

UPDATE

Q3 2006 Indian LAN & WLAN Equipment Market

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IN THIS UPDATE

- ☒ Summary of the Q3 2006 LAN & WLAN market report based on IDC's ongoing quarterly track of the Indian LAN-WLAN market.
- ☒ Includes overall findings of the report and key highlights of the performance of the different segments of the Indian LAN/WLAN market, namely switch, router, bridge, access points and NICs.
- ☒ Descriptive charts to give a flavor of the detailed report.

OVERVIEW

Economy

Real GDP growth during the second quarter (JAS) of 2006-07 is placed at 8.9 per cent as against 8.5 per cent in the corresponding quarter a year ago. The year-on-year (Y-o-Y) wholesale price index (WPI) inflation reached to 5.5 per cent by end of Sept 2006.

The average price of the Indian 'basket' of international crude touched US\$ 62.3 per barrel by end of September, 2006. The Y-o-Y CPI inflation for industrial workers was placed far higher at 6.3 per cent in September 2006 as against 3.5 per cent a year ago.

The Yo-Y growth in aggregate deposits at Rs.3, 93,849 crore (20.7 per cent) was higher than that of Rs.2,98,229 crore (18.6 per cent) a year ago. Financial markets continued to remain stable and orderly in the second quarter of 2006-07 although interest rates have firmed up in almost all segments.

Exports increased by 22.9 per cent in US dollar terms during July-September, 2006 as against 34.1 per cent in the corresponding period of the previous year. Imports rose by 19.0 per cent as against 46.6 per cent in the corresponding period last year.

There is a pick-up in the momentum of growth which also appears to be spreading across all constituent sectors. Financial markets have exhibited stable and orderly conditions. The current account deficit has been well-managed so far.

LAN Equipment Market

The Switch & Router market in India enjoyed a growth of more than 13% compared to AMJ quarter and around 36% growth compared to the Q3 2005. Routers had a growth of around 5%, whereas Switches enjoyed a higher growth of more than 17% during the corresponding quarter.

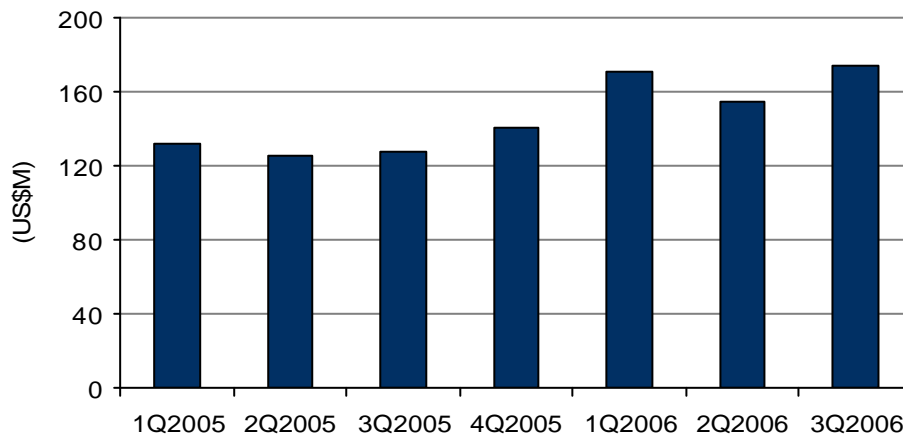
The growth in the market was a result of continued investments by Telcos and also on account of some big SWAN (State Wide Area Networking) deals that got executed in the JAS quarter. The growth also marks a healthy shipment after a huge drop in the AMJ quarter. IT/ITES (Information Technology Enabled Services) organizations like Infosys, IBM, Wipro, TCS and many more kept on investing, as they expanded and revamped their networking infrastructure. JAS witnessed some big deals by the Telcos also, mainly in the Metro-Ethernet projects. Providers like Bharti, Reliance and BSNL invested more in their Metro-Ethernet projects. Cisco had some major deals in Telcos.

As expected, like all other quarters, Cisco continued to be the market leader both in the switching and routing segments. Foundry added a few new customers in BFSI, Manufacturing and IT/ITES verticals. Nortel is not performing that well in the Indian market on the Switches and Routers front. They have some major plans to gain more share in Routers, but the results are yet to show up. Moreover, the only Platinum nPower Partner of Nortel, 3D Network is now acquired by Wipro Infotech, which is again Gold partner for Cisco. Though Nortel has recently come out with SMB-focused strategies, it will be some time before the impact is seen in the market.

For Switches, the L4-7 category is seeing a big traction in the market. Apart from a significant deployment by ICICI Bank in JAS, many other banks are also planning to put Datacentre Switches in coming quarters. Animation Studios are investing on high-end switches, like PRANA in the last quarter, which is an account for Foundry. The next quarter is expecting some major deals from more animation studios in South India and Cisco or Foundry are closely in those deals.

