytime and anywhere internet access.

In the current scenario, the industry is seeing a colossal demand for DSL modems from service providers who buy through tenders. With the popularity of the new internet and broadband applications, and the emergence of technologies such as WiMax, broadband access has increased and has created a new set of customers who insist on immediate response time.

Vendor Dynamics

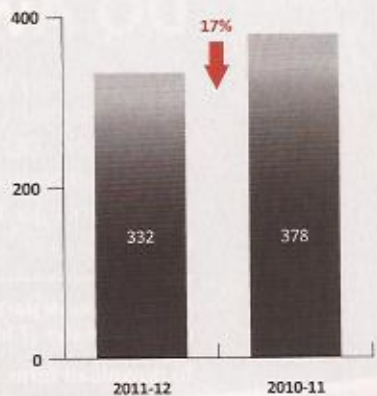
Beetel Teletel, a Bharti group company witnessed 27% decrease in value and 30% decrease in volume last fiscal despite its

sustained consumer centric offerings. A comparatively smaller wireless product line up took a toll on the performance of the company. However the company was quick to identify its flaws and started offering more and more wireless products in the fag end of last fiscal.

So far the leader in the Indian modem business, Atrie Technologies, too did not perform as per its own expectations. It also dipped almost 27% during the last fiscal. The dip in revenue for many of the vendors during last fiscal can be attributed to the availability of next generation devices that can perform as switches, routers, and modem. So, many of the users including SOHO, instead of going for modems, intelligently bought multi-tasking devices.

Market Size (in ₹ crore)

Revenue (FY 2011-12)



V&D Estimates

For the Next Fiscal

4G mobile broadband is expected to drive higher penetration into homes and businesses alike. The country has already seen great early results after the launch of 3G broadband from Bharti airtel, Tata DoCoMo, Tata Photon, and Reliance Net-Connect. The 3G and 4G mobile internet devices (commonly known as data cards) by telecom operators sell like hotcakes. 3G and 4G mobile modems are expected to be the one of the top technology devices of 2012 in India. The ISDN modem market will also continue to gain traction between small and medium enterprises as well as SOHOs. Globally, the industry is witnessing amplification in the adoption of Ethernet and Wi-Fi modems with VoIP connectivity, as consumers are increasingly availing themselves of VoIP services.

As telcos roll out much awaited 4G networks in cities and towns, there will be millions in India who will access broadband for the first time in their life through wireless 4G modems only.

In 2012, India will also see advent of modems for BWA access after the high pitched corporate battle to secure BWA spectrum. Starting with major cities, India will become WiMax-enabled, and ready to embrace LTE, as carriers start laying the foundations in several cities.

Riding on the new technologies, modems market in India is set to see its next level of growth. Broadband and hence broadband modems in India have seen a revolution in terms of growth of subscribers and evolution of technology in the last few years. In 2005, India was barely in the global top 50 broadband countries. However in just 7 years, we now stand tall in top 10 broadband markets globally, trailing only China and the US in terms of net subscriber additions.

Today majority of new connections signed for wireline services are on account of availing broadband services. Hence data usage will take precedence over voice usage. We believe this fundamental shift in consumer behavior will drive modem sales.

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