

Multi Play on Ultra Low Cost (ULC) Fiber To The Building (FTTB) and Not Pure Mobile Play is a Universal GDP Growth Driver in India

General

Multi play is USD 24 B opportunity in India in next five years when Government targets 10 to 15 times increase in broadband subscribers surpassing 100 millions. This will take telecom to the first spot in contributing 15 % to the GDP. As true broadband access is an integral part of multi play, the absolute GDP value is set to rise to 6.25 times. Pitching for a 30 % market share, a first mover can get 45 million subs and an annual revenue of minimum USD 8 B by 2014.

Multi play model is based upon a mix of B2B2B2C and/or B2B2C. In B2B2B2C, the Multi Play Service Provider (MPSP) partners select band of Multi Play Virtual Network Operators (MPVNOs) for mid haul who in turn partner Local Cable Operators (LCOs) for the last mile access network of FTTB. This is a bit defensive strategy.

For B2B2C, the MPSP plays the role of telco, MSO, netco and opco for core, backbone and edge networks and partners with LCOs for FTTB. The indicative revenue split is 70 % - 75 % and 25 % - 30 % on the lines of BSNL and TRAI recommendations CAS service. This is an aggressive and preferred strategy to swamp the nation quickly.

Multi Play Portfolio of Services

Multi play envisages creation and delivery of base level services of voice (VOIP, digital and Internet telephony), High Speed Internet (HSI) over true broad band, two way interactive IP on demand services/TV, on-line TV, Fixed Mobile Convergence (FMC) over LCOs FTTB.

Over these base level services ride unlimited and unimaginable GDP growth driving applications like vernacular virtual class rooms for education and tuition, tele health care, tele pathology, e-agri business, e-governance, e-commerce etc, enabling a host of third party content owners and application developers to create a vernacular video based true digital India beyond imagination.

The all IP technology in multi play and mobility of 3G, Wi-Fi, WiMAX and LTE as MVNO or its own, intrinsic in MPSP ubiquitous offering, only bring true convergence between home and business segments services apart from realizing convergence of networks between pure mobile play and pure fixed line play.

The new company becomes the first telco-cum-MSO in the world to bring to homes vernacular school, college and university education virtual class rooms and multi specialty hospitals health care services of diagnosis, consultation and prescription on PC over TV and a camera with RF remote to act as phone and keyboard.

Multi Play Approach

MPSP establishes multi play PoPs at the POI locations of optical nodes of progressive LCOs, certifies the partner LCO network as compliant to its specs, simply interconnects its network with LCOs through robust interconnect agreements, filed with DoT, I&B and TRAI. Each multi play PoP provides the MPSP access to around 1000 homes. Thus, by creating 40,000 such PoPs, the MPSP has 40 million homes passed in an amazing time to market demonstration of execution of this strategy on ground.

KTMT has fully developed multi play in terms of business model, business plan, execution plan, interconnects with LCOs, successful pilots certified fit for very high quality by a leading network gear supplier, national telco and consumers, core, back bone and edge networks interconnected with LCOs last mile FTTB, agreements for OSS/BSS/CRM/contact center services, IP/MPLS core/edge network on leased fiber and IP TV head end services on lease have been tied up or negotiations are under way.

KTMT has also dovetailed an option of unlicensed band Giga Bit Radio/Wi-Fi APs/WiMAX as the last mile access for cable dry areas or meeting demands of specific subscribers where cable access is not physically possible or who prefer wireless over cable.

KTMT has empanelled more than 40 professionals from telecom and SCAT industries highly experienced in closely working with LCOs and overall management of LCOs and broadcasters relationship with MPSP. These pool members are led by seasoned and experienced professionals. Spread in 50 cities currently, they can start immediately the operations of effective LCOs management as business partners for sales, last mile FTTB network O&M and customer experience. Assuming that each of these LCOs manager gets a minimum of 12 LCOs in a year, and each LCO has a minimum of 1000 cable homes, KTMT would have 480000 homes passed in the first year itself.

