

DoCoMo pays \$2.7 bn for 26% in Tata Tele

Subscriber valuation better than Bharti, Reliance Comm

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NTT DoCoMo of Japan today said it will buy 26 per cent in Tata Teleservices Ltd for approximately Rs 13,070 crore (\$2.7 billion), valuing the closely-held mobile services operator at Rs 50,269 crore (\$10.38 billion) and each of its 25 million subscribers in 20 circles at Rs 19,334.

Of the 26 per cent stake, DoCoMo will buy six per cent from Tata Sons and other group companies and the remaining 20 per cent will be new shares issued by Tata Teleservices.

In accordance with the takeover regulations of the Securities and Exchange Board of India (Sebi), DoCoMo, along with Tata Sons, will make an open offer for 20 per cent in Tata Teleservices Maharashtra Ltd, which operates services in Maharashtra and Mumbai and has five million subscribers, in which Tata Teleservices holds 37.7 per cent. Together, the two companies have a 9.3 per cent share of the Indian mobile market.

With over 53 million customers, DoCoMo is one of the world's largest mobile services companies. Out of this, 46 million are FOMA subscribers, the brand name for the world's first 3G mobile service based on W-CDMA technology. The company hogged the spotlight in

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(Other recent deals in Indian telecom)

Buyer	Seller	Stake (%)	Enterprise Value (Rs crore)	Subscribers (million)	Per subscriber price (Rs)
Vodafone (2007)	Hutchison-Essar	52	80,840	25	32,336
Idea Cellular (2008)	Spice Comm	40.8	6,800	4.5	15,111
Maxis Comm. Bhd (2005)	Aircel	74	6570	2.2	29,863
Telekom Malaysia (2006)	Spice Comm	49	16,42.5	1.7	9,661.5
Etisalat (2008)	Swan Telecom	45	9,200	—	—
Telenor (2008)	Unitech Wireless	60	11,620	—	—
Telekom Malaysia (2008)	Idea Cellular	15	62,651	27.1	23,152

1999 when it launched i-Mode, the first mobile Internet service, challenging the domination of the personal computer. It was also the first to launch a handset with "wallet transactions" (meaning it can be used as a credit card).

Tata Teleservices operates CDMA-based services and has a licence to operate GSM services, for which it has already received spectrum in many circles. It reported a loss of Rs 1,813 crore in 2007-08, down from Rs 2,062 crore the previous year. A DoCoMo spokesperson in Tokyo said the company will have the right to appoint three directors on the Tata Teleservices board.

The valuation paid by DoCoMo shows the buoyancy in the Indian telecom mar-

ket, notwithstanding the global economic meltdown. In 2006, Sivasankaran had paid Rs 1,200 crore for 8 per cent in Tata Teleservices, giving it a per subscriber valuation of Rs 15,000. In the same year, Temasek paid about Rs 1,500 crore for 9.9 per cent in the company at a somewhat similar subscriber valuation (see table).

The price that Tata Teleservices has received is attractive when compared with the per subscriber market capitalisation of companies like Bharti Airtel and Reliance Communications, which have seen their stocks battered in the market. The per subscriber market capitalisation of the country's largest private sector telecom player, Bharti Airtel, is Rs 14,977,

and that of Reliance Communication is Rs 7,420, based on today's market capitalisation. It has also paid much lower than Telekom Malaysia which picked up a 15 per cent stake in Idea Cellular, which has a near similar subscriber base, at a per subscriber value of Rs 23,152, in July this year.

However, DoCoMo has paid much lower than Vodafone, which picked up 67 per cent in Hutchison-Essar Ltd in 2006 for an enterprise value of \$18.8 billion (Rs 80,840 crore). It paid a staggering Rs 32,336 per subscriber to acquire the stake.

Continued on Page 2

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