

UPDATE 1-IOL plans \$103 mln capital spend on IPTV drive

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By Janaki Krishnan

MUMBAI, March 8 (Reuters) - Internet services provider IOL Broadband Ltd. plans to spend \$103 million in 2007/08 as it embarks on its strategy to deliver television content over the Internet, a senior company official said on Thursday.

"We will be commercially launching IPTV (Internet Protocol Television) in the next two to three months and we plan to increase our subscriber base substantially next year," director A.S. Oberai told Reuters.

The company, which expects to be profitable in 2007/08, will spend 60 percent of its planned capital expenditure on physical infrastructure and the remainder for content acquisition.

IOL Broadband has a current subscriber base of 3,000 in the financial capital of Mumbai, where it provides IPTV services on the broadband network of Mahanagar Telephone Nigam Ltd. .

By end March 2007, the company expects this figure to jump to 50,000 "as we are in the midst of closing a deal," Oberai said.

According to data released by the Telecom Regulatory Authority of India, total broadband connections in India reached 2.15 million at the end of January 2007.

Broadband connections are defined as those with speeds of 256 kilo bytes per second and above.

IN PROFIT MODE

IOL Broadband expects to end 2007/08 with a net profit of \$2 million on revenues of \$182 million, while the following year it is expecting to make a profit of \$27 million on revenue of \$298 million.

"Once we get going and have our network and infrastructure in place we will capture the television market," Oberai said.

In 2007/08, it hopes to have a subscriber base of 0.36 million and then 0.84 million in the following year.

"Starting Friday, we are embarking on an aggressive advertising and marketing campaign to show people that there is a new alternative to conditional access and direct-to-home," he said.

It aims to offer services in 18 cities by the end of the next fiscal year.

In 2008/09, the company expects to spend \$97 million on infrastructure.

TIE-UPS

For delivery of these services it has tied up with state-owned MTNL and Bharat Sanchar Nigam Ltd. For content the company has tie-ups with Star TV network, Sony Television, Zee Group and the Sahara Group. At present it offers 150 channels on its network.

"We are also talking to Hollywood studios such as Time Warner for films for our video-on-demand services," Oberai said.

IOL has entered into profit-sharing agreement with all its channel partners.

The state-owned carriers on their part have also committed to offering minimum broadband speeds of 2 mega bytes per second for all their subscribers.

There are also plans to rope in strategic partners, not only for content, but also to provide equity and technical expertise.

"Going forward we may also look at an equity dilution to raise money," Oberai said.

IOL has 150 employees now, which will go up to 300 in the next couple of months and to 700 by end of 2007, he said.