Reliance Communications
Anil Dhirubhai Ambani Group

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RCom, Etisalat ink $2.2bn deal

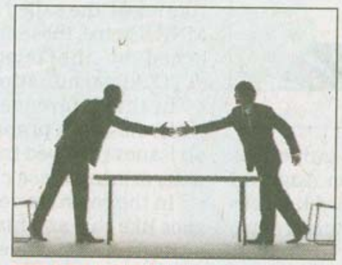
Indian, UAE Cos Sign Pact For Strategic, Long-Term Infra Sharing

TIMES NEWS NETWORK

Mumbai: The largest operator in the Middle-East, Etisalat DB Telecom, and India's Reliance Communications (RCom) have teamed up in a long-term strategic telecom infrastructure sharing arrangement worth over Rs 10,000 crore ($2.2 billion) over a 10-year period. The end-to-end agreement will encompass nationwide telecom infrastructure, including towers and transmission. RCom is also said to be in advance discussions with other players, both new and existing, sources informed. The Etisalat deal is the first off the block.

Last year, Etisalat DB had acquired a 45% stake in new telecom player Swan Telecom for roughly $900 million (around Rs 4,140 crore). The remaining 55% is held by several entities, including Swan's primary promoter, the Dynamix Balwas Group, a Mumbai-based real estate and hospitality business group.

The deal was implemented through RCom's 95%-owned subsidiary Reliance Infratel. The sharing of RCom's 30,000 passive telecom towers will aid the new company to roll out its network and establish its base in 15 of the 22 telecom circles that it has bagged a licence to operate in.



WIN-WIN SITUATION

Inder Bajaj, president of Reliance Infratel told TOI: "Sharing of infrastructure has several advantages. Capex and cost get optimised, improving capital productivity of both companies. The deal brings on scope as well as value." Commenting on the value of the deal, Bajaj said the value "translated to the transmission and passive infrastructure of RCom. It is capital deployed on a lease business. The majority of the value will flow into the bottomline". He refused to name the other telcos RCom was talking to for similar deals, conceding that there were many existing players who had bagged licences and aimed to extend to newer circles. "There are regional operators who are waiting to launch operations and become national operators. Several new companies are also waiting in the wings," he added.

In a joint statement commenting on the strategic alliance, Etisalat chairman Mohammad Hassan Omran said, "As a new entrant in this dynamic market, the alliance provides us with key, strategic advantages that will ensure a robust, speed to market and cost-effective roll-out of services. Strategic alliances are an integral part of our plans for growth."

Reliance ADAG chairman Anil Ambani said: "This agreement is set to re-define the future of the Indian telecom sector. It will ensure a faster rollout, optimum costs and a time to market advantage." Both Etisalat and RCom are competitors "in the business to consumer (B2c) arena", with each company vying for more subscribers. In the business to business (B2B) space however, "passive sharing has major gains to both sides, since transmission, connectivity and fibre is a separate business", said Bajaj.

This is the second such deal this year. Norway's Telenor, which is in the process of picking up a 67.25% stake in Unitech Wireless, signed an infrastructure sharing deal with the Tata-Quippo combined tower company.

Sharing of telecom infrastructure among telecom service providers is becoming the norm for doing business in the industry, where competitors are becoming partners in order to lower their increasing cost of investments. Spinning off their infrastructure business and sharing it with competitors is also leading to firms becoming leaner and cutting costs as they move into rural areas, to spur the next phase of growth.