

Tata Tele to subscribe to rights issue of tower subsidiary

WTTIL does not want to raise money through an IPO of shares or a share sale to private equity investors till fiscal 2012, according to Sunil Kanoria, a director of the company

Kolkata: Tata Teleservices Ltd (TTSL) will continue to invest in expanding the telecom tower business of its subsidiary Wireless TT Info-Services Ltd (WTTIL)—earlier called **Wireless Tata Telecom Infrastructure Ltd**—despite having sold a 46% stake in it and given up management control of the firm to the Kolkata-based Kanoria family, founders of non-banking finance company Srei Infrastructure Finance Ltd (SIFL).

WTTIL, which currently has some 26,000 towers, plans to invest Rs7,500 crore till March 2011 to install at least 34,000 new towers, and the promoters of the firm—TTSL and the Kanoria family-promoted Quippo Telecom Infrastructure Ltd (QTIL)—have agreed to infuse Rs500 crore through a rights issue this week to fund the proposed expansion.

A telecom tower built on ground typically costs Rs25-26 lakh, and one built on rooftop, up to Rs15 lakh.

Under a deal concluded in August, QTIL acquired 46% in WTTIL for Rs2,367 crore in cash and the merger of a Kanoria family promoted firm's 5,000 telecom towers with WTTIL. Though TTSL continues to own a majority stake in WTTIL, it transferred management control of the firm to the Kanoria family because it wanted to focus on its mobile telephony business.

WTTIL does not want to raise money through an initial public offering (IPO) of shares or a share sale to private equity (PE) investors till fiscal 2012, according to Sunil Kanoria, a director of the company. "We are not going to get the right valuation until say a year-and-a-half later. So we want to fund the expansion on our own," he added.

TTSL declined comment for this story. Its spokesperson Rajeev Narayan said that as a policy, TTSL does not comment on such issues.

Though WTTIL may not sell shares except to its promoters for the next one-and-a-half years, QTIL is in talks with a number of private equity funds and has offered a 10% stake in itself to raise up to \$300 million (around Rs1,400 crore) through a share sale, according to Kanoria. "We need to raise long-term resources to pay down QTIL's debts and infuse funds in WTTIL," he said.

The Kanoria family and SIFL jointly own a 50% stake in QTIL. People close to the Kanoria family and institutional investors such as **Infrastructure Development Finance Corp. Ltd, Oman Investment Fund** and **Government of Singapore Investment Corp.** hold the remaining 50% of QTIL's shares.

For the next 17 months, WTTIL, which currently has around Rs4,500 crore of debts, is going to borrow more and "plough back" the cash it generates to expand its business.

"Lenders have agreed... WTTIL can borrow up to 3-3.5 times its equity base," Kanoria said. "That apart, we expect internal cash generation of around Rs2,500 crore from the company, which will be ploughed back into expanding the tower network."

Besides organic growth, WTTIL is also pursuing acquisitions. It has bid for the tower business of Aircel Ltd, 74% of which is owned by Malaysia's **Maxis Communications Bhd**. According to some media reports, WTTIL is among the front-runners for Aircel's 17,500 towers.

Kanoria said WTTIL had not budgeted for acquisitions. "Not just Aircel, I am sure there will be more acquisition possibilities going forward, for which we will have to infuse more cash," he added.