

Telecom tower biz to see high frequency battle

Independent giants set to challenge telcos' dominance

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The telecom tower-transmission business is going to see a shake-up with cash-rich and independent companies moving in with aggressive plans.

So far, the telecom firms have been the dominant players in owning or managing the tower infrastructure companies. Such firms, like Indus Towers (in which Vodafone-Essar, Bharti Airtel and Idea Cellular are equity partners), Reliance Infratel and Bharti Infratel, currently command over 90 per cent share in the 200,000 tower market.

Flexing their muscles now are independent giants such as American Tower Corporation (ATC), Quippo Telecom and GTL Infrastructure, aggressively grabbing a substantial chunk of the new business from over half a dozen entrant operators rolling out mobile services. In the next three to four years, telecom companies (telcos) will need another 100,000 towers, and the industry estimates that at least 60 per cent of this will be built by independent operators.

Just last year, many telcos spun off their tower business into a separate entity, to get better valuation for their assets. And with the government allowing sharing of towers to reduce telcos' capital expenditure, they saw potential in making money by renting out space in the towers to their competitors, as well as to the new licensees.

But now, independent tower companies are challenging their plans. And unlike the six-seven smaller independent tower players, which are limited in size, the new boys think big. A week earlier, ATC, which began operations only a few months ago, bought over infrastructure provider Xcel Telecom, reportedly for Rs 700 crore. Xcel has around 1,700 towers; ATC has already tied-up with a new mobile operator to provide the services.

Amit Sharma, executive vice-president of ATC, said: "We will concentrate on some circles and provide quality service. We have \$1 billion of cash, so building new towers or acquiring companies is not a problem."

Mumbai-based GTL, which currently owns 9,000 towers across the country, is putting in \$1.8 billion to expand capacity nearly three-fold, to 25,000 towers by the end of 2011-12. And it has an ambitious target — to grab 15 per cent of the new business, which will be generated from the new operators. Prakash Ranjalkar, its chief operating officer, said: "We expect our tenancy (op-



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erators using the same tower) average to go up from 1.4 currently to 2.2, with business from at least three of the new licensees rolling out services."

Quippo Telecom Infrastructure Ltd (in which Tata Teleservices merged its tower infrastructure and took a 49 per cent stake) is upping the number of towers three-fold, from 21,000 to 60,000 by March 2011, with an investment tag of \$1.7 billion. It has already grabbed contracts from the new players, Unitech-Telenor, Sistema-Shyam, STel, Etisalat-Swan Telecom and the Dhoot-controlled Datacom.

The attraction for new players to seek independent tower operators is that the latter are ready to cater to their specific needs — building towers which suit a new rollout, unlike telecom operators who cater to their own expansion.

Rajiv Bawa, executive director of Unitech Wireless, a new player in the mobile space that is rolling out pan-Indian

services, said: "The independent tower companies can build to suit our needs and can deploy towers where it suits us. Incumbent players are not flexible." Averted a senior executive of another telco, which is rolling out pan-Indian services: "There is a clear conflict of interest. Incumbent telco-led tower operators will balk your entry and delay you as much as possible. So, we have gone only to independent operators."

Operators say it is also cheaper to go to the independents than to the telco-led players. "Since most of the new operators are GSM and operate on the same frequency, we have joint radio frequency planning that helps us to lower our capex and optimise our cost, which automatically leads to a reduction in their (telcos) capex to the extent of 65-70 per cent," said Arun Kapur, managing director of Quippo Telecom.

Independent operators like ATC's Sharma also say the tel-

co-led tower companies might not have the capacity to serve new players, as they would require capacity for their own 3G rollouts, which provides them with an attractive opportunity.

But telco-controlled tower operators dispute all this. Apart from unmatched coverage (about 60-70 per cent of India), they say the built-to-suit model offered by the new operators is too expensive and does not work. Indus Towers, with over 70,000 towers, said it expected 40 per cent of its business to come from new operators and the rest from their stakeholders. And they have enough space to offer others. "Our current towers can take about two players on an average, but the new towers that we are deploying right now can take up to five operators. No one wants the built-to-suit model, as it costs the operators twice as much, unless it is based in a very strategic location," averred Sunil Ranka, chief financial officer of Indus Towers.