



# Testing Times

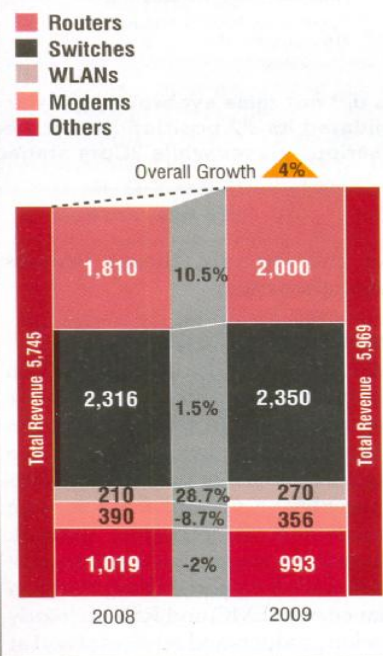
The networking segment took a hit as enterprises either put their communications spend on hold or cut them drastically

**F**Y '09 will be remembered as the toughest year for the networking industry with IT and BPO, two of the biggest spenders on networking products, going slow on spending due to the recession. The one glimmer of hope in this downturn was the government sector, which continued to invest, thanks to the increased pace of SWAN implementations across the country. State governments clearly saw the benefit of networking state district headquarters and the progress was an indicator of the shape of things during the fiscal. A look at some statistics from the Ministry of IT makes the picture clearer: States where SWAN implementation was at an advanced stage in FY '09 included Assam, Bihar, Gujarat, Jharkhand, Karnataka, Kerala, Maharashtra, Orissa, West Bengal, Puducherry, Sikkim, and Uttar Pradesh. It was already in progress in Andhra Pradesh, Chhattisgarh, Madhya Pradesh, Jammu & Kashmir, Manipur, and Uttarakhand. FY '09 also saw bid process initiation for SWAN implementation in Arunachal Pradesh, Meghalaya, Mizoram, and Nagaland. Incidentally, some of the leading vendors had maximum growth during FY '09 from this sector.

Education was another vertical which saw good traction for networking products during FY '09. IIMs and IITs, apart from various universities, allocated a reasonable budget towards procuring networking

### The Indian Networking Scenario

(Revenue in Rs crore)



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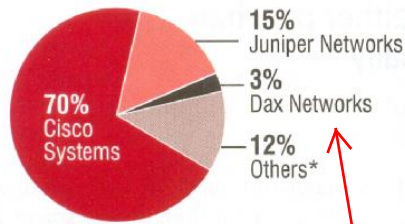
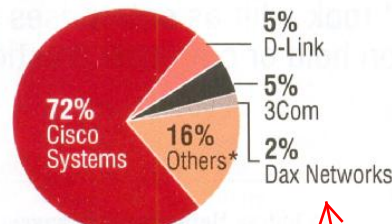
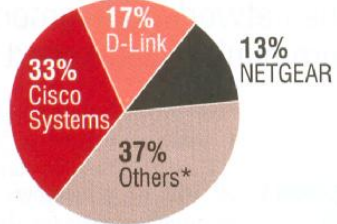
**Education and government sectors offered some relief to the networking vendors, even as most enterprises reduced their budgets on communications; however, the increasing broadband adoption was a silver lining**

products. Private engineering colleges also continued to comply with AICTE guidelines which requires these technical institutions to have

a mandatory network infrastructure in place. Apart from these segments, telecom service providers, particularly the new cellular licensees, were on network infrastructure build out stage. As far as large enterprises were concerned, spending by BFSI remained somewhat subdued, more due to their cautious or wait-and-watch approach rather than the real impact of the global meltdown. The hospitality and logistics sector also contributed to the segment's growth. There were some exceptions though. The telecom vertical grew and new and existing licensees set up new offices and expanded their existing ones.

A key highlight of FY '09 was that the SOHO users market got a boost with people moving from plain vanilla ADSLs to things like integrated access devices. Users went from being concerned about Internet access to things like Wi-Fi and security as one of their top priorities. This meant a leg up for the networking industry as the broadband user segment became one of the key focus areas for most networking vendors. In terms of small and medium businesses, there was a clear shift towards consumption of layer three products as well as gigabit Ethernet. Another significant trend was VoIP, which became mainstream in the enterprise segment. The slowdown also saw prospective customers doing more due diligence before deciding on any vendor. Manufacturing and retail were also somewhat subdued in their buying of

## Who was Networking India?

**Routers: Market Share**

**Total Revenue: Rs 2,000 crore**
\*Others include BA Systems, D-Link, 3Com, HP ProCurve, Enterasys, ZyXEL, etc
**Switches: Market Share**

**Total Revenue: Rs 2,350 crore**
\*Others include 3Com, HP ProCurve, Enterasys, ZyXEL, etc
**WLAN: Market Share**

**Total Revenue: Rs 270 crore**
\*Others include 3Com, HP ProCurve, Enterasys, ZyXEL, etc

**Cisco's domination across all products did not raise eyebrows, but the emergence of a few others were looked at with interest. Juniper consolidated its #2 position in switches, D-Link continued to enjoy SMB allegiance, HP Procurve emerged as a serious player while 3Com staged a comeback**

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networking products during FY '09.

Routers, which traditionally have been used to connect networks, appeared to be heading towards a phase where vendors started enriching them with capabilities other than mere routing. The challenges faced by enterprises on account of increase of number of users and multiplicity of applications coupled with the complexity of transmission of voice, data and video required more intelligent routing and switching—which most top vendors were able to address. Security also was a top priority for CIOs, a result of the large number of attacks on Internet networks.

