

Headline	TFP Solutions' fibre broadband play		
MediaTitle	The Star		
Date	04 Sep 2021	Language	English
Circulation	175,986	Readership	527,958
Section	Star BizWeek	Page No	3
ArticleSize	765 cm ²	Journalist	GANESHWARAN KANA
PR Value	RM 115,500		



TELECOMS

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ONLY two companies – Telekom Malaysia Bhd (TM) and Time dotCom Bhd – typically come to mind when one talks about fixed fibre broadband infrastructure providers in Malaysia.

TIME, through its own fibre network, serves the high-density, high-rise premises, while TM leases out its fibre-optic capacity to other telecommunication companies such as Maxis Bhd, Digi.Com Bhd and Celcom Axiata Bhd through wholesale agreements at regulated rates.

TM also offers its own fibre broadband services under “unifi” for individual housing units and high-rise buildings.

Despite over a decade of pushing the National Broadband Initiative, most households in Malaysia do not own a fixed fibre broadband connection.

And it is worth noting that many areas in Malaysia still do not have access to fixed broadband services.

As of the first quarter of 2021, there were 3.51 million fixed broadband subscriptions in the country, according to data from the Malaysian Communications and Multimedia Commission (MCMC).

Nearly half of the subscriptions came from the Klang Valley and Labuan alone.

Realising the available opportunities in the market, another public-listed company – TFP Solutions Bhd – wants to jump onto the fixed fibre broadband bandwagon in the country.

Partnering with a subsidiary of Tenaga Nasional Bhd (TNB), TFP seeks to venture into the fibre-to-the-home (FTTH) business and expects to deliver high-speed Internet access nationwide at a lower-than-market price.

But the group insists that it is not here to compete with any existing fibre broadband infrastructure players, but would rather complement them.

Speaking with *StarBizWeek*, TFP managing director Datuk Hussian@Rizal A Rahman says its joint-venture business will target the “unserved and underserved” areas in Malaysia.

Unserved areas are those without Internet broadband connections, mostly in rural areas.

As for the underserved areas, TFP is targeting locations where the demand exceeds the supply from the current operators, or where the current services do not cater to the needs when high-speed Internet connections are required.

“Everyone is talking about the fifth generation of wireless services (5G) now, but few understand that we need to complete the 4G network in order to benefit from 5G.”

“This is what we are going to do – to provide connectivity and network infrastructure to suburban and remote areas, and ‘prepare’ them for the 5G era.

“As you may be aware, the National Digital Infrastructure Plan’s (jendela) target for 2021 is to put an end to the 3G network and complete the spectrum transfer to 4G to increase speed,” according to Hussian.

Hussian is the single largest shareholder of

TFP Solutions' fibre broadband play

It aims to provide network infrastructure to remote areas

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TFP, with a 24.6% stake in the group.

On Aug 30, TFP announced that its 75%-owned subsidiary Jejak Semangat Sdn Bhd had inked a memorandum of understanding (MoU) with Landasan Salam Sdn Bhd for the FTTH project.

Landasan Salam is a special purpose vehicle (SPV) to undertake the FTTH project, in partnership with TNB’s wholly-owned Allo Technology Sdn Bhd.

Even though it is only at the MoU stage, TFP revealed in its statement dated Aug 30 that the initial phase project for FTTH would entail a rollout in Langkawi at a value of RM200mil, with the project design and construction works to be completed in two to three years.

The statement added that following the completion, TFP and its partner would see a recurring revenue of around RM20mil annually for 20 years, for operation, maintenance, and supervision of services provided. Hussian says that about 60% of the revenue, or roughly about RM12mil annually, will go to TFP.

TFP has been loss-making for the last two years. It reported losses of RM3.5mil and RM3.6mil on a revenue of RM87.7mil and RM19.3mil in the financial years of 2019 and 2020, respectively.

Hussian says the joint-venture will leverage on TNB’s electrical grids and poles as a foundation, which will substantially reduce the cost of laying cables.

“This provides us with a competitive advantage from other players,” he adds.

Hussian also points out that TFP’s FTTH business will bring an “advancement” to the domestic market, through the use of XGS-PON or the 10-Gigabit-capable symmetric passive optical network.

The network enables a symmetrical upload and download speed of 10Gbps.

“The current GPON offerings can do up to 2.5Gbps of download speed, and up to 1.25Gbps of upload speed.

“From the core technology perspective, instead of the conventional proprietary vendor solutions, we are among the first to use Software Defined Networking in most of our

networks, which enables us to deliver services at a lower cost compared to other operators.

“From what I explained, we are different in the perspective of technology and capabilities compared with other operators.

“This advantage is due to the current and latest technology being used to build our network infrastructure and be made available to our customers,” Hussian says.

According to Hussian, existing Internet service providers are not meeting the growing needs of users. This is amid the increasing numbers of streamers and gamers who require consistent network throughput for them to publish their content online in high-definition format.

He also points out the lack of fixed broadband coverage across Malaysia.

“As per MCMC data published in 2020, only 560,000 out of 14 million users have fixed broadband connections in the northern region.

“In the central region, only 1.4 million users out of 8.4 million users enjoy fixed broadband connections.

“In the Southern region, only 585,000 users out of 5.8 million users are enjoying the fixed broadband connections.

“And lastly, for the eastern region, about 189,000 out of 4.8 million users enjoy fixed broadband connections,” he says.

Hussian mentions that the FTTH project’s initial phase deployment in Langkawi is currently in the final design stage.

“We require roughly around six months to start commercialising the services starting with Langkawi,” he says.

When asked whether TFP and its partners have been in talks with Digital Nasional Bhd (DNB) for a potential collaboration, Hussian says they will be communicating with DNB as soon as the FTTH project is in a “more advanced” stage.

DNB is the government-owned SPV set up to build, own and operate Malaysia’s 5G infrastructure.

“The core requirement for 5G is fibre connectivity.

“Since our feeder and distribution network is on fibre, companies that offer tower operations or services (TowerCo) can tap into our network to offer 5G connectivity.

“This is especially so for the unserved and underserved market,” he says.

TFP’s venture into the capital-intensive fibre-broadband business is not without concern. The group has been loss-making for several years and is in the negative operating cash territory.

This raises the question on whether TFP would be able to carry out the project effectively, without hitting the wall financially.

In response to this, Hussian says that the group is currently exploring various funding options, although he declines to disclose the options at the moment.

“Nevertheless, we believe investors will like the nature of this contract which provides strong earnings visibility,” according to him.

Following the MoU with Landasan Salam, Hussian says TFP would not only expand offerings to the fixed broadband market, but also expand its enterprise resource planning (ERP) offerings to the telecommunications segment.

TFP is involved in the telecommunications business through Jejak Semangat, which is a licensed mobile virtual network operator (MVNO) company that provides network services.

With the MVNO licence obtained, its core service is to enhance service providers in offering telecommunication services to use the OneCALL SimCard.

Jejak Semangat also holds a Network Service Provider 1 licence.

In recent years, TFP has transformed itself into a financial technology (fintech) company, which focuses on digital services solutions in the areas of enterprise resource planning, human resource management as well as campus management systems.

Unlike most businesses involved in digital services, Hussian says the group will focus on the “unbanked” population or people without bank accounts across Malaysia.

“We see a huge untapped potential in this market, especially in view of the current Covid-19 pandemic that restricts people’s movement.

“To put it into perspective, most of the infrastructure for our services is already available and most regulatory approvals have been obtained.

“This means that the group can see a turnaround once we have achieved a certain threshold of users, which can give us sustainable and recurring revenue and profit,” says Hussian.