

# Rural Telecom, Inc.

Rural communications

This is a brief business plan that I made for a rural Telecom project using innovative technology. The backbone would comprise of High tension power lines.....Read on.

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## 1. Executive Summary

The telecommunications revolution has arrived: Personal communications and unified messaging systems are at the vanguard of this technological phenomenon. Off late competition has accelerated and sought out every nook and cranny of telecom products and services for both consumers and businesses. Unfortunately this telecommunications revolution has not penetrated to a large part of Rural India. The major problems are lack of infrastructure and costs involved in setting up a telecom network for an uncertain market

Rural Telecom is a Business initiative that attempts to provide Rural telephony and limited Internet to Rural India by utilising the existing power grid network. We are aware that electricity companies are able to communicate using its power grid networks for making simple voice calls. We wish to utilise this existing infrastructure to send encoded CDMA signals on this power grid using similar equipment. Small transceiver systems at the village level can receive this signal which can be routed through a WIFI based exchange to VOIP enabled telephones and also CDMA enabled cell phones. Since the backbone is already setup it can be used in a Mesh network which works on a peer to peer basis.

The overall telecommunications market is huge, at many billion. The personal communications and unified messaging sub-industry, with its hundreds of millions of actual/potential Rural users, is difficult to quantify at this stage. To become the market leader, a five to ten percent market share would probably be needed.

### 1.1. Objectives

Rural Telecom's primary corporate objectives are:

- To Provide low cost reliable telephony based on VOIP technology and limited internet by using The existing Power grid infrastructure to Rural India and expand Telecom VOIP products and services within five years.
- To become the lowest cost provider for such service and drive an aggressive pricing model through the industry.
- To have automated responsive customer service within two years.

### 1.2. Mission

Electricity departments already have a personal communications system established. Rural Telecom will use this as the backbone for its communication system using advanced CDMA technology on the power lines. The system will take at least two years to be fully functional.

### **1.3. Keys to Success**

There are three keys to success for Rural telecom :

1. Advertisement and aggressive marketing must generate sufficient public awareness at the village level and subsequently sales volume to drive an aggressive pricing model while still achieving planned profitability projections.
2. Strategic partners must be found to Rural telecom and promote it through their distribution channels.
3. Equity capital must be secured at a reasonable valuation.

## **2. Company Summary**

Rural telecom , Inc. provides Rural india cost effective telephony and limited Internet to village e-Kiosks and for individuals and small scale businesses. The company was incorporated in late 2007, and operates as a wholly-owned subsidiary of Rural telecom, Inc. Our collaboration will be with other big telecom players like Reliance telecom and BSNL.

### **2.1. Company Ownership**

Rural telecom , Inc. is a public company with founder as Mr. Chetan Dewan.

### **2.2. Start-up Summary**

Start-up costs estimated at approximately Rs 100,00,000 (exclusive of salaries), which comprised mostly of Eqpt costs, marketing collateral, advertising, and government taxes. Start-up costs need to be financed by industry.

## **3. Products and Services**

The company will provide basic telephony and limited Internet to Rural population.

## **4. Market Analysis Summary**

It is estimated that the Rural telecom market is worth several million rupees. It is at present open to any big player using innovative technology and providing service at very low cost. The power grid network would be one such technology capable of providing such low cost services. These estimates are conservative, given the accelerating growth rate of telecommunications industry. There is ample space for the company, and many competitors, in this huge and fast-growing marketplace.

## **4.1. Market Segmentation**

Rural telecom has targeted five primary market segments:

1. Rural Households.
2. Small time business.
3. Village e-Kiosks.
4. Travelers.

### **4.1.1. Market Analysis**

The expected combined growth rate would be around 30% per annum initially with aggressive marketing.

## **4.2. Target Market Segment Strategy**

The company will market its products to customer segments that require the basic telecommunication services (such as voice messaging, fax, and email) in a single solution. Other features will be specific to each customer segment. Offering customized quality services to each customer segment at a competitive price level will be one of the marketing goals of Rural telecom

## **4.3. Service Business Analysis**

Rural telecom is part of the telecommunications industry, would want to including the following sub-industries:

- National and international carriers (BSNL) which dominate the market.
- Other Cellular companies (Reliance, Vodaphone) which provide local service. They also offer UMS to their customers.
- Competitive local exchange carriers If existent (CLECs) provide both local and long distance service and market UMS to their customers.
- Unified messaging and personal communications service providers with in-house switching capability.

