

Focus on Asia: IPTV in India: Making waves

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THE SHORT HISTORY of IPTV in India has been one of mixed progress and customer reaction. Now telcos are embarking on a new wave of expansion, using the lure of value-added services and cheaper bundles to compete with direct-to-home satellite and cable offerings.

State-run MTNL was the first operator to launch IPTV services in October 2006, providing programming in partnership with service providers IOL Netcom and Aksh Optifibre in Delhi and Mumbai. In January, Bharti Airtel became the latest operator to join the fray when it launched an IPTV service in Delhi and the adjoining areas of the National Capital Region.

But some planned services have yet to get off the ground. Reliance Communications and Microsoft announced in November 2007 a strategic partnership for an IPTV service to be powered by Microsoft's Mediaroom software. But while it continues to promote the forthcoming service on its Web site, Reliance has yet to launch, instead continuing to offer DTH services available since August 2008 (Bharti Airtel also offers DTH services).

Others have been more aggressive in following MTNL's lead. The other state-run provider, BSNL, is rolling out the MyWay IPTV service, outsourced from Smart Digivision, in 54 cities across India, as well as services from other providers including IOL and Aksh Optifibre in some regions. BSNL hopes to win 2.5 million customers over the next 4-5 years. If it does so it will have secured 5% of the DTH and digital cable television subscriber base, which is set to grow to 50 million in the next five years, according to projections from the COO of MyWay, Kapil Dev Kumar.

India has about 16 million homes connected to digital television services, out of a base of 120 million households with TV services. So far IPTV plays a small part: Knowledgefaber Research and Analysis says the country had about 25,000 IPTV connections at the end of last year, but forecasts that could grow to 150,000 by the end of this year and reach up to 3.5 million by 2013 if telcos are aggressive in their rollouts (see chart above).

But while analysts say telcos in India should look to IPTV as a way to offset falling voice ARPUs, they warn there could be a long return on investment. "The ROI is going to pick up only slowly and the break-even could take six to 10 years," says Knowledgefaber chief consultant Amit Goel. He points to Hong Kong's PCCW to illustrate how India's telcos could hope to grow ARPUs through IPTV services. PCCW's Now TV ARPU grew 28%

between June 2007 and June 2008 to reach \$213HK, says Knowledgefaber. By comparison, in the mature US TV market ARPU for satellite TV providers such as DirecTV grew just 2%-4%. "The next five years will see a tremendous boom in the market" in India, adds Goel.

Frost & Sullivan estimates revenues from IPTV services in India will grow from 21 million rupees in FY2008 to 12,407 million rupees by FY2015, with a CAGR of 160.3%. But that high growth rate forecast is primarily due to the low subscriber base now.

The country's relatively low level of PC penetration means not all subscribers are taking TV as an adjunct to an existing broadband service. Instead, approximately 10% are buying it as part of a double-play voice and TV service, says Vijay Yadav, managing director, South Asia, at UTStarcom, which provides IPTV and broadband infrastructure in India. "We are discovering that IPTV is not a subset of broadband in India," says Yadav.

As a result, service providers are readying data services for delivery to homes without PCs via an IPTV set-top box. Some IPTV offerings already provide an SMS service and Gmail access; most are eyeing railway ticket bookings as a key application that would be in demand across the nation. Easy icon-based navigation could open the doors to the Internet for a new category of audience via an IPTV-enabled television screen, believes Yadav: "India no longer needs a 100 dollar PC because homes already have a 100 dollar TV," he says.

First, service providers need to overcome the commercial damage caused by disappointing early launches in some markets such as Mumbai. MTNL, for example, is refunding IPTV plan charges in some cases in Mumbai following complaints of erratic services, making the task of promotion in a nascent market even more difficult.

"In every new technology there are teething problems. But once critical mass is reached, growth will be explosive" this is the future," says Siddhartha Srivastava, managing director and chief executive officer of IOL Netcom, whose services have floundered in recent months in Mumbai. Kumar at MyWay agrees. "What customers have seen so far is the irritants of early technology development," he says.

Knowledgefaber in a report points out that old-generation copper networks have caused quality of service issues and need to be upgraded to a minimum of 1.5 Mbps. But there are other barriers it says: broadband penetration is below 1% per 100 inhabitants, with subscribers set to reach an estimated 7.9 million this year and 31 million by 2013; regulation still prevents Internet-based channels from being offered over IPTV services in India; and in

many cases IPTV services present higher costs to the consumer compared to DTH and cable offerings.

Certainly, much depends on the aggressive approach of the IPTV providers which also market the services for operators such as BSNL and MTNL. Aksh Optifibre's i-control IPTV service, for example, is available across 22 cities, and the company is promoting the service aggressively in cities like Mumbai with a plan for 100 rupees per month?lower than DTH services.