FIGURE 1






LAN Equipment Market by Value



Source: IDC, 2006

VENDOR PERFORMANCE

- ☒ Cisco had a good quarter, particularly in switches, with some major deals in the Telco and IT/ITES verticals. The SWAN projects by different state governments also helped them clock the growth.
- ☒ D-Link had a strong rebound in JAS. It particularly did well in switching, as a number of deals were confirmed this quarter across all major verticals. Foundry also had a strong quarter this JAS and clinched some major deals.
- ☒ Almost all vendors had good growth in JAS compared to AMJ. 3Com and Juniper had some relatively big deals in AMJ in Telcos.
- ☒ Top 5 companies in terms of overall LAN equipment revenues during Q3 06 were:

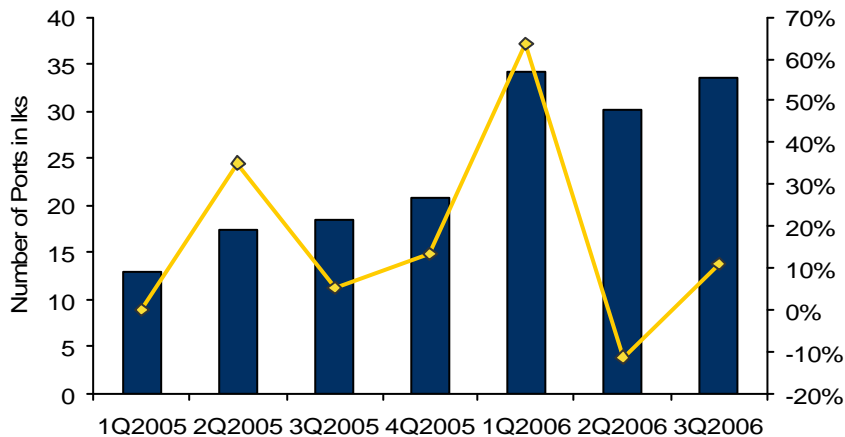
1. Cisco 
2. D-Link 
3. Foundry 
4. Nortel 
5. Dax 

LAN Switch

FIGURE 2

LAN Switch Market Trend by Ports

The switches market had a relatively higher growth, compared with the routers market, in JAS. Gigabit Ethernet Switches had q-o-q growth over 23% in JAS, which is on a much higher side as compared to FE or 10Gig Switches. FE switches, which contribute around 77% of the total Switch market grown by 15% q-o-q. Switch port shipment had growth of more than 10% in JAS over the AMJ.



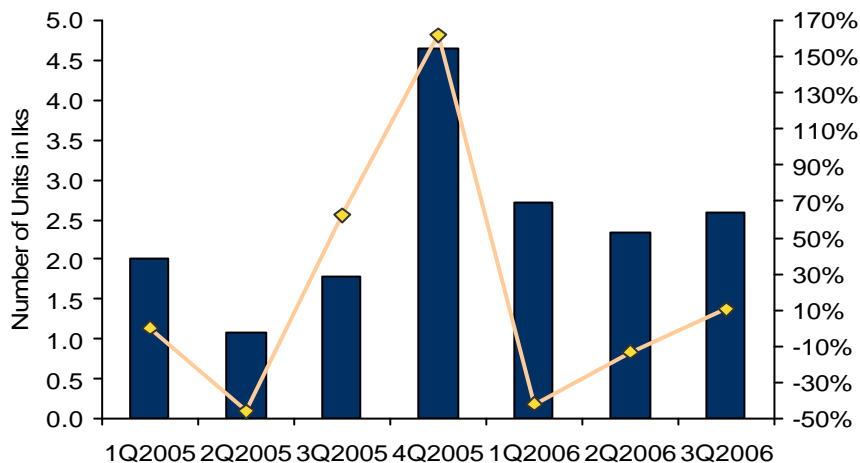
Source: IDC, 2006

Router

FIGURE 3

LAN Router Market Trend by Units

The routers market enjoyed a growth of around 5% in value terms. Both high- and low-end both routers had good growth in JAS over AMJ, but Midrange Routers had a marginal decline as compared with AMJ. Netgear had a good quarter in JAS for routers and the Small SOHO routers saw q-o-q growth of more than 11% in JAS.



Source: IDC, 2006

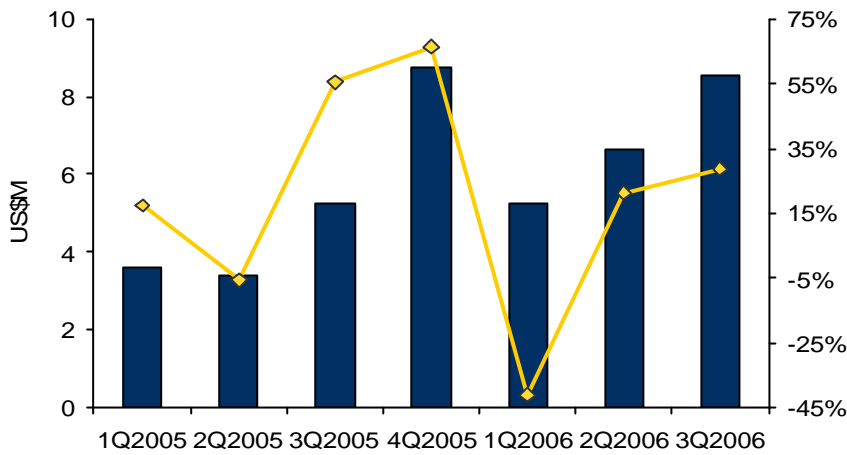
WLAN Equipment Market

- ☒ The Wireless LAN market had a growth of more than 28% in Q306 compared with Q206, while the market grew by 63% over the comparable quarter of 2005. This was mainly due to good performance of players like Linksys, Accton/SMC, Netgear and D-Link, which are continuously focusing on the WLAN market.
- ☒ Access points and Switches continued to grow in JAS, which is indicative of an improving enterprise mobility scenario in India. Due to some major deployments by State Governments of outdoor wireless, wireless bridges and switches saw a good growth over the previous quarter.
- ☒ Wireless routers continue to grow by around 12% q-o-q, whereas PC Cards had a flat growth in this quarter.
- ☒ Top 5 companies in terms of overall LAN equipment revenue during Q3 06 were:

1. Cisco ↔
2. D-Link ↑
3. Linksys ↓
4. Netgear ↔
5. Accton/SMC ↔

FIGURE 4

Wireless Equipment Market Trend



Source: IDC, 2006

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