

NTT DoCoMo takes 26% in Tata Tele for \$2.7 bn

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Tokyo-based NTT DoCoMo, Japan's largest mobile phone services operator, has acquired a 26% stake in Tata Telecommunications Ltd (TTS) for \$2.7 billion, valuing the company at \$10.4 billion. In addition, NTT DoCoMo expects to make an open offer to acquire up to 20% of outstanding shares of the listed entity Tata Telecommunications Ltd (TTL) through a joint tender offer with Tata Sons.

The deal could not have come at a better time—Tata group companies are facing tight liquidity conditions. Tata group chairman Ratan Tata has already issued a directive to group CEOs to reduce unnecessary capital expenditure and liquidity crunch. While the telecom sector is largely unaffected by the slowdown, raising funds for the Tata was important because apart from the upcoming 3G auction, the



Happy tune

- ▶ Cash to come in handy for 3G auction & GSM rollout.
- ▶ Analysts say valuation is high in the current market.
- ▶ NTT DoCoMo's strength in a 3G current offer.
- ▶ TTS's net loss for Q2 09 stood at \$4.47.35 crore.

company needs to invest \$1.5 billion to rollout GSM services. News reports also said NTT DoCoMo may later seek a majority stake in TTS. TTS has 30 million subscribers, making it the sixth-largest telecom company in India. NTT DoCoMo now joins foreign telecom firms Vodafone (UK), Mann and Telekom Malaysia (both Malaysia), Ericsson (US) as well as Telenor (Norway), which are present in India through local joint ventures.

TTS and TTL, both based in Mumbai, are telecom units of the Tata group.

According to analysts, the valuation of the deal is somewhat high, keeping current market conditions in mind. But based on TTS's subscriber base, if the deal were to have been struck at a time when markets were buoyant, the valuation could easily have been around \$15 billion. The enterprise value stood at \$1.8 billion in February 2007 was \$1.8 billion and Hsiao's base's value had been a little higher than TTS's.

"During the current economic downturn, when valuations are going down everywhere, valuations for this deal looks pretty high," said an industry analyst. "However, India is the fastest growing market for mobile operators, and there is huge scope for growth. Their own national domestic markets are making foreign service operators believe in India," he added.

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