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Privasia eyeing outsourcing contracts from broadband operators

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PETALING JAYA: Privasia Technology Bhd plans to propose to broadband and WiMAX operators to outsource the installation, management and maintenance of their network infrastructure, as they begin to expand coverage around the country.

Privasia, which had in May taken over the listing of Airocom Technology Bhd, now known as Airocom Technology Sdn Bhd, seeks to secure such contracts where it would deploy, manage and maintain these infrastructures on behalf of the operators for a fee.

The company plans to use Airocom, previously a mobile portal and content provider, as the vehicle to enter the nascent industry. There is no precedent of local network operators outsourcing the works relating to their network infrastructure to a third party.

The rollout of broadband services in the country is "heating" up with the government having set a penetration target for broadband services to reach up to 50% of households in 2010, from 21% at end-2008.

To meet the government's target, broadband and WiMAX operators have embarked on an intensive rollout schedule to expand their coverage. This is where Privasia may stand a chance in getting the operators to outsource some of the installation, management and maintenance work.

Privasia group chief executive officer Puvanesan Subenthiran told *The Edge Financial Daily* in an interview that the company had the necessary expertise to help telcos or network operators roll out their infrastructure.

"While Airocom was in mobile gateways, it was also doing system integration projects to do with communications. So, these guys (in Ai-

rocom) have the technical expertise, they have the application service provider licence which we thought would be useful and they have the track record. They are used to dealing with the telcos," said Puvanesan.

A recent presentation by Privasia lists as Airocom clients DiGi.Com Bhd and Telekom Malaysia Bhd, both of which have broadband licences in 3G. The latter is also a landline Internet service provider.

Privasia focuses on providing system integration and IT infrastructure-outsourcing services to the ports and logistics industries. Its clients include AirAsia Bhd, Westports, Nationwide Express Courier Services Bhd, Malaysia Airports Holdings Bhd and Diperdana Holdings Bhd.

At present, Privasia group has a staff strength of 96, 80 of whom are IT and technical personnel. It considers itself a mid-sized player in the local IT sector.

"We are looking at medium-sized contracts, while the larger outsourcing projects may go to big companies like IBM and CSC (both large US-based IT services groups)," Puvanesan said, measuring "mid-sized outsourcing projects" as those with a total contract value of about RM150 million over a five-to-10 year period.

On when the company expected to secure any telco outsourcing projects, Puvanesan said: "The last three months we have been busy integrating Airocom with the Privasia group, cutting down their cost structure, bringing it down to a manageable amount, making sure the right skill sets are there, and also completing their commitments in terms of projects.

"We are in talks with a few people, but I think it is still very early stages. We are at the starting phase, and the company is ready to go for the jobs, so I think we will

only see growth next year."

However, it may take even longer than that to materialise as Puvanesan pointed out that Privasia had only secured its first IT outsourcing project two years after it launched the service in 2005.

In the group's latest quarterly financial results announcement, Privasia posted a net loss of RM855,190 for the six months ended June 30, on revenue of RM3.35 million. In its takeover of Airocom, Privasia has guaranteed a group profit of RM4.9 million each for the financial years ending Dec 31, 2008 (FY08) and FY09.

The circular on the backdoor listing exercise showed the Privasia group made RM4.9 million in net profit for FY07 on revenue of RM20.87 million. Privasia has a market capitalisation of about RM64.19 million as of Thursday's market close at 11.5 sen per share. The stock was not traded last Friday.