

TELECOM DEAL ALERT

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Tracking telecom financing opportunities that matter in the Emerging Markets

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Market sceptical of Zain bid

Banking and industry sources are sceptical about the Vavasi-led US\$13.7bn bid for control of Zain. "We're very surprised and can't see the logic at all," said one leading telecoms banker. With no buy side banks in place; two of the leading consortium members reluctant to commit; and rumours of previous unfulfilled financing projects, the chances for the deal don't look great. *Pages 3-4*

Tata Comms CFO interview

In the first of our Telecom Leadership interviews, Tata Communications CFO Sanjay Baweja talks to Telecom Deal Alert about Tata's continued global growth as well as equity and debt financing options. *Page 1*

Telco execs meet in Singapore

With 30 leading speakers already confirmed, the inaugural TMT Finance Asia conference in Singapore on November 5-6, is on course to be the biggest gathering for telecom dealmakers in Asia in 2009. *Page 6.*

Early Bird rates end Sept 30

There is just one week left to take advantage of reduced early bird rates for the TMT Finance Asia conference. Don't miss out by registering now at www.tmtfinance.com/asia

Busy times for debt bankers

There is plenty of choice for telecom debt bankers with Bharti, MTN, Indosat, Etisalat, The Royal Group and an Asia Pac subsea cable project approaching the market. However, that is not stopping aggressive pricing levels on some deals, with talk of 315bps for Bharti. *Pages 2-4*

Return of the telco IPO

Asian equity markets are opening up for telecom companies again, with Maxis and several telecom towers companies tipped for public debuts.



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The Return of Dealflow:
Telecom Strategies for
Growth and Innovation
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BROADGROUP

Telecom Leader Interview: Tata Communications

Tata pursues global strategy

When Sanjay Baweja joined Tata Communications as chief financial officer in January 2009, the global economy was in free fall and prospects for growth were receding fast. However, his first nine months at the helm have seen the leading provider of new world communications accelerate its impact globally by successfully entering a number of key new markets and territories. It has recently been courted by other leading global operators, including NTT Communications of Japan, but government restrictions on structural financing challenges must be met first. Telecom Deal Alert met with Mr Baweja in London on September 8, prior to him flying on to North America, to find out the key financing challenges and opportunities at the leading global provider of voice business.

Equity and debt opportunities

Mr Baweja told Telecom Deal Alert that he was raising more debt financing in the near term but said that the company was very much in favour of raising non-debt financing in future, if it could gain the necessary government approval. "We believe in the need for equity in the company," said Mr Baweja, "and we are very open in our views as to how this could be structured." He said this could include a special purpose vehicle (SPV) structure. However as the Indian government is still the largest shareholder with a 26.12% stake, the management still needs its approval if it is to raise finance via the equity markets.

Japanese telecom operator NTT Communications is widely reported to be keen on investing in Tata Comms but Mr Baweja denied that any discussions had begun. Until such guidelines have been drawn up by the government the company is not in a position to commence negotiations with any potential partner, he said. However the company has made it clear that it would be keen on going down this route if the government would authorise it. Indeed, Tata Communications has already written to the government earlier this year seeking approval to raise funds, but

the proposal is still pending. NTT announced in June that it wanted to invest in Tata Communications, to increase its foothold in the fast growing Indian telecom market. It said that it was waiting for the Indian government to ease foreign investment norms before taking a final decision on the investment and other options such as forming joint ventures and applying for a license to provide telecom services. Indian laws allow foreign direct investment of up to 74% in telecom companies, but do not permit foreign telecom operators to offer services or seek telecom licenses without a tie-up with a local firm.

WiMAX licence funding

In the meantime, Tata Communications is likely to raise debt financing to cover the US\$300-400m needed for the reserve price for a WiMAX licence in the spectrum auctions timetabled for later in the year. Mr Baweja would not confirm the amount to be raised but said that it was unlikely he would need to raise much more for the auctions as he did not expect the price to go far beyond the reserve price of US\$300-400m. With just US\$1.1bn net debt on its books at present, raising a further US\$400m debt financing will not pose problems for the triple A rated telecom operator. Indeed, with India's debt market especially liquid lately (see Telecom Deal Alert issue 10), and further growth increasing the gap with the rest of the market, pricing should be especially competitive. General market pricing is currently around 300bps and Tata is likely to command better rates, say sources. Mr Baweja said that no lead arrangers had been officially mandated for the new debt financing at the time of the interview. Telecom Deal Alert banking sources suggest that a number of banks are positioning themselves for a deal. Further finance could also be raised for investing in other projects, especially data centres which Mr Baweja said offered a great opportunity because of the need to provide facilities that are closer to the customer. Tata is currently investing in a data centre in Singapore which banking sources suggest would require around US\$180m. Mr Baweja said there were no plans for

Tata Communications to raise merger and acquisition finance, despite the likelihood of an increase in transactions across the telecom markets. However, he said that he welcomed the positive impact that increasing M&A activity will have on pricing in the telecom sector generally. "We have reached a level where consolidation will, if anything, help to stabilise prices, as the major transactions will reduce the stress on pricing," he said.

Global growth opportunities

Tata Communications provides telecom services to businesses and also owns and operates under-sea telecom cable networks. It has three core businesses at different stages of development: the world leading voice carrier business, which is mature and stable; the enterprise and data base business, which is showing real growth, and the emerging markets business which is the biggest engine for growth. The company has also been busy forging pivotal new international deals to expand in new markets including an investment in China's telecom market through a joint venture for 50% ownership in China Enterprise Communications Limited (CEC) which is awaiting regulatory approval, strategic investments in South African converged services operator, Neotel, Sri Lanka and Nepal and a venture with BT through which the UK telco will largely outsource its wholesale voice business to Tata.

The Tata Global Network encompasses one of the most advanced and largest submarine cable networks, a Tier-1 IP network, with connectivity to more than 200 countries across 300 Pops, and more than 1 million square feet of data center and co-location facilities. Tata is also leading the way with its cutting edge managed telepresence services including a global network of rooms that is fast expanding across the world, and its international ethernet service portfolio which is building on its existing MPLS and IPLC capabilities. Mr Baweja, who has been CFO at Tata since January 2009, said: "We are most concerned with acquiring customers. Our network is fairly young and there is constant capacity augmentation. The growth surge continues – especially in the emerging markets – and we will continue to see more voice business growth."