

# Quippo Telecom

Capitalizing on tower business potential

**Q**uippo Telecom Infrastructure Limited (QTEL) made early inroads into the telecom tower space and today ranks as a frontrunner among the standalone tower companies operating in India.

Providing an efficient way of manufacturing in telecom infrastructure, QTEL's business model is based on equipment leasing. Says Anand Kapur, group president and managing director: "On the one side of the cell site, with a small incremental cost, the tower can be designed to be shared by as many as five operators. Further infrastructure sharing helps operators to significantly reduce the cost of ownership and operation, as well as time-to-market."

One of the most diverse business portfolios of the Quippo Group, QTEL currently contributes around 60 per cent to the group's total revenues. It expects to increase this share to 65 per cent in the coming year. "The main source of revenue for the company is the monthly rental, which varies for different sites and the number of towers per tower. However, given that average monthly rental has been declining, the company is exploring opportunities for alternative sources of revenue."

In India's booming cellular tower industry in order to compete with the big three - Bharti Infratel, Vodafone Infratel and Idea Cellular, who have come together to form a joint venture tower company, India Towers - and to tap the business potential from QTEL, is now mulling over the idea

of a joint venture with several network infrastructure companies. These include Future Telecom Tower and Infrastructure, GTL, TransUnion and Cool Telecom. These standalone companies will eventually have any merger or financial state transition but will concentrate and cooperate amongst themselves.

The move, if it shapes up, is likely to help QTEL cut its expenses considerably through jointly procuring towers pertaining to land acquisition and power supply.

QTEL client list currently includes almost all telecom service providers in Bharti Infratel, Mahabub Hasan, Reliance Communications, Idea Cellular and Tata Telecommunications.

## Road development

Owing to its growth potential, the tower industry has attracted both domestic and international players. Besides independent tower companies, many operators have also begun forking off their tower infrastructures.

Seizing this opportunity, QTEL bought the tower portfolio (about 1,000 towers) of Spice Communications, which is operational in the Karnataka and Punjab circles, for Rs 1 billion. The acquisition has further provided QTEL with exclusive rights to roll out 11,000 towers for Spice's existing and new circles.

In February 2008, QTEL signed a memorandum of understanding with BtCell Telecommunications India for exclusive cooperation to roll out GSM mobile

telecom networks in selected regions.

In a move to efficiently manage and implement the telecom towers, QTEL is also forging partnerships in technology, project management, equipment leasing and operation and maintenance.

To derive enhanced ERP solutions for its telecom infrastructure network and to speed up its business process related to site rollout and sharing, QTEL entered into a contract with US-based software innovator Greenleaf in October 2007.

The concept of having a multi-faceted ERP solution is relatively new in India. QTEL can benefit from various ERP applications including site rollout, site rollout and sharing project management, supply chain management, operations and maintenance management, asset management, billing management and HR.

## Going ahead

The biggest challenge faced by QTEL is ensuring sustained business with higher efficiencies and lower costs. In order to achieve this goal, it is rapidly expanding its footprint to become a pan-India player with greater economies of scale.

Having set up base transmitter stations mostly in urban areas, QTEL is increasing its footprint to remote areas of the country. The tie-up with BtCell to provide telephony in the rural and semi-rural areas of the Northeast is a key step towards this goal.

The company plans to install 10,000 towers by March 2008 and has set an ambitious target of 60,000 towers by 2011. It plans to fund this expansion through a mix of equity and debt, and is also looking at a possible listing in two to three years.

The company reportedly has a debt-to-equity ratio of 1:2.5 and intends to maintain this. While it has already tied up an investment of \$200 million, it is planning to invest even larger amounts in towers.

Given the entry of other site owners, all of which will be undertaking major network rollout, QTEL targets success reasonable. "The more towers there are, the higher the scope of deployment. We are already in the process of signing agreements with other players. In fact, these new entrants will also strengthen our business model of having a higher occupancy ratio," says Pradeep Ghosh, QTEL CEO. ■

Billy Khatun

## Key highlights

<b>Ownership</b>	Quippo Infrastructure Equipment: 71.66 per cent; Gilt chain (Infratel Towering): 26 per cent; Current Venture Capital: 1.98 per cent
<b>Operations</b>	35 circles
<b>Tower portfolio</b>	Over 3,000
<b>Revenue split</b>	Approximately 1:4 towers per tower
<b>Offerings</b>	Site acquisition and build up; economies including utilities, DC power system and delivery build-up; obtaining statutory clearances and O&M (Applied) world's best wire multi-technology, multi shared towers; used by six operators of GSM and 2 CDMA in Kerala, Delhi (contracted by O&T for setting up and managing passive infrastructure for rural mobile telephony using Universal Service Obligation Fund)
<b>Recent initiatives</b>	