

American Tower Corp looks for India buyouts

The firm said it is in talks with "more than two tower" companies to buy them out to start its business here

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NEW DELHI

American Tower Corp. (ATC), the New York Stock Exchange-listed operator of communications sites, has initiated talks with Indian private cellular service operators to buy, lease or manage their tower assets, the US company said, while announcing the setting up of its Asia-Pacific headquarters here.

ATC said it is also in talks with "more than two" Indian tower companies to buy them out to start off its business in the world's fastest growing wireless market.

It has entered the Indian market at a time when the Top 2 wireless operators in the country have spun off their tower assets into subsidiaries, taking advantage of the lower levels of tax on such companies and also eyeing the reduction in the cost of network roll-out by sharing such infrastructure with peers.

ATC, expected to post revenues of \$1.4 billion (Rs5,628 crore) this year, said it is keeping all its options open, including taking a less than 50% stake in an Indian tower firm.

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Long way up: Start-ups in the country are yet to own a significant number of towers.

"We expect to announce our first deal in the next few months... As of now, talks are only at an introductory stage," said ATC chairman, president and CEO James Taiclet.

As per an estimate by the Telecom Regulatory Authority of India, the country had 90,000 towers at the end of 2006 and will need 240,000 more by 2010 to meet the government's target of having 450 wireless million subscribers by then, up from the current 180 million. The rapid expansion is driven by the need of cellular firms to expand into semi-urban and rural markets as the penetration of phones in large cities such as New Delhi nears 100%.

The opportunity has spawned several Indian tower start-ups such as **GTL Infrastructure Ltd**, **Quipo Telecom**

Infrastructure Ltd and **Essar Telecom and Tower Infrastructure Ltd** over the last two years. They are yet to own a significant number of towers as they started the business this year.

Analysts said ATC will face major challenges here since its prospective clients themselves have floated similar tower firms. Telecom services firm **Bharti Airtel Ltd** has a subsidiary called **Bharti Infratel Ltd**. **Reliance Communications Ltd** recently spun off its tower infrastructure into **Reliance Communications Infrastructure Ltd**, placing a minority stake with private equity investors. **Bharat Sanchar Nigam Ltd** is yet to share or open up its towers to competition.

"Right now, there is a tax incentive to bartering space on towers rather than renting it," said Alok Shende, head of technology practice at consultant Frost & Sullivan, India. "Barter...is not taxed, whereas if an operator sells its towers and then pays a rent to be on it, it will be taxed."

Taiclet said he is open to deviating from buying out or leasing towers to get a foothold into India. "If the operator feels that paying a lease or a rent makes their profits look smaller, we're open to doing a management deal for their towers. That way they don't have to pay us only a management fee, and they will receive the rentals from any more tenants we can accommodate on their towers," he said.