Quippo, TTSL tower arm merged with minor tweaking in set terms

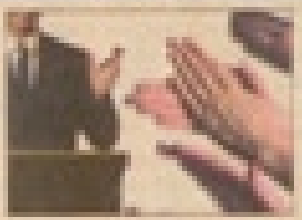
Joji Thomas Philip
NEW DELHI

THE merger of Quippo Telecom Infrastructure (QTI) and Wireless Tata Telecom Infrastructure (WTTI), the tower arm of telecom major Tata Teleservices, was completed on Tuesday along the terms set in January '09. The only minor change is that Quippo will now pay Rs 15 crore less than the announced Rs 2,400 crore.

"There is no change in the deal structure. We will make an up front cash payment of Rs 2,367 crore and transfer all our towers to the Tatas tower company, Wireless Tata Telecom Infrastructure (WTTI). In exchange, we will get 49% stake and management control of the merged entity," Quippo's vice-chairman and managing director Sunil Kanoria told BT. The boards of both companies - Quippo and WTTI, met in Mumbai on Tuesday to complete the transaction.

QTI, is the telecom tower subsidiary of SREI Infrastructure Finance Ltd. Quippo had about 5,000 towers when both companies had announced the merger earlier this year while the WTTI had 11,000 units. Tower companies hold the physical infrastructure which carry cellular traffic.

DEAL DONE



After the merger, the Tatas will have five reps on the board and 51% stake, while Quippo will have four board nominees, an independent chairman and will hold 49% stake in the merged entity.

Both SREI Infrastructure & the Tatas are looking at listing the combined entity although overtures to the company did not yet a timeframe yet.

Mr Kanoria also added that Quippo had raised part of the Rs 2,367 crore to fund the deal from IDFC Private Equity and Oman Investment Fund while adding that the remaining amount had come from internal capital and debt. While he did not reveal additional details, it is learnt that Quippo has raised about Rs 900 crore by issuing fresh equity and selling shares in the secondary market where all of QTI's main shareholders, IDFC Private Equity, Oman Investment Fund (OIF) and SREI Infrastructure Finance—subscribed to additional shares in the company.

According to executives aware of the developments, of the Rs 900 crore the company raised from its shareholders, IDFC Private Equity contributed about Rs 250 crore by subscribing to additional shares with OIF and SREI Infrastructure Finance investing the remaining amount.

Both the Tatas and QTI have also finalised the management structure of the merged entity. "The Tatas will have five representatives on the board as they have a 51% stake, while we will have four. In addition, we will also get to nominate an independent chairman to the 10-member board," Mr Kanoria added.

At present, IDFC Private Equity holds 11.24% stake in QTI, while OIF has 16.60% and SREI has a 35%. The Government of Singapore Investment Corp. (GIC) is also a shareholder in QTI.

As per the January '09 announcement, the combined entity would have over 16,000 towers with an enterprise valuation of about Rs 11,000 crore ($2.6 billion). The total deal size was Rs 4,350 crore ($1.27 billion) implying that Quippo's 5,000 towers were valued at Rs 3,900 crore.

The eight month delay in closing the transaction had led to intense speculation in the industry and also among analysts who said that deal had run into trouble due to due to funding constraints. Speculation was also doing the rounds that Quippo wanted to lower the upfront cash payment although both companies had repeatedly denied that the deal was facing funding constraints.

Over the last couple of months, the Tata-Quippo merged entity has bagged two major tower sharing deals. These include a deal from Unitech Wireless.

SALE - NOIDA
Prime Location
3600 Mt. (1800 x
PLOT - Function
North Facing, Auth. 30 (or part
Banyad
www.banyad.com
98111 35211

COMPANY FOR SA
22-year old, profit making
manufacturing, distribution