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APAX, CARLYLE SHOW INTEREST; CO TO USE FUNDS TO RETIRE DEBTS

PE cos eye 20% in Quippo Tele

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PRIVATE equity players such as Apax Partners and Carlyle have shown interest in buying a stake in Quippo Telecom Infrastructure, which announced a deal with Tata Teleservices in January this year to create one of India's largest cellular tower companies.

Quippo, which is promoted by Srei group of companies, is looking to raise about Rs 1,400 crore by selling about 15-20% stake in the company. Quippo will use the proceeds to retire its costly debt that it had taken to finance its equity transaction in Wireless-IT Info-Services (WTIL).

Sunil Kanoria, director, Quippo Telecom Infrastructure, said: "We had raised some debt for the acquisition of the Tata Tele's tower business. If we get a right valuation, we will look at bringing in equity in lieu of this debt."

Early this year, Quippo had announced the merger of its tower business with Tata Tele's tower business. According to the initial deal, Quippo was to pick up a 49% stake in WTIL and the combined entity was to be called WTIL-Quippo. The Srei group company was to pay Rs 2,400 crore cash up-

MOPPING UP



Srei group-promoted Quippo is looking to raise about Rs 1,400 crore by selling about 15-20% stake. The company had merged its tower biz with Tata Tele's earlier this year

front for a 30% stake in WTIL and it was to transfer 5,000 towers to the new company for the remaining 19%. Mr Kanoria said that the Rs 1,000-crore was raised internally from existing shareholders. The transaction was completed in August.

Players in the PE space, such as Apax Partners and Carlyle, have shown interest in the company. Mr Kanoria did not elaborate on the names of the

players only to add that a number of them have shown interest.

Mr Kanoria said that WTIL would now be valued at around \$4 billion. The company has around 25,000 towers and is planning to increase this to around 40,000 by the end of March 2010. However PE players and industry analysts point that pricing could be an issue with the transaction.

According to Romal Shetty director, telecom, KPMG, "For the telecom infrastructure business to be profitable in India, we need to have at least three operators per tower. Currently, we have around 1.3 customers per tower and this will increase with the new telcos coming in. However, in the long run, there will be consolidation among the telcos, which will reduce the tenancy ratio."

Incidentally, WTIL is also one of the bidders along with American Tower Company, Global Tele and a host of other players for Aircel's Tower business. The company currently has around 13,000 towers, which it is looking to ramp up to 17,000 towers by the end of this year. Sources said that the valuations for this would be in the range of \$1-\$2 billion. If the deal goes through, the funding will come through both WTIL's existing and new shareholders. The telecom tower infrastructure business in India is valued at over \$10 billion.