

'I want to be the Intel of this space'

Sigpro Wireless wants to dominate rich cellphone chip maker sector

BY CHARLES ENMAN

Light shines brightly through the eyes of Sundara Murthy. High intelligence, perhaps? Or True Belief?

One doesn't know -- Mr. Murthy has both, in plenty.

Intelligence may indeed allow him to design the chip and software that will dominate the soon-to-explode market in cellphones, handheld computers, and mobile e-mail devices. But only True Belief could make that glorious future seem so already in hand.

"I want to be the Intel of this space -- to be the dominant player, to have 50 per cent or more of the market," says Mr. Murthy, the founder and president of Sigpro Wireless Inc.

It's a flat and declarative statement, leaving no room for doubt.

On reflection, of course, the audacity is as huge as the market he's describing.

Mr. Murthy wants to make the chips and software that will be running the next generation of wireless handheld devices.

"This is a market that will dwarf even the personal computer market," he says.

As he presents them, the numbers certainly seem to be there. Forecasters predict that there will be about 1.5 billion users of "personal



CHRIS MIKULA, THE OTTAWA CITIZEN

Sundara Murthy, the president of Sigpro Wireless Inc., says the market for the chips and software that will be running the next generation of wireless handheld devices will dwarf even the personal computer market.

communicator appliances" - cellphones, handheld computers, and handheld e-mail devices -- by 2003. By 2010, that number should swell to 2.4 billion.

Remarkably, the absolute number of devices and the number sold annually aren't really very different. Why? Because the average life of most of them is only about one year. After that, the user wants something newer and more powerful -- planned obsolescence with a vengeance.

"We can pretty well say that somewhere between 1.5 billion and 2.5 billion of these devices will be sold every year," Mr. Murthy says. "They will be like potato chips, tea, or water pipes -- things that consumers will buy ever after.

"The market opportunities are the greatest I've ever seen in my life."

If the chip and software

are sold to manufacturers for \$40 apiece, the revenue would be between \$60 billion and \$100 billion. Half of that market would give anywhere from \$30 billion to \$50 billion.

Now, Mr. Murthy doesn't suppose his wishing for 50 per cent will give him 50 per cent.

"Let's say that someone else becomes the Intel of this space, and I become the AMD [the currently runner-up manufacturer of chips for personal computers], in strong second place," he suggests. "I may have to settle for 10 per cent of the market -- but even then, the revenues are still staggering."

And, ranging from \$6 billion to \$10 billion, they are indeed.

If you're thinking an upstart must be leading this startup, you're wrong. Mr. Murthy has credentials to

burn: \$10 million of ultra-prestigious venture capital support ... world-class expertise in chip design ... and a business plan that could make Sigpro the Mecca of sterling class chip designers.

The money comes jointly from two of Canada's most successful venture capital companies, Leo Lax's Sky-point Capital and Terry Matthews' Celtic House. (He won't divulge the exact proportion each company has given.)

Of course, the involvement of billionaire Terry Matthews, founder of Newbridge Networks, brought far more than money to the table.

"He is a great genius," Mr. Murthy says. "He knows all the angles in the high-tech industry. Anyone can learn from him."

Even Mr. Matthews had no sense of the size of the market Mr. Murthy hopes to

address and conquer.

"I spoke for a few minutes, and he was stunned," Mr. Murthy says. "And then he said simply, 'I want to be there.'"

With the cash infusion in May, Sigpro was able to take its first baby steps, beginning the search for engineers and other staff.

Those engineers, when they're assembled, will have in Mr. Murthy a leader of long-acknowledged expertise in CDMA (short for code division multiple access), the wireless chip standard which Mr. Murthy believes will become the global standard within two years. CDMA chips will allow wireless handsets to handle much greater quantities of data, such as Internet traffic.

"I published, 15 years ago, some of the pioneering papers on CDMA and have been working on the technology, on and off, ever since," he says. "I am one of the handful of international experts in the area -- which is exactly why I dare take on such a project."

The business plan owes more to Santa's Workshop than to Harvard Business School.

At Sigpro, salaries, especially for engineers, will be more than competitive with standards in the industry. The unique element, unmatched anywhere else, in Mr. Murthy's opinion, will be the benefits program.

"The plan will be the most aggressive that has been offered anywhere."

Within two years, he

expects an IPO to occur, followed within a few months by the introduction of the company's CDMA chip to market.

He expects sales to be good enough to keep the share price high. This achieved, he'll introduce additional shares each year, many of which can be turned over to employees as bonuses.

If the share price is \$100 and 15 million shares are added each year, that capitalization totals \$1.5 billion -- a figure that, spread among 1500 employees, yields \$1 million in bonus per employee. He expects revenue growth to be substantial enough to compensate for this dilution in shares.

Of course, that requires that revenues be very high and sustainable. "And they will be," Mr. Murthy says. "I think there's every reason to think we could keep revenues at \$3 billion or \$4 billion for years. And even higher figures are quite possible."

If you ask why all this largesse, Mr. Murthy has an answer.

"With this kind of incentive, we can take absolutely the top engineers from the top firms, anywhere in the world. And it's the quality of engineering that will make or break Sigpro."

This is not loving kindness trumping hard business sense, he quickly adds. "I'm not stupid. If an employee gets \$1 million, there's no reason that I, the founder, should not

get \$30 million. This is not philanthropy."

Engineers will be chosen very carefully, each going through three interviews. "And then they will have to perform," Mr. Murthy says. "The employee who doesn't perform won't exist for me."

The incentives plan has already attracted engineers from such companies as Tundra Semiconductor, RIM, Nortel and Nokia. (Sigpro currently has roughly three dozen employees, and should have 60 or so by the end of 2001, a few months before the planned IPO.)

Sigpro will be a fabless chip manufacturer, farming out the actual manufacture of the silicon to another company. No contracts have yet been signed.

Mr. Murthy's main competitor will be Qualcomm Inc., the California-based leader in the current generation of CDMA technology.

Mr. Murthy's business plan obviously worked for Mr. Matthews and Mr. Lax, neither of them slouches in the bean-counting department. What's remarkable is that he'd gotten even higher offers from American venture capital firms who, however, wanted more control of the company's operations than Mr. Murthy wished to give. (One offer was as high as \$20 million U.S.)

A native of India, Mr. Murthy came to Canada in the late 1970s to do post-doctoral studies at the University of Ottawa.

He has since worked extensively in industry, including Miller Communications (now called Calian Communications), Telesat Canada, Vistar Telecom, Com Dev, and RIM.

But languishing on a corporate payroll filled no vision. It was time, he felt, to start his own company.

"There's no success like a successful startup," he says. "And for that, you need a leader with vision, with technical leadership, and a grounded perception of the market. I have those things -- and now is my moment."