

## Srinath Narasimhan

### Exclusive Interview

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INTERVIEW BY LANRE AKINOLA



Increasing global connectivity is propelling Africa up the priority list of international communication companies, says Srinath Narasimhan, the chief executive of India's Tata Communications. Combined with substantial growth potential in emerging markets such as Africa, Asia and the Middle East, this is driving companies such as Tata to establish a presence in the region.

“Emerging markets is where the customers we have in the US, Europe and parts of Asia really want to go into” says Mr Narasimhan. “Africa clearly plays into that strategy very well because the market for the type of services that we want to provide is still nascent. There is still massive opportunity for growth in Africa, as well as the introduction of new generation services.”

Tata Communications, part of India's Tata Group, is the country's largest telecommunication company in international long distance, enterprise data and internet services. It entered the African market in June 2008 with the acquisition of a 30 percent stake in South Africa's Neotel, the coun-

try's second largest telecommunications network operator. This built on an existing investment from Tata Africa into Neotel, amounting to a 56 percent majority shareholding in the company.

“We have been in the market for a little over 18 months, and already Neotel is beginning to make an important impact on our overall revenue and profitability numbers, and I think that is something which will only grow,” says Mr Narasimhan. Neotel remains Tata's largest investment in the region, but the company is also actively looking to gain a foothold in other sub-Saharan African countries.

In 2009 the company began providing services on the Seacom Cable System, enabling it to provide services from South Africa, Mozambique, Tanzania and Kenya to its networks in Europe and Asia. Tata Communications is also an investor in the Eastern Africa Submarine Cable System, which is due to become operation in mid 2010, and has plans to provide services on the West Africa Cable System.

These investments are reflective of the high level of interest in building broadband capacity in

the region. In addition to the roll out of fibreoptic submarine cables such as Seacom and Eassy, there is a strong focus by governments in the region to develop the necessary infrastructure to extend connectivity beyond coastal urban centres. Such trends, argues Mr Narasimhan, will inevitably create a suitable environment for further investment.

“I would expect that as overall international connectivity and use of the net for applications, both by retailers and enterprise customers increases, the demand for internet-based services is only going to grow... this is going to happen in South Africa and other parts of Africa as well,” he says.

Meeting such demand will have to contend with considerable challenges. According to the United Nations Conference on Trade and Development, other developing regions have broadband penetration rates ten times higher than Africa, and 90 percent of users on the continent are in the North African region and South Africa.

Companies such as Tata Communications may play an instrumental role in addressing these chal-

lenges. It is one of a number of big Indian companies in the information and communication technologies sector that are establishing major footprints in Africa on the back of increasing trade volumes between the two regions.

Earlier in the year Bharti Airtel, India's largest mobile operator, made international headlines with its acquisition of the African assets of Kuwait's Zain group; giving it a major presence in 15 sub-Saharan African countries. Comviva, formerly known as Bharti Telesoft, one of India's largest providers of value-added services to mobile operators, also has a substantial footprint in the region, with operations in most of sub-Saharan Africa.

With a background in an emerging market environment, Mr Narasimhan suggests that Indian companies are well positioned to operate in a market such as Africa. “We come with the expertise and understanding of operating in an emerging market with its own characteristics; very high competition and the need to provide services in a very cost effective manner.”

The likes of Tata and Bharti have matured into fully-fledged multinationals in recent years, and also bring with them a depth of operational and managerial capacity that few companies on the continent can match. Bharti's investment in Zain, for example, is widely expected to reshape the competitive landscape in the region, drive down costs and accelerate the technological evolution of the market.

Mr Narasimhan adds that the global reach that many Indian firms have established in recent years can act as a game changer for the African companies they invest in. “This is an important value add that we bring into a market like South Africa. Companies like us who have been com-

peting on a global basis are able to bring together the experience, expertise and knowledge from working with customers in different markets.”

