

Gaining Momentum

A very good year for infrastructure companies in terms of acquisitions, new initiatives, and tower rollouts

To get rid of non-core activities and to focus on their core businesses, operators have started making use of infrastructure sharing. Not only does this help operators in reducing capex and opex, it also helps them in reducing management bandwidth for non-core activities.

The IP-1 players, for whom infrastructure sharing is a core area, have to focus on doing all the things—RF planning, site acquisition, site preparation, soil survey, municipal clearances, pollution clearance, site construction, power connection, battery backup, air conditioning, shelter, cable tray—right. These IP-1 players charge a monthly fee. Now, the Department of Telecom's new guidelines, which permit sharing of active infrastructure, have given a new impetus to this business.

Service providers are hiving off their towers into separate subsidiaries to unlock shareholder value and focus on core competencies. It will take around 3-6 months to put the structure in place before the rollout begins. Hiving off also helps the subsidiary as they can start with a sizable number from day one.

Key Players

This year, Bharti Airtel hived off its tower business to form a subsidiary, Bharti Infratel. Bharti Infratel now owns, deploys, and manages passive infrastructure for Bharti. The company has 52,865 towers out of

which 33,590 are ground-based and the rest 19,275 are roof top-based. As of now, Bharti has made investments to the tune of Rs 10,621 crore on its infrastructure business and this business contributed 2% to Bharti's total revenue in FY 2007-08.

Also, Bharti Infratel is partnering Vodafone and Idea to form Indus Towers. Indus Towers will have 70,000 sites from this partnership across sixteen telecom circles in India.

Bharti Infratel will also operate passive infrastructure in the remaining seven circles of Assam, Bihar, Himachal Pradesh, Jammu & Kashmir, Madhya Pradesh, North East, and Orissa.

The other big player is Reliance Infratel. It has a total of 36,849 towers out of which 23,434 towers are ready for use. Out of this, 18,379 are GBT and rest 5,055 are roof top based. Its prime customers are Reliance Communications and Reliance Telecom. Recently, Reliance Infratel filed a draft with Sebi for its upcoming IPO. With this IPO, the company is planning to install 16,000 towers at a cost of Rs 4,623 crore.

Quippo Telecom Infrastructure,

a 100% subsidiary of Quippo Infrastructure Equipment, in the last two years, has developed a portfolio of 4,500 towers in twelve circles.

Last year, Quippo Telecom added 3,500 towers to its kitty. Its customers include Bharti, Tata, Reliance, Vodafone, MTNL, and Idea. Quippo also got Spice as its new customer last year. Spice and Quippo entered into a deal where Quippo would be the sole owner of Spice Towers, and it holds the exclusive rights to roll out any further requirements for Spice. From this acquisition, the infrastructure company expects to roll out around 12,000 towers in the next two to three years.



GIL is part of GTL and has been focusing on the telecom turnkey space for a long time. GIL has an experience of executing 16,000 sites connecting 16 mn subscribers.

XCEL Telecom, another independent tower company, is the first to make an intra-sector buyout

in the independent infrastructure space. It bought Tics Telecom, a Punjab-based tower company. The Essar Group is also very active in the market.

Outlook

Infrastructure sharing may be new to India, but it's a standard practice globally. Though tower sharing has not been very successful in most European and Asian countries, experts believe India will do a US, because no other country in the world has twelve operators. To meet the target of providing 500 mn telephones by 2010, nearly 3.3 lakh towers will be required in the next three years.

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