

Assocham Eco Pulse Study

“Mergers and Acquisitions in Telecom Sector”

December 2008

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M&A in telecom lucrative even in slowing markets: AEP

Even as the slowdown has taken toll on the merger and acquisition space, the Indian telecom growth story continues to buy investors' confidence as the sector has accounted for 33 per cent of the total M&A deals in the fiscal so far with the valuations crossing \$9.15 billion.

The Assocham Eco Pulse (AEP) Study on "Mergers and Acquisitions in Telecom Sector", has found that telecom sector has proved to be one of the biggest growth booster for the Indian economy as around twenty deals worth more than \$9.15 billion have been announced with the dominant objective of expansion and growth.

The Study revealed that maximum of the telecom deals were inbound with foreign companies infusing money to the tune of \$8.065 billion in order to gain grounds on the Indian soil which is adding average eight million subscribers every month.

The deal valuations at domestic front, however, remained relatively less. The Study done by Assocham Research Bureau states while the Indian firms spent \$408 million in offshore buyouts, mergers worth \$ 679 million were announced during the period April to November 2008.

The robust deal activity in the telecom sector gains significance specifically in the backdrop of decline in the global merger volume by almost a third in 2008 due lack of credit, plunging stock markets and financial crisis enveloping most of the developed countries.

"Indian telecom growth story seems to have remained unaffected by the global liquidity crisis, with unabated interest in the sector from global operators. The sector is expected to continue to grow at rapid momentum despite all odds prevailing in the economy", said Mr. D S Rawat, Secretary General, Assocham.

Indian telecom market is the fastest growing in the world, where total outstanding cellular subscribers have grown at the rate of 51.7 per cent during the period April to September 2008, over and above the growth rate of 70 per cent for the same period last year. New cellular subscribers have been added at the rate of 26.1 per cent.

The telecom industry players have shown outstanding results in their income statements as well. Sales for the top telecom firms have increased by 30 per cent for the quarter ended September 2008.

The largest deal during the period was the buy out of 26 per cent stake in Tata Teleservices by Japanese company NTT DoCoMo Inc. The \$ 2.7 billion deal makes the Japanese giant's entry into the world's fastest growing telecom market, which has over three times Japan's subscribers.

Another deal of considerable valuations was by Turkcell, which is a leading Turkish telecom company and Europe's third-largest operator by subscribers, to buy 51 per cent stake in Datacom Solutions. Though the deal is in process, the expected value is around \$2.2 billion.

The Italian multinational, Telecom Italia has entered into a joint venture with Unitech Telecom to acquire 49 per cent stake in latter at the cost consideration of \$2 billion. The fund garnered from the deal would be used for laying down the network, rolling out operations as well as bidding for 3G spectrum.

In another deal, Dubai based Emirates Telecommunications Corp (Etisalat) bought out 45 per cent stake in Swan Telecom Private Ltd. for cash up to \$900 million (Rs 4,113 crore). The acquirer multinational aimed at setting foothold in the Indian telecom market through the Indian firm which had got spectrum in ten out of the 22 circles.

The major telecom deal in the domestic market to take place in last eight months was that the acquisition of 40.8 per cent stake in Spice Communications by the Idea Cellular for Rs. 2716 crore (\$679 million).

Among the offshore deals, the largest one included the acquisition of Vanco Group, London based global managed network services provider, for \$ 365 million (Rs.1550 crore) by Reliance Globalcom Limited, subsidiary of India's largest integrated telecom Service provider Reliance Communications.

Tanla Solutions has shed \$18.6 million to acquire Finland based Openbit OY in order to strengthen its hold in mobile payment vertical. A Bangalore-based OnMobile Global had signed an agreement to acquire 100 per cent stake of Telisma SA France, Europe's leading speech recognition software Company for euro 11 million.

Zylog System Ltd has shelled out \$7.5 million acquired Ducont FZ LLC leading application provider in internet and wireless applications in Dubai.

Mergers and Acquisitions in Telecom Sector (April-November 2008)

	Amount in USD million	Total number of deals	number of deals with undisclosed valuations
Total	9152	21	8
Domestic	679	2	1
Inbound	8065	10	2
Outbound	408	9	5