

# A TOWER-TO-POWER STORY

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Xcel Telecom hasn't even celebrated its first birthday. The company was set up in October 2006 when the Texas-based investment fund Q Investment committed \$500 million in the company for setting up telecom tower infrastructure in a burgeoning Indian market.

This fiscal, it plans to set up 2,000 towers. But that's not all. Xcel's chief executive officer Sandeep Basu makes a startling remark, "We will soon acquire a few small tower companies, each having about 50-100 towers... the acquisitions will cost us about \$50 million." There's more. Xcel is also eyeing stakes in the hived off infrastructure arm of Tata Teleservices, Bharti Airtel and Reliance Communications. "We have lined up close to \$2 billion for acquisitions and for project rollout in the next three years," Mr Basu says, chuckling.

Lost in the brilliance of M&As like Vodafone-Hutch or a possible Idea-Spice merger is the story about the rise of a host of Indian firms that create the backbone on which these telecom brands work. Half a dozen firms have sprung up in the last year especially to tap the burgeoning market for telecom towers. Silently, they have gained recognition in the industry much to the chagrin of global players such as American Towers ,Tower Vision and Crown Castle .

***Together, companies like Xcel Telecom, Essar Telecom Tower and Infrastructure, GTL Infrastructure and Srei Group's Quipo plan to invest about Rs 7,500 crore and will roll out close to 25,000 telecom towers during the current fiscal. They have also readied their war chests worth several thousands of crores. Some of the acquisitions may happen overseas.***

GTL, for instance, is arranging Rs 1,000 crore for making global acquisitions and has already kicked off talks with at least four different companies. GTL Infrastructure has also already rolled out 1,200 cell-sites and plans to set up another 6,700 towers by March 2008 with an investment of Rs 2,030 crore. Recently, GTL acquired Genesis Consultancy, a UK-based network services provider, for about over Rs 40 crore.

The potential for standalone tower business in India can be gauged from the fact that the country will need about 3,50,000 towers by 2010 as compared to about

1,11,000 at present, as per estimates made by the Telecom Regulatory Authority of India, the telecom watchdog. India currently has 171.46 million mobile users.

The Centre for Telecoms Research (CTR), London , recently predicted that the country's mobile phone user base will grow to 600 million by 2011 - an astounding three-and-half fold growth in the next four years. With infrastructure creation being the primary driving force that will sustain growth in the world's fastest growing cellular market, standalone tower companies have unlimited opportunities ahead of them.

With infrastructure sharing kicking in in a big way, it offers tower companies the opportunity to set up ready-to-use quality passive telecom infrastructure, which in turn, enables operators to reduce their time-to-market and accelerate their network deployment.

Essar Telecom Tower Infrastructure, which is over a year old, has already set up over 1,000 towers. CEO Ajay Madan says the company has already chalked out plans to add another 5,000 towers during the current fiscal at an investment of Rs 1,200 crore. "We plan to have 6,000 revenue generating towers by March 2008. We are also in talks with three small tower companies to buy them out. Our long-term plans are to have 18,000 towers by 2010." Like GTL, Essar too is eyeing markets abroad.

***Some others have developed unique business models. Quipo Telecom Infrastructure, a 100% subsidiary of Quipo Infrastructure Equipment is focusing on sourcing, reverse auctioning, green eco based shelters and renewable source of energy. Quipo has R&D teams in China and in Western countries to help it improve its sourcing requirements. Looks like that in the current power tussle, the biggies may have to recede into their own ivory towers. At least for now.***

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