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Publication: The Hindu Business Line, Date: June 28, 2010

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Our Bureau

Mumbai, June 27

Reliance Communication (RCom) said on Sunday that it has agreed to sell its telecom tower business to GTL Infrastructure, a Mumbai-based listed company.

RCom's tower business is operated under a 95-per cent owned company - Reliance Infratel.

Under the deal, the details of which are yet to be announced, Reliance Infratel will merge its tower business with GTL Infrastructure. The enterprise value of the merged entity is estimated to be at Rs 50,000 crore.

RCom will retain the optical fibre network and related business of Reliance Infratel with itself. The tower business alone will be hived off and sub-

sequently merged with GTL Infrastructure.

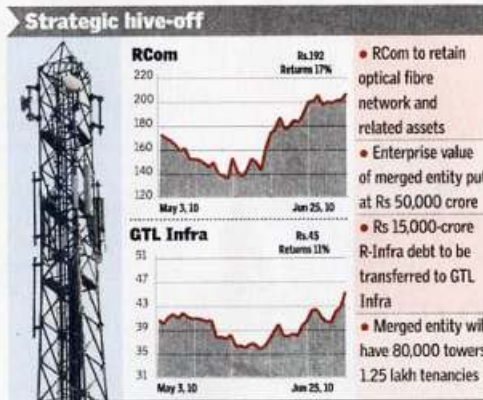
The board of directors of the companies approved the deal on Sunday, said separate statements issued by them.

SWAP DEAL

A spokesperson for RCom said that the deal involves share swap, transfer of debt and cash payment. All shareholders of RCom will get free shares of GTL based on the swap ratio to be fixed by independent valuers.

RCom will transfer Rs 15,000 crore debt of Reliance Infratel to GTL Infrastructure. In addition, RCom will also get cash payment, details of which are yet to be worked out, the spokesperson said.

Reliance Infratel will spin off its 50,000 telecom towers and



add to the GTL's 32,500 towers, creating the world's largest telecom infrastructure company, the RCom statement said.

As a result, the merged entity would own more than 80,000 towers and over 1,25,000 tenancies from over 10 telecom

operators. In addition, it will have a firm option on additional 75,000 tenancies from leading players, the statement said.

The deal will reduce the Anil Ambani-controlled RCom's debt by Rs 18,000 crore, the spokesperson said. After the recently concluded 3G auction, RCom's debt stood at Rs 33,000 crore.

With the debt reduction, RCom is expected to realise a better valuation for the 26 per cent stake that it has decided to sell to a strategic or private equity investor. The company's board meeting took a decision to this effect at its June 6.

Reliance Infratel is the first stake sale in the Anil Dhirubhai Ambani group after the Ambani brothers decided to cancel their non-compete agreement last month, allowing both parties

to enter each other's business areas. The Mukesh Ambani-controlled Reliance Industries also ventured into the Indian broadband market through its \$1-billion acquisition of Infotel earlier this month.

In January, GTL, owned by Mr Manoj Tirodkar, had acquired 17,000 towers from Aircel in a deal valued at Rs 8,400 crore. It took Aircel's debt of Rs 4,500 crore and paid cash for the balance.

GTL Infrastructure is a part of the Global Group that has seven operational companies with combined revenues of \$1.5 billion (Rs 6,967 crore), excluding revenues from the Aircel deal. GTL builds and manages towers and tower infrastructure while GTL Infrastructure owns them.