WLAN, unlike routers and switches, saw healthy growth thanks to the enterprises' increasing faith on the level of security provided by vendors. The other factor was good notebook penetration among enterprise users.

Green was the underlying theme of most networking vendors, who tried to project products targeting their energy efficiency features. It was not clear whether enterprises really

took this seriously, though vendors claim otherwise.

### Vendor Strategies

Cisco increased its focus on SMB which was evident from the new initiatives that it launched in that segment: 0% financing and the availability of Cisco Smart Care Service targeted at SMBs for simplifying network maintenance through regular, proactive network assessments; remote software repairs; and technical support. It also got into an alliance with EMC and RSA to jointly develop products and services aimed at expanding its security solutions focus. Its telepresence solutions saw some acceptance in the Indian market and it struck a collaborative arrangement with CII and Tata Communications wherein telepresence rooms were set up at CII offices. Cisco India got a leg up for its intelligent urbanization set of solutions, thanks to partnership with the Government of Karnataka. Cisco will develop a blueprint for Bengaluru taking forward its expertise of Connected Urban Development, a public-private partnership concept.

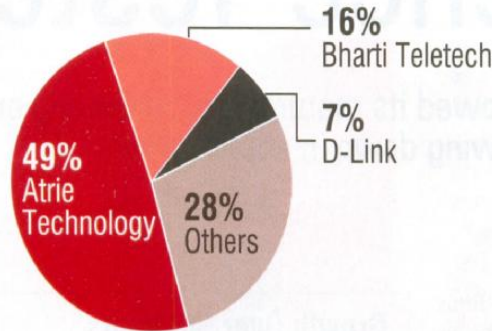
The company also struck strategic alliance with TCS to help customers build next generation data centers based on its Network as the Platform model. Its Data Center 3.0 initiative, with focus on energy efficiency, also continued. Unified communications was another thrust area. Linksys business was also somewhat subdued during the year largely due to the slow growth of Internet in the country. Some leading customer wins during FY '09 included Sify and Yes Bank. Increased channel focus was also evident in the appointment of R Dhamodaran as senior VP, channel operations and commercial strategy, for India and SAARC.

Nortel India signed hundred contracts with domestic companies valued at about Rs 75 crore in the last two months of FY '09 since its parent company filed for bankruptcy. While 70% of the signings were renewals of existing contracts like SBI, Nortel managed to rope in some new customers like Reliance Communications and UBI. Education too was big, with Nortel bagging a

contract from NERIST to implement wireless mobility across the campus with Wireless Mesh and WiMax solutions. On the LG-Nortel business, the company announced the launch of its managed PBX services for SMBs in conjunction with Tata Teleservices. Following the demerger, the sales and marketing arm formed D-Link India, while the remaining businesses consisting of structured cabling systems, R&D, manufacturing and service operations were spun off into another company, Smartlink Network Systems. It was followed by the resignation of its CEO, Jango Dalal. Post demerger, D-Link increased the number of service centers from eighteen to twenty-five. On the Smartlink side, fiber cabling business showed good growth. The company got involved with high-end cabling projects. It also rolled out the videophone product developed indigenously at its R&D center in Bengaluru.

HP's decision to acquire Colubris Networks, a provider of intelligent wireless networks for enterprises and service providers was an indicator of its increased focus to expand Procurve's product portfolio. Procurve opened a customer experience center in Bengaluru. It also increased its channel focus with roadshows giving live demo of its products. 3Com, a leading player in the networking space, went for a distributorship model wherein it mandated Inspira Enterprise (part of Prakash Jain promoted i2i group) as exclusive distributor to expand presence in India. As part of the agreement, Inspira, apart from sales, was managing the customer

### Modems: Dwindling Returns



Total Revenue: Rs 356 crore

**The external modem market continued to shrink, especially with the slow growth of Internet subscribers though it was just not vanishing off yet; Atrie enjoyed the lion's share, thanks to marquee customers like Canara Bank, MTNL, Syndicate Bank, Oriental Bank of Commerce, HFCL, Union Bank, and Sify**

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management center to serve as a single point of contact for all Indian customers.

A number of mid-sized deals during FY '09 helped Juniper grow more than some of its competitors in the networking space. Government continued to be a strong focus as Juniper bagged the Chattisgarh SWAN project, besides bidding for SWANs in Uttaranchal, Punjab, and Madhya Pradesh in collaboration with SIs. Meanwhile, it also finished the SWAN implementation in Bihar in conjunction with TCS. The company pledged \$400 mn in the next five years in India to develop

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and expand its R&D activities.

For Dax, SMB was the major focus during FY '09. It also tried to project itself as a solutions player rather than fixating on products orientation. Dax partnered with more than 200 channel partners. It networked 4,937 village kiosks in West Bengal through its partner. Top customer wins included Suzlon, Salem Steel Plant, Municipal Corporation of Pune and Railtel Corporation of India. It extended hands-on technical training program on switching, routing, cabling to twenty-five cities. The company started a program targeted at technical support executives in enterprises, system integrators, OEMs and distributors, and also initiated sales orientation programs.

MRO-Tek designed and successfully implemented a solution for BSNL Trivandrum with the product from Foundry Networks. This will provide load balancing of web servers hosted in their data centers which would be accessed by general public. The company launched eSona-8 Advanced Ethernet Edge Access Multiplexer which aggregates customer traffic. It also got a major contract from Bengaluru Airport to enable their voice, lease line, and Internet applications

The year also saw the entry of Edimax Technology into India. BA Systems, a new entrant into the market, launched made-in-India routers. Ruckus Wireless, a US based company focussed on Wi-Fi products, entered into the Indian market, and appointed Comtel and Zenexin as distributors.

—Sudesh Prasad

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