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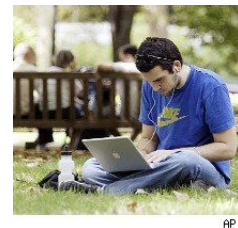
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Wireless Watch: Ceragon builds highways in the sky, and likely profits

[Nikhil Hutheesing](#) 

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Ever wonder how data flies through the air from smartphone to smartphone or laptop to laptop at ever-increasing speeds? That's enabled by wireless technology, from companies like Tel Aviv-based Ceragon Networks ([CRNT](#)). Ceragon, which struggled through 2008 and had a difficult start to 2009, now seems to have great opportunities ahead, due in part to a deal in India and rapidly developing third-generation networks around the world.



Ceragon's job building highways in the sky can be difficult to visualize. To put it simply, the company's equipment connects wireless base stations to a mobile operator's main network, where traffic flows. This transmission technology is critically important to carriers as demand rises for data services and smartphones.

Ceragon recently got a big boost in demand for its products from India-based Tata Teleservices, which uses Ceragon's equipment. The company has formed an alliance with Japan's NTT DoCoMo ([DCM](#)) to provide GSM (global system for mobile communications) service in India. That service, known as Tata DoCoMo, is now rolling out across India, including New Delhi, as new wireless spectrum is awarded.

Ceragon's products allow Tata and other carriers to not only provide high-speed data services, but also to quickly accommodate growth more economically than they could do with wired networks.

Here's why. Most wireless carriers traditionally used leased T1 lines to funnel traffic between the base-station controllers and the mobile switching center. They work just fine, but they are one of the largest recurring costs for wireless operators. The costs mount for the carriers as the need for additional capacity grows. At some point, to expand a network, it becomes more cost-effective to switch to wireless equipment -- which Ceragon makes.

Ceragon's fortunes didn't always seem so obvious. The company, founded in 1996 as Giganet, almost lost its business entirely when the CLECs collapsed in early 2000. But Ceragon reinvented itself, developing fast wireless connectivity hardware and software needed by wireless carriers and private networks. Now, as wireless carriers upgrade their networks and deploy 3G networks, Ceragon's strategy is paying off.

It's about time. The first quarter was disappointing for the company. Growth from hotspots like Asia slowed, and recessionary fears put a damper on spending by the carriers. As a result, Ceragon reported first quarter sales of \$43.9 million, down 7 percent from a year ago. Earnings were down 95 percent, to \$215,000.

But that should change. With investment from Tata Teleservices rebounding, 3G networks being rolled out in India and around the world, and Latin America serving as another hotbed of activity, Ceragon's business has many great opportunities ahead.

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