Partnerships

KTMT has formalized a frame work of Master Relationship Agreement (MRA) with ULC equipment suppliers, professional services providers, last mile open access providers and national telcos so that the whole roll out and operations of multi play is governed through smooth processes

The multi play business is built upon strategic partnerships through Managed Capacity (MC), PAYG, Managed Services (MS) and Managed Distribution (MD) commercial and operational models, successfully put into operations since 2005. This allows the company to be debt free in shortest time as it defers the capex, converts most of it into opex and optimizes the overall opex. Now, even Sprint has followed this. Verizon may deny it but soon would consider this, as also the whole US communications market. KTMT is looking forward to launch multi play for home and

business customers and power the same through a strategic alliance with top global brand to take the largest market share in an amazing time to market exercise and create wealth for the partners.

Five Years Very Conservative Plan

- 6000 subs - 12 months
- 36000 subs - 24 months.
- 108000 subs - 36 months
- 252000 subs – 48 months
- 540000 subs – 60 months

KTMT is poised to launch the service by funding this risk free business as follows :-

- USD 0.2 million - 6,000 subs for commercial launch in Y1.
- USD 0.1 million - 108,000 subs in Y2.

Journey from 108,000 to 540,000 subs would be performed through Managed Capacity (MC) model built around PAYG as \$ per sub to be arrived at by calculating the cost in \$ per Erlang, \$ per MB, \$ per IP TV channel and \$ per Erlang and \$ per MB for FMC to be aggregated and agreed with strategic partners for next five years. This would effectively convert the capex into opex, defer and optimize opex and make the company debt free fastest. The surplus cash generated in Y3 and Y4 is ploughed back into business for all capex needs from Y3 onwards

KTMT Experience - KTMT has hands on diversified experience in the commercial launch of fixed line, fixed wireless, GSM, CDMA, CATV, satellite TV, DTO, IP TV and DTH. KTMT also has expertise in successful commercial launch of e-information and e-education as one way TV channel for C&S homes.

Competitive Scenario - There is no competition to multi play today. The nearest competition is from Airtel triple play built around xDSL with minuscule presence around metros. To scale up the xDSL triple play, Airtel would need to spend huge capex apart from long gestation of building own wired last mile. None of the telcos has the capital and the management band width to start this at least for next three years as each one is eyeing at incremental mobile wireless pie of 300 million subs. Thus, KTMT enjoys a free run

Open Access for Last Mile to Protect Consumers Interest - It is important that the customers should be able to pick and choose their service provider and not get tied down with only one. Therefore, as a long term measure, TRAI needs to lay down the specs of the last mile FTTB as an open access world standard compliant network. The incremental cost of upgrade of CATV network to an open access world standard compliant FTTB network is not very high and can be met by the LCOs out of the revenue share component which they would get from KTMT.

Valuation - Telcos got six times the sales as their valuation in boom time. KTMT expects much higher valuation due to presence in homes by becoming their preferred TMT services provider.

With 5 million subs by 2014, and at measly ARPU of USD 6, gives USD 360 million and valuation USD 2.1 billion. KTMT scales up to 20 million subs by 2017 as majority of LCOs join the business by offering their last mile FTTB. By this time, 20 million true broadband subs start enjoying all GDP growth driving applications and services further multiplying the valuation. The multi play business becomes like Comcast of India giving a very formidable competition to telcos.

Long Term Out Look for Multi Play Business - The whole world is bullish about true broadband necessity for GDP growth to very smoothly fill the void of super speed and co-exist with mobile broadband. **Indian government expects 100 million true broadband subscribers by 2013.** With femto cells gaining traction, most of the indoor wireless services of 2G, 3G, BWA and LTE etc are going to be provided through femto cells back hauled over true broadband of multi play. Thus, even if 10 % of wireless subs use femto cells, India would have around 90 million subs on femto cells by 2013 or so. Even at INR 300/- ARPU from femto cells and with 30 % revenue share, the company generates annual revenue of INR 10800/- Cr without any capex on femto cells. Unlimited GDP growth driving applications riding over true broadband generate very large revenue. KTMT in the carriage and delivery business of these applications continues to get its share of the uninterrupted revenue.