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'We Support RCom-Aircel Merger, But Timely Payments are a Concern'

GTL Infrastructure will support the Reliance Communications-Aircel merger if its dues and future promises are secured, but till then the company must litigate in the interest of its lenders, says group chairman Manoj Tirodkar. The group is looking to monetise the telecom tower company that bought Aircel's towers in 2010 for over ₹8,000 crore, and has now restructured debt with lenders taking over a 51% stake. Tirodkar tells ET's **Deepali Gupta** that he has spent seven years sorting repayment issues and is hopeful that all lenders will make good on their loans. Edited excerpts:

Why are you opposing the RCom-Aircel merger?

We support and welcome consolidation in the industry as also this merger. In the case of this merger, you must remember that we bought out Aircel's towers and have supported that network for the last seven years, even though we ourselves have had financial stress.

The current merger proposal backs up secured creditors, but as service vendors we are concerned about our timely payments and therefore revenues, EBITDA, free cash flow and their sustainability in the future. These were the concerns we raised before NCLT so that they could be addressed at an unsecured creditors meeting.

There are outstanding dues from Aircel and RCom, claims on change of control and future dues that are significant. We estimate receivables and claims worth ₹1,532 crore from Aircel and over ₹73 crore from RCom. We are performing our fiduciary duty and securing our past, present and future receivables and claims due from Aircel and RCom for our lenders, who own over 51% of the company now.

Aircel was one of your largest clients. Will this affect your working relationship with the combine?

Aircel itself has had turbulent times along with the Indian telecom space and I admire Kaizad Heerjee (Aircel CEO) for their effective turnaround. Anil Ambani had been my childhood hero and has proven his 'never say die' attitude with Aircel-RCom merger and the Brookfield deal. The combine forms 40% of our revenue base and in spite of the current legal situation, we are looking forward to working constructively with their proposed Aircel.

What is the progress in your SDR conversion?

At our group level, we have brought down our group debt from ₹19,700 crore at its peak in 2010. We have repaid ₹17,800 crore in last 6 years towards interest and principal, including ₹7,600 crore of debt conversion into equity. In our combined tower company, GTL Infra and CNIL debt is down from ₹13,318 crore at the peak in 2011 to ₹4,841 crore now. It is further expected to come down to ₹3,840 crore post restructuring of bonds and certain repayments

by end 2018. Now that the debt is down and equity value is being restored, we are also taking steps to monetise. We have received active interest from over 19 buyers. If all goes as planned, banks should receive ₹9-11 per share, which should help them recover their investment.

Is this your exit from the telecom sector?

We have agreed to move out of management by inducting a new investor by March 2018.

Not everything I have to deliver or achieve has something to do with me personally. In life, situa-

tions arise when you do something for fulfilling your obligations. We had to do a CDR and SDR with intent to cut debt and now that it is done I would like to ensure continuing jobs for our employees and higher shareholder value. To me entrepreneurship is about creativity, innovation and risk taking. I have taken responsibility for risks I took and rather than blame the sector woes I remain committed to borrowing money the good old way - by paying it back.

Telecom has evolved from 2G to 5G and along with it come opportunities. Once I have fulfilled paying down the debt I am open to considering this wider canvas and re-engage. But for now, the job on hand is clear.

What has the process meant to you personally?

In India you are looked down upon if you have to go through bankruptcy court or restructure.

It took a lot of my energy and most of all in the past

seven years I haven't been able to do anything new. I had to shelve my creativity because of my strong sense of commitment to the lenders. Today, we have enhanced our network uptime from a low of 96.5% to 99.9%. Our normalised EBITDA has grown from ₹582 crore in FY11 to ₹1,300 crore this year. During the process, our total ownership fell from a peak of 80% to now 22% of the combined entity. Between the CDR and SDR, the cost to promoter group was ₹7,756 crore through equity dilution and cancellation of cross holding. Monetary cost apart, I have not taken wages or dividend since inception of GTL Infra.

There wasn't any time to experiment as an entrepreneur. It is sad, but it is something that had to be done.

Why would an investor want to buy GTL Infra