### **4.3.1. Competition and Buying Patterns**

The primary buying factors in personal telecommunication systems are price, accessibility, and ease of use. There are significant brand loyalties, once an individual has acclimated to the Rural telecom system using VOIP at very low cost of 25 paisa/min, he tends to be reluctant to switch to another service. Powerful branding

and advertising, even with premium pricing for certain services, will create a significant barrier to competitors taking our customers.

Management feels the primary competition will be other well-branded companies providing cellular services at low prices. The marketplace is at present open and big enough to support all this competition.

## **5. Strategy and Implementation Summary**

Rural telecom's initial strategy would be to provide basic telephony at reduced cost and bundle the telephone instrument free with fixed talktime plan. We plan to get cheap Chinese technology and instruments similar to WLL.

Implementation will be in a phased manner. A conducive region with percapita income at some minimum acceptable standards based on government surveys will be selected and a test implementation will be carried out which will be studied for market patterns etc for several months.

### **5.1. Competitive Edge**

One of Rural telecom's major competitive advantages is its technological lead over the major competitors. None of the other companies have used such an innovative technique in the past.

### **5.2. Marketing Strategy**

The strategy to be used by Rural telecom would be to present itself as critical to people and as a basic necessity with attractive offers. The service will be to capture several tightly focused market segments of Rural India. Any successful marketing strategy must focus on the core features of the system and treat other features as "icing on the cake:" Nice if you can use them but not a reason to buy.

The key to selling Rural telecom is the ability to identify a singular market and its unique needs, develop channels to these markets, so configure the Rural telecom system, and market that particular feature set to that market. This strategy has the distinct advantage, critical with a potentially simple product, of a focused and simple sales message.

### **5.3. Sales Strategy**

Sales strategies will vary depending on the target market and the results of marketing research which needs to be carried out. Cues from Marketing research done by other companies can serve as leads to progress our business further. The marketing and sales strategy for the Rural markets will rely heavily on radio and print advertising.

### **5.3.1. Sales Forecast**

It is at present difficult to do any business sales forecasts, but even if the company gets about 10% of market share the sales will be very huge. There is also substantial room for high sales growth and industry competition.

## **5.4. Milestones**

Rural telecom will have several milestones as: -

- Set up Focus group and start pilot project
- Secure Equity funding
- Hire initial employees
- Review of technology to be used
- Implement advertising pattern
- Employ some top managers
- Create collaborations with other telecom players
- Make buyout strategy
- Create future roadmap.

## **6. Management Summary**

Rural telecom's management philosophy is to outsource all possible non-critical corporate functions and to focus on building a telecommunications marketing and sales internal team, accelerating Rural telecom's sales penetration into our target markets.

### **6.1. Personnel Plan**

Four executives and a Sales Channel Manager will be hired initially during the pilot project along with other required technical staff and ground staff. Two sales representatives will be hired shortly after the advertising program starts, completing the hiring for the first year. If any additional manpower is required will be hired on an need to basis.

## **7. Financial Plan**

Rural telecom, Inc. seeks a seed round of Rs 100,00,000/- in equity capital to initiate corporate operations, secure office and engineering space, hire the executive staff and initial employees, and initiate billing and customer service for the core Rural customers. The company seeks a total of Rs 10,00,00,000/- in start-up equity financing to accelerate market penetration through a multi-media national advertising campaign, hire additional sales, marketing, customer service and engineering personnel, and upgrade the operational hardware and

software capability of the existing Rural telecom pilot project system once successful. There is also a need to invest at least 50% of revenues generated over the next year in hardware infrastructure. This capital investment will be sufficient to take the company to profitability and ongoing positive cash flow until initial public offering of common stock.

### **7.1. Important Assumptions**

The financial plan depends on important assumptions, most of which are shown below. The key underlying assumptions are:

- A stable Indian and world economy, with no worse than an average cyclical recession in the next year.
- As telecom technology continues to evolve, no new proprietary technology obsolesces this innovative technology.
- The Indian government does not significantly alter the regulatory climate and continues to allow the evolution of telecommunications into a more competitive industry.

### **7.2. Break-even Analysis**

A break even analysis needs to be carried out by a finance expert and refined subsequently.

### **7.3. Projected Profit and Loss**

It is estimated that Profitability will be reached after at least two years of setting up the venture resulting in a loss of approximately 50% of capital for the first year. Consistent gross profit margins will subsequently turn this into profit.

### **7.4. Projected Cash Flow**

Management expects that Rs 30,00,00,000/- in equity capital will be sufficient to take the company to permanent positive cash flow after five years of being established.