

ITI partners with IoT start-ups to win Smart City orders

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Public sector ITI Ltd has begun reaching out to start-ups to collaborate on Internet of Things solutions and win orders for India's grand Smart Cities initiative which it says will help it become profitable.

ITI has already partnered with around 25 start-ups with businesses as diverse as making portable ECG machines to connected water meters. While these start-ups bring cutting edge technology to the table, ITI will use its know-how in manufacturing and its financial might to pitch for large projects.

"We have taken them (start-ups) on board in teaming agreement — we will invest on prototyping and then both of us will market the products to customers. While we will help the start-ups satisfy the requirements of minimum experience and turnover, they will provide the technology," said S Gopu, chairman and managing director, ITI.

While the firm is already working on cracking some deals, it is also building an experience centre at Bengaluru where customers will be able to see how the solutions developed by the start-ups will work. Based on this, Gopu expects more deals to come through and will give cities picked for the Smart City project a locally-made solution to their problems.

The terms of the deals with start-ups vary widely depend-



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ing on the contribution ITI has in helping these win large orders. In cases where the company co-develops solutions and builds the hardware, it can take up to 80 per cent of the proceeds. However, there are cases where ITI will take only 20 per cent of an order value, too.

For ITI, both instances can be very lucrative, coming at a time when it is looking at ways to drive profits from its operations. Apart from working with start-ups, the company is also looking at a turnaround through manufacturing fibre optics, running data centres and building defence equipment.

In 2014, the Cabinet had cleared a bailout package amounting to ₹4,156 crore for ITI out of which a large chunk of money would go towards upgrading manufacturing infrastructure at various units and for new projects. In FY17, ITI reported a turnover of ₹1,621 crore, its highest in six years indicating a revival.

"Since these are all new areas, the margins will be high. I can expect two to three years down the line, the margins might get eroded because someone will copy our idea, but we will continue to keep upgrading yourself and going after newer technologies," adds Gopu.

While the government is certainly removing restrictions for promoting start-ups to pitch for large orders, the lack of funds for expansion still remains a major hurdle. Further, customers seem jittery to buy products that need to be serviced after installation from start-ups, owing to their lack of stability.

For Cardiac Design Labs, one of the start-ups empanelled with ITI, the PSU's ability to take larger orders on its books was the most attractive. While the company has already gone to market with its mobile ECG, it says it will be currently unable to serve an order, for instance coming from a state, looking at

equipping all hospitals and clinics with such devices.

"We've already gone to the market with our product, so the only issue I see is not having the muscle to manufacture large quantities to win big orders. This is where ITI says it will help us, but again, we need to see how the programme is taken forward as even they need to make some capital investments," said Anand Madanagopal, founder and chief executive of Cardiac Design Labs.

Unlike start-ups in the consumer internet space that have seen a lot of success in India, companies building new age solutions for businesses haven't arrived yet. Investments from venture capital are a rarity, making it hard for these companies to scale despite having products that are on par with what is available globally and at a much lower cost.

Phani Kumar Varanasi, founder and CEO of Hanbit Automation Technology, a maker of smart meters for gas, electricity and water, is currently working with ITI to build a prototype of its system. While the company hasn't won any deals yet, it's keenly awaiting to pitch for upcoming tenders from a few states for thousand units, something it said it couldn't do before the partnership with ITI.

"Unless we bid for bigger projects, we won't take our company to the next level. We've seen competitors running the business for 10-15 years but haven't been able to scale their turnover above ₹1-₹2 crore," said Varanasi.