

GTL Infra - RCom tower merger creates \$11-billion giant

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RCOM-GTL TOWER MERGER CREATES \$11-BILLION GIANT

BS REPORTERS

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Reliance Infratel, the tower arm of Anil Ambani-led Reliance Communications (RCom), today agreed to merge its 50,000-tower portfolio with GTL Infrastructure in a cash and stock deal, making it arguably one of the largest merger and acquisition transactions in India.

Business Standard was the first to report the likelihood of this transaction in the first week of June.

Post the merger, the Manoj Tirodkar-led GTL will become the world's largest independent tower company with 82,500 towers and 125,000 tenancies from 10 operators. On top of this, there is a commitment of close to 75,000 tenancies from both RCom and Aircel over the next 10-15 years.

GTL had in January snapped up Aircel's 17,500-tower portfolio.

Anil Ambani will retain a 25 per cent stake in the new entity, but entirely in his personal capacity as

TOWER POWER

- Reliance Infratel to merge its 50,000 telecom towers with GTL Infra
- Deal size: Rs 50,000 crore; via cash, stock
- Rel Infratel to retain optical fibre network
- Global Group to be the single largest shareholder of the merged entity
- Anil Ambani to invest in personal capacity, to have 24-26% stake
- New strategic partners may pick up 12-20% stake
- Management control with GTL, merged tower firm to remain neutral and independent



ANIL AMBANI

a strategic financial investor, a first in Reliance's history.

The combined enterprise value of Reliance Infratel and GTL Infra — including debt and equity of the two — is about \$11 billion (Rs 50,000 crore). This includes Reliance Infratel's debt of an estimated Rs 18,000 crore. This debt will now

get transferred to GTL, drastically reducing RCom's debt burden. The total debt in RCom, after the recent payment for the 3G spectrum licence, is Rs 33,000 crore.

There will be substantial value creation for the two million RCom shareholders as they will get free shares of GTL Infra. The swap ra-

tio is being decided.

"This is a classic example of a large conglomerate and a mid-size company with competence agreeing to work together in a partnership. There will be no compromise on our independence and neutrality of operations," a GTL spokesperson said.

Over the weekend, both parties agreed on a non-binding arrangement. Independent valuers and auditors will now take about two months to complete the exercise and will help finalise the swap ratio. A definitive agreement will be signed between the two parties after that. The closure of the transaction can be expected three months from then.

"Keeping in mind (that) there will be a court process in the merger, we expect the deal should conclude by November," said a person with direct knowledge of the process.

People involved in the transaction told *Business Standard* that RCom towers, with an average tenancy of 1.7, will attract a per tower enterprise value of Rs 52-55 lakh.

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