

Cementing Tower Ties

Though the merger between the tower biz of TTSL and Quippo Telecom makes sense, the conservative approach of the Tatas may be a hurdle for the Kanorias



Left to Right: Anil Sardana, MD Tata Teleservices and Sunil Kanoria, vice-chairman and MD, Quippo Infrastructure Equipment

Two telecom companies in need of some serious funding come together for future expansion with this merger. Raising funds in the current financial and economic turmoil has made lives of telcos miserable. Tata Teleservices was in need of funds for its future expansion, while Quippo Telecom Infrastructure has been looking at increasing presence.

The merger of the tower business will create India's largest independent telecom infrastructure company with 18,000 towers and an enterprise valuation of Rs 13,000 crore. The recent consolidation efforts by TTSL's competitors—Vodafone, Bharti Airtel and Idea Cellular have prompted TTSL and Quippo to tie the knot.

The country will add close to 100 mn new mobile customers in 2009. The merger will assist both Quippo and TTSL to achieve economies of

scale and better future valuations if new operators are going ahead with their earlier plans. However, conservative approach by the Tatas may be fatal for the Kanorias, the promoters of Quippo, to take the telecom tower business to the next level.

The silver lining is that though TTSL will have a 51% stake in the combined entity, the management will be Quippo's existing team. This may, to a certain extent, help the merged company to grab more market share, and it will be free from the hands of a the telecom service provider.

"This largest independent tower company will organically grow into an entity with over 50,000 towers by 2012. It will hold the largest tenancy ratio in the Indian telecom space as well," says Arun Kapur, MD, Quippo Telecom Infrastructure.

Recently, Quippo lapped up about

1,000 towers primarily across Punjab and Karnataka circles from Spice Telecommunications.

Besides the growing business from TTSL, the combined entity Wireless-TT Info-Services, needs to actively look for new operators who are yet to fine-tune their investment plans to roll out services. TTSL currently operates in more than 7,500 towns across 22 circles. Its GSM roll out, following the infusion of funds from NTT DOCOMO, will be a boon for Wireless-TT Info-Services. Reliance Communications, which has got GSM license along with TTSL, is far ahead in GSM services with aggressive pricing in Mumbai and Chandigarh.

As part of the deal, Quippo will make an upfront cash payment of Rs 2,400 crore, and transfer its passive telecom tower portfolio of approximately 5,000 towers to Wireless-TT Info-Services. The combined entity will have more than 18,000 towers making it the largest independent tower company in India.

"This partnership presents opportunities for operators to focus on their core competencies without worrying about the availability of infrastructure, capital expenditure, time-to-market, etc. This will reduce risks and improve profitability," Kapur added.

"The deal is of strategic importance and value enhancing for all stakeholders since it combines the management and operational capabilities of Quippo Telecom with the support of TTSL," says Anil Sardana, MD, TTSL.

Despite the slowdown, TTSL divested 26% stake for \$2.7 bn to Japanese telecom major NTT DOCOMO. The time has come for the Tatas to strengthen its foothold in the telecom business too. TTSL's entry into GSM-based telecom services will be another step in the right direction. But facing rivals such as Reliance Communications will create tough times ahead for TTSL.

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