

GTL Infra - RCom tower merger

Publication: Business Standard, Date: June 28, 2010

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THIS MEANS A portfolio of 50,000 towers would translate to an enterprise value of Rs 26,000-27,500 crore for Reliance Infratel. This is a significant premium to the Aircel tower deal that saw an enterprise value of Rs 45 lakh per tower. Aircel's average tenancy was 1.2.

Reliance Infratel will retain its optic fibre cable (OFC) network and divest only the physical towers into the merged entity. People close to the development said the OFC network was independently valued at close to Rs 6,500 crore. Combining that would have become unwieldy and GTL also wanted to principally remain just a tower company. Also, such a move would have meant the transfer of the network management centre, a critical nerve centre for all telecom companies. RCom, therefore, was unwilling to part with it.

Some people involved in the transaction said post the merger, Tirodkar's Global Group would emerge the single largest shareholder of the merged entity with 30-33 per cent holding. This will be routed through the current promoter group, which includes Global Holding Corporation and GTL Ltd. The existing financial investors of Reliance Infratel since July 2007 — George Soros, HSBC, Fortress Capital, New Silk, Galleon, DA Capital and GLG Capital — may continue but their stake will get diluted.

GTL Infra, added the people quoted above, is likely to divest 10-15 per cent in favour of a strategic investor who will also bring in the needed eq-

TOWER TANGO

Comparison with global peers

Particulars	American Towers	Crown Castle	SBA Communication	GTL Infra*
No. of Towers	27,989	23,935	8,538	105,000
Tenancy	2.83	3.29	2.47	2.50
EV (US\$ Bn)	21.14	17.62	6.77	26.33
Revenues (US\$ Bn)	1.90	1.80	0.60	1.70
EBITDA Margin (%)	68.00	62.00	62.00	75.00
EV/Tenant	266,224	224,220	320,838	100,000

* Post Aircel & Rel Infra Merger (Estimated FY '12)

Source: Companies and Industry estimates

uity. Talks are on with a clutch of strategic investors such as Saudi Telecom and global private equity investors such as Blackstone. But, such a deal is still some time away.

"What is interesting is that an Ambani has decided to divest his business and continue as a strategic financial investor. That's unprecedented in Reliance history and it also shows how the outlook towards businesses are changing," a Hong Kong-based telecom analyst with a leading foreign brokerage firm said on condition of anonymity.

How will Tirodkar and GTL Infra raise the cash? Sources said the initial cash payout for GTL will be Rs 15,000 crore. This will principally be towards picking up the Rs 18,000-crore tab of Reliance Infratel's debt. GTL Infra has approached SBI Caps to help it in debt financing of close to Rs 12,000 crore. GTL Infra's promoter will also infuse Rs 3,000 crore equity. The operating cash flow of the merged entity will be used as collateral to raise the debt.

The balance amount will be made through share swaps between GTL Infra's promoter and existing shareholders of RCom. A 10-12 per cent stake dilution to a strategic investor in the short term will also assist GTL minimise the debt burden.

Standard Chartered was the exclusive financial advisor of GTL in this transaction.

Post the deal, Global Group is expected to cross revenues of \$2.5 billion, a total balance sheet of \$12 billion and earnings before interest, taxes, depreciation and amortisation of \$1.2 billion.