



Anil's RCom, GTL Infra sign Rs 50,000 cr deal

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BIGGEST AT HOME It will reduce the Ambani firm's debt, will make GTL the world's largest independent telecom tower operator

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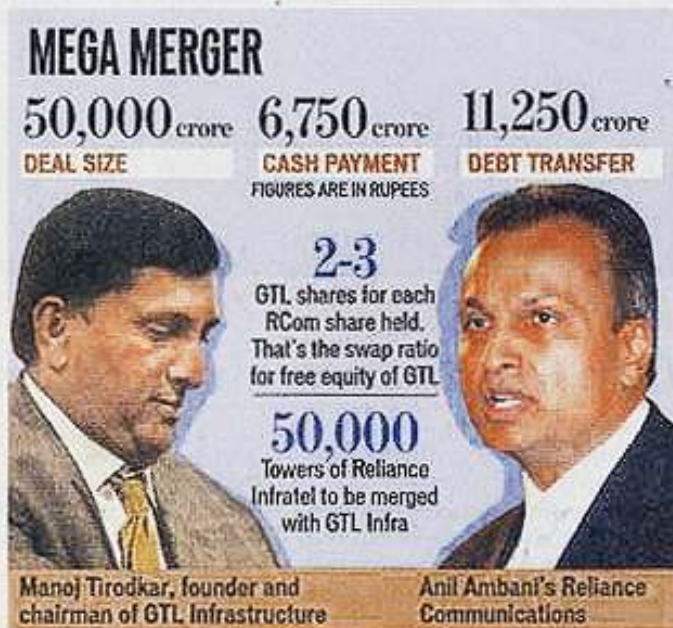
MUMBAI: In what is seen to be India's biggest domestic deal, the Anil Ambani-led Reliance Communications (RCom) demerged the tower business of Reliance Infratel — its 95 per cent subsidiary — and merged it with Manoj Tirodkar's GTL Infrastructure for a total consideration of \$11 billion (more than Rs 50,000 crore) on Sunday.

"Boards of RCom and its subsidiary Reliance Infratel, and GTL Infrastructure today in-principle approved a Rs 50,000 crore deal," RCom said.

The deal has three components to it.

One, the Tirodkar founded and chaired GTL will pay a part of the deal size in cash — according to a source close to the development, the amount stands at around Rs 6,750 crore.

"GTL is planning to raise funds through a private equity deal in order to pay the cash component of the deal and debt portion of RCom," the source, requesting anonymity, told HT.



Two, GTL will absorb a part of RCom's debt. The number is likely to be Rs 11,250 crore, to be paid by GTL over its tenure.

And three, RCom shareholders will get free equity in the merged entity.

While the number is being negotiated, it is likely to be two to three GTL shares for every

RCom share held.

"The proposal will lead to substantial unlocking of value, through cash infusion to RCom, leading to substantial reduction of its consolidated gross debt and improved leverage ratios," an RCom statement said.

"The merged entity will have more than 80,000 towers and

1,25,000 tenancies from over 10 telecom operators," a GTL statement said.

The question is: How will GTL, which has a market capitalisation of Rs 4,000 crore, fund a Rs 50,000-crore deal?

"The company can raise the funds at the merger or after the merger," the source said. "Standard Chartered and SBI Capital Markets are looking at raising the funds for which there is a lot of appetite in the market. There are potential equity investors looking to invest in the independent tower company."

The deal, expected to be complete over the next six months, could reduce RCom's Rs 33,000-crore debt substantially, catalysing the company to move towards a zero-debt status.

The demerger will help GTL, which currently has around 32,000 towers, take its total tower count to 82,000, making it the world's largest.

"This is in line with the firm's plans of taking its tower business to one lakh by 2012," the banker said.

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