

CREATES WORLD'S **LARGEST INDEPENDENT TOWER CO**

# RCom merges tower biz with GTL Infra

## TAKING THE CALL

### FUND TRAIL

GTL will raise the required funds by a combination of equity and debt. For equity sale, it is in talks with a few PE investors, including Blackstone

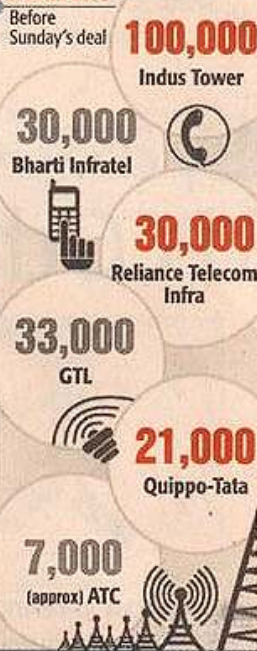
### DEAL DYNAMICS

RCom shareholders will receive GTL shares and RCom will get money. Sources said Anil Ambani may get at least a 26% stake in the combined entity. RCom will retain its optic fibre network

### DEBT WISH

RCom, as per sources, will cut its debt by Rs 18,000 cr using the cash proceeds from the deal

### TOWERING NUMBERS



## Deal To Cut RCOM's Debt; Co To Retain Optic Fibre Unit

Our Bureau  
MUMBAI

**R**ELIANCE Communications (RCom) on Sunday announced a deal that would see its tower business combine with smaller rival GTL Infrastructure to create what it claimed would be the world's largest independent telecom tower company with an enterprise value of Rs 50,000 crore and 80,000 towers. The GTL Infra-RCom deal is one of the biggest domestic M&A deals.

The transaction will help RCom reduce debt by more than half, as the Anil Ambani-led company prepares to roll out high-speed wireless services known as 3G.

RCom will demerge its tower arm, Reliance Infratel, into GTL Infrastructure and receive stock and cash in return, the companies said in separate press statements. RCom shareholders will receive shares of GTL Infrastructure, and the company will get money from the transaction, the statements said.

The exact amount of money and the shares to be given by GTL will be determined later with the help of independent valuers and advisors. The transaction is expected to be closed in six months. ET was the first to report on the structure of the RCom-GTL deal in its June 17 edition.

A banker in the know of the deal said Mr Ambani is likely get at least a 26% stake in the combined entity while Manoj Tirotkar, the owner of GTL Infra, would get around 30-35%. The shareholders of RCom, other than Mr Ambani, would get 24% and equity-holders of GTL Infra the rest, numbers reported in the ET story. "The deal is being done in such a way as to ensure the neutrality of the tower company," the banker said.

"RCom shareholders may get a 50% stake in the new tower company being created by the transaction," said Rahul

Jain, telecom analyst with Dolat Capital. "Reliance Infra is going to contribute half of the new company's tower assets."

While details are not available, the core of the transaction involves a massive debt reduction, of around Rs 18,000 crore, for RCom. This debt, which consists of shareholder loans by the owner of RCom, the Anil Dhirubhai Ambani Group, or ADAG, as well as overseas loans, will have to be serviced by the new tower company. The shareholder loans, when repaid by the new tower company, will come back as cash to the parent company.

RCom, which has said it is planning to induct a strategic partner, will see its debt immediately come down to Rs 15,000 crore once the deal is done.

"If RCom then manages to sell a 26% stake to a strategic investor, it will be a debt-free company," Mr Jain said, referring to RCom board's approval on June 6 to sell a 26% stake to a strategic investor.

After the deal, Reliance Infratel will retain only a part of the debt that raised for its optic fibre network business, which is not part of this transaction.

### UNIQUE DEAL

No telco will have a significant stake in the co being created by the deal

### GTL'S FUNDING PLANS

GTL Infra, which will take on a huge chunk of RCom's loans, will raise money by a combination of equity and debt, said a person with direct knowledge of the deal. For the equity part, it is in talks with potential private equity investors, including Blackstone, while debt will be organised by Standard Chartered Bank and SBI Capital Markets, said the person who did not wish to be named.

The person close to the matter said the deal puts the combined value of debt and equity of Reliance Infratel at Rs 30,000 crore. GTL is valued at Rs 20,000 crore.

► RCom largest tenant of new co: P 17

### DEAL DIARY

- In Dec 2008, Tata Teleservices hived off its tower arm, Wireless Tata Telecom Infrastructure, and merged it with Srei group company Quippo Telecom Infrastructure
- In March 2009, Nasdaq-listed American Tower bought Xcel Towers
- In January 2010, GTL bought Aircel's towers
- In Feb 2010, ATC acquired Essar Telecom Infrastructure

PURNIMA

## RIL'S MEXICAN REFINERY PLAN



State-owned Mexican oil company Pemex and RIL may soon forge a partnership to develop a green-field refinery in Mexico, reports Subhash Narayan from Mexico City. P 5