

Reliance Infra merger with GTL Infra to create Rs 50,000 cr network

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Companies formally announce the deal that would create the world's largest independent tower firm

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MUMBAI

The flagship company of the Anil Ambani group, **Reliance Communications Ltd (RCom)**, will combine its telecom towers business with **GTL Infrastructure Ltd** in a deal that will create a transmission network valued at Rs50,000 crore, the two companies said on Sunday.

The union of RCom unit **Reliance Infratel Ltd** and GTL, a listed entity promoted by Manoj Tirodkar, will create the world's largest independent telecom infrastructure firm, operating 80,000 towers, with 125,000 tenancies from 10 telecom firms. Financial terms of the deal were not disclosed.

RCom would receive a mix of cash and stock under the terms of the transaction. Around two million shareholders of RCom and a clutch of private equity (PE) investors in Infratel would be allotted free shares of GTL. RCom owns 95% in Infratel with the remaining held by PE investors.

The cash infusion into RCom would lead to "substantial reduction of its consolidated gross debt and improved leverage ratios, contributing to enhanced financial flexibility", RCom said in a statement.

Mint first reported on 21 June that the Reliance Anil

Dhirubhai Ambani Group (R-Adag) plans to reduce its holding in Infratel with stake sales to GTL and a PE investor in transactions combining stock and cash. The sale of the towers business would help improve the valuation of RCom and reduce some of the Rs33,000 crore of debt on its books, Mint had reported.

About half the debt on the books of RCom, India's second largest cellphone firm by subscribers, can be traced back to Infratel. The merger of the towers business with GTL precedes the proposed sale of a 26% stake in the phone firm.

"From being a cash-deficient company, RCom would become a cash-rich company. It can utilize the cash to improve the quality of its existing services and expand them," said V.K. Sharma, head of private broking and wealth management at HDFC Securities Ltd.

A person familiar with the development said that following the deal, RCom's net debt would drop by more than half. The person didn't want to be named.

Anil Ambani would stay on as an investor in the merged entity with a 26% stake while Tirodkar would hold 30-35% stake, said a banker familiar with the development who also didn't want to be named.

The amount of cash infusion into RCom and the share swap ratio would be finalized with the help of independent valuers and advisers.

The banker quoted earlier said that the deal priced RCom's towers at Rs59 lakh apiece, valuing RCom's tower

Anil Ambani will stay on as an investor in the merged entity with a 26% stake, while the GTL promoter will hold 30-35%

assets at around Rs30,000 crore. GTL will sell a part of the stake in the merged entity to PE investors to pay nearly Rs15,000 crore to RCom, the same banker said.

With this acquisition, GTL can also fulfil its commitment to provide access to 20,000 towers to **Aircel Ltd** under an agreement the two companies signed in January.

In that deal, GTL bought Air-**cel's** 17,500 towers for Rs8,400

crore and committed to build 20,000 towers for the seller. By acquiring Infratel's towers, GTL will not have to incur any additional capital expenditure while adding another anchor tenant in the form of RCom. Aircel is GTL's existing anchor tenant.

"This is the third telecom operator to spin off its tower business into a separate entity after Indus and Tata-Quippo. Separating the tower business from the main company helps telecom operators focus on developing (their) markets while the tower company can focus on its operations and reduce costs by employing the right skill-sets," said Prashant Singhal, telecom industry leader at audit and consulting firm Ernst and Young.

Shares in RCom have risen 33% in June. GTL Infrastructure shares are up 24% this month.

Reuters contributed to this story.