

Datacom inks infrastructure sharing deal with Tata Tele

TTSL To Provide Transmission; Tata-Quippo To Chip In With Towers For Videocon's Arm

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- ▶ **By outsourcing passive infrastructure, Datacom will leverage on the existing and future network backbone of Tata-Quippo, which has around 25,000 towers across the country**
- ▶ **New players, such as Unitech, Ehsalst and Shyam Sistema, are outsourcing their infrastructure as well as IT requirements to reduce rollout time & reduce capex**
- ▶ **Earlier this year, Unitech Telenor outsourced its passive infrastructure needs to Tata-Quippo**
- ▶ **Last month, RCOM inked Rs 10,000-crore, 10-year infrastructure sharing deal with Ehsalst DB**

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MUMBAI

DATACOM Solutions has signed an infrastructure sharing deal with Tata Teleservices (TTSL) that will allow it to lease bandwidth as well as towers across the country from the Tata group-firm, executives familiar with the development said.

While TTSL will provide transmission services, Wireless-TT Infoservices (WTTIL)—the tower joint venture of TTSL and Quippo Telecom Infrastructure—will provide passive infrastructure like towers and shelters to the telecom subsidiary of consumer goods giant Videocon Industries.

As both Datacom and TTSL are rolling out GSM networks, infrastructure sharing will help the two operators to reduce operating costs. Setting up an independent tower costs around Rs 15 lakh to Rs 40 lakh, depending on the location.

The deal will enable them to earn up to Rs 10,000 crore over the next 10 years, said an executive who asked not to be named. "For its requirement outside WTTIL, TTSL will use Datacom's towers," he said.

Videocon group chairman VN Dhoot commented the development, but declined to provide details. A Tata-Quippo official refused to comment.

Videocon, which has licence to operate in 14 telecom circles in the country, is planning to invest Rs 1,000 crore in towers this fiscal. Tata-Quippo, on the other hand, is targeting a portfolio of 50,000 towers by 2012 and is aiming at the highest tenancy ratio among tower firms. Tenancies refer to slots on towers that carry telecom signals. A single tower can host up to four-five operators.

While Datacom's deal with Tata-Quippo is for 10 years, it is likely to be extended by another five years. Tata-Quippo is targeting to end this fiscal with 30,000 towers and a capex plan of Rs 3,500 crore. "To begin with, 10,000 sites will be handed over to Datacom as per a phased rollout plan," another executive said, requesting anonymity.

By outsourcing passive infrastructure, Datacom will leverage on the existing and future tower and backbone infrastructure of Tata-Quippo, which has around 25,000 towers across the country. Datacom is among the new entrants in the crowded Indian telecom market where Bharti Airtel is the leader with over 105 million subscribers.

While Dhoot of the Videocon group hold 74% in the company, Reliance Industries director Manoj Modi has a 15% stake in the company. The rest of the equity is with HFCI chairman Mahendra Nahata. The company is expected to launch services by the end of this year in Chennai and Tamil Nadu.

Earlier this year, Unitech Telenor, another new entrant in the telecom space, outsourced its passive infrastructure requirements to Tata-Quippo. Typically, rent for a telecom tower ranges from Rs 24,000 to Rs 40,000 depending on the location, whether the tower is ground-based or roof-based and the number of tenants. Tata-Quippo has an average 1.6 tenants on its towers across India. Many of its towers are hosting both CDMA as well as GSM infrastructure while some cater to only one of the two services.

Last month, Reliance Communications also announced a 10-year, Rs 10,000 crore infrastructure sharing deal with new entrant Ehsalst DB.

New players such as Unitech, Ehsalst and Shyam Sistema are outsourcing their infrastructure as well as IT requirements to reduce the time-to-market and bring down capital expenditure requirements. Further, such deals also reduce operating costs because resources are shared with more than one player. It allows operators to have an asset light balance sheet, forcing money for marketing and branding exercises, considered core to the telecom business.

In February this year, Datacom signed up with Chinese equipment manufacturer Huawei for rolling out its networks in nine circles. Datacom is close to awarding an IT contract to one of the three short-listed players—IBM, Wipro and Hewlett-Packard.

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