

# Driving Growth

## Consolidation and opportunities in infrastructure sharing

As telecom operators look to roll out networks rapidly and in a cost-effective manner, infrastructure sharing is gaining considerable momentum. Given the strong interest in this segment, tele.net recently organised its third annual conference, *Telecom Infrastructure in India: Emerging Scenario and the Way Forward*. We bring you a series of excerpts from presentations and panel discussions by analysts, operators and infrastructure providers at the conference...

Telecom infrastructure growth in India is influenced by many factors such as exponential growth in subscriber numbers, network expansion, better quality of service, infrastructure sharing, adoption of new technologies and entry of new players.

### Case for infrastructure sharing

India is the second largest telecom market in the world with the mobile subscriber base nearing 400 million. The urban regions have close to 75 per cent telecom penetration even as the metros continue to be the revenue driver for operators.

The next level of growth is likely to originate from the semi-urban and rural areas. The mobile subscriber base is expected to grow at a compounded annual growth rate of 18.5 per cent till 2015.

However, falling average revenue per user and increasing minutes of usage (MoU) are putting additional pressure on the existing networks. At 505 minutes a month, India has the highest monthly MoU per subscriber in the Asia-Pacific region. As a result, the need for network optimisation (infrastructure sharing)

increases as it leads to cost savings. The current economic scenario makes an even stronger case for infrastructure sharing.

### Current scenario

In calendar year 2008, there were 299.2 million active subscribers in India. The tower count was 230,154 with an occupancy ratio of 1.3. In 2009, the active subscriber base is likely to increase to 369.6 million, the tower count to 273,778 and the occupancy ratio to 1.5. Further, by 2010, these numbers are expected to reach 444.8 million, 330,000 and 1.7 respectively.

Most of the telecom service providers and cartel infrastructure providers continue to be aggressive with their rollouts. Service providers are hiving off tower infrastructure into separate units. Bharti Infratel has 30,000 towers and also holds 42 per cent stake in Indus Towers; Reliance Communications has consolidated 47,000 towers into a new entity - Reliance Telecom Infrastructure Limited (RTIL); Tata Teleservices has hived off its 14,000 towers into a new entity - Wireless Tata Telecom Infrastructure (WTTI); Vodafone Essar has hived off its tower and mobile infrastructure assets into Ortus Infratel and Holdings, which will hold Vodafone Essar's 42 per cent stake in Indus Towers; and Idea Cellular is expected to follow.

Of late, the sector has witnessed considerable consolidation. In 2008, Indus Towers was formed as a three-way joint venture between Bharti Airtel, Vodafone Essar and Idea Cellular. Meanwhile, Quippo Telecom Infrastructure has

become the managing partner in WFTL.

There have been a number of deals amongst stand-alone tower companies too. The American Tower Corporation (ATC) has acquired XCEL Telecom for Rs 7 billion. GTL has acquired the Essar group tower company for Rs 6 billion.

### Demand-supply gap

With most of the IP-1 companies being bullish about their tower deployments in Category B and C circles, it is anticipated that supply will outstrip demand.

Currently, the supply of towers marginally overshoots the demand across all circles. The total demand-supply gap across circles is expected to rise to 4,010 towers by December 2010 from 656 in December 2008. By December 2010, the supply of towers in Category B and C circles is expected to be 184,331 against a demand of 182,817, with a tenancy ratio of 1:1.7.

At present, there is a tremendous demand for passive infrastructure components as most of the operators are focusing on expanding their network rapidly. Supply of passive infrastructure components is falling short of demand, which, in turn, will create a huge addressable market for passive infrastructure players.

### Future growth

It is expected that about Rs 520 billion will be invested in line of tower infrastructure sharing through to 2011.

There will be a move towards green technology. A few other technologies will be a part of the base transceiver station passive infrastructure with the objective of opex reduction. These include fuel cell back-up systems, power management and back-up solutions and hybrid renewable energy solutions. Shared antennas and shared radio equipment will be common once active sharing becomes mainstream.

There also exists a huge opportunity for tower companies to service the needs of 3G and Wi-Max along with addressing the needs of new operators who are gearing up to deploy their networks.

Going forward, the endeavour of tower companies to support infrastructural growth is bound to make a strong business case for further investments. ▲

Girish Trivedi, Deputy Director, ICT Practice, Frost & Sullivan

### Tower sharing and higher tenancies

- Unitech Wireless will have access to towers of WTTI and Quippo by mid-2009.
- RTIL will lend 13,000 tenancy slots to Swan during the first year of operations.
- GTL Infrastructure has got committed tenancies from SSTL and Aircel.
- Quippo plans to raise \$300 million through the issue of fresh equity to fund its expansion.
- BSNL is expected to rent towers from independent tower companies.
- Telenor is likely to lease towers from Quippo soon.