It is a factor that has had a clear impact on Neotel. “Instead of being a one country operation, it is now part of a global system. Neotel can offer its customers not just a South African story, but a global one.”

This reach, he adds, extends well beyond simple connectivity to European and Asian markets. “Neotel can now offer access to 120 points of business globally and can connect you to practically any commercial centre around the world.” Tata's investment has also fuelled Neotel's growth, with its number of employees more than doubling since 2008. ➤➤➤

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**SRINATH NARASIMHAN:** The chief executive of India's Tata Communications believes there are massive opportunities for growth in Africa  
**LEFT:** South Africa's Neotel is Tata Communication's first major investment in Africa

There is no doubting the growth potential for broadband in a region such as Africa, but exactly how the market will develop remains to be seen. Given the historical reliance on fixed network infrastructure for broadband access, this presents companies such as Tata with a clear challenge. Even in the voice communication market, which has enjoyed unprecedented success in recent years, connectivity beyond major urban centres is still a challenge for governments and operators.

"In a market like Africa or India, providing access to customers and being able to create viable networks is going to take a lot of time and will be very expensive," observes Mr Narasimhan. Despite this, he is optimistic about the prospects for broadband in the region, arguing that wireless technology has an important role to play in a region such as sub-Saharan Africa.

"Wireless provides the ability to get into the market a lot faster; it allows you to get better economics in the short run to be able to provide a certain level of connectivity." This, he adds, is not just a short term solution while fixed infrastructure is rolled out. "To my mind [fixed and mobile broadband] are not mutually exclusive. If you look at the way the market is moving today, what you want to be able to do is get a very high level of connectivity at home, but you also need connectivity on a mobile level as well. With the development of wireless technologies, I think there is a huge story in terms of wireless being a key driver for enabling broadband to proliferate in different markets; both for fixed and mobile applications."

Recent estimates by Ericsson, the Swedish telecommunications equipment and service provider, predict that there will be an additional 3bn mobile broadband users worldwide by 2015. Many of these will be in emerging markets such as India or Africa.

"What does it take to provide a

broadband service? I need a CPU of some kind, and the typical CPU for broadband services has been PCs, and the affordability of these is not uniform across the world. In many markets a PC represents a significant investment," says Mr Narasimhan.

He contrasts this with mobile devices, the proliferation of which has increased significantly in recent years, and leads him to speculate that "there are probably more mobile devices available today than laptops or PCs."

These devices provide a more viable platform to deliver broadband services to customers in developing regions, he believes, particularly as technology continues to evolve. "As people come up with more efficient ways to use spectrum, and as more spectrum becomes available in some geographies, there is no reason why a wireless play cannot meet many of the requirements of the broadband deployment we are looking for around the world," he says.

Mr Narasimhan also believes that social applications will drive the development of broadband services in regions such as sub-Saharan Africa. The potential of providing

everything from education, primary healthcare and banking services using mobile technology is being actively developed across Africa.

Vodafone's partnership with M-Pesa in Kenya, for example, provides subscribers with access to various types of financial transactions via their mobile phone. The service has been highly successful in Kenya, and has recently been exported to South Africa. Such applications have universal appeal, argues Mr Narasimhan, and provide a critical component of the required mix of services to extend broadband connectivity to geographies that lack fixed infrastructure. "The differentiation to me is not just one of capacity," he says, pointing to the lower bandwidth of mobile devices compared to fixed line networks, "but what services you provide on it."

He uses the example of assisting smallholder farmers with information on crops, prices or weather conditions over mobile phones, which has been used to great effect in India. Such services do not require the bandwidth of a fixed broadband

network, he observes, and concludes that "the real challenge is to figure out what services to take to what consumer, and for what purpose. I think that is really what you have to get right."

"Broadband should be seen as value addition or a service to the customer, rather than just a technology device. You could put the most sophisticated mobile phone in front of someone, but if it has no applications, what do you do with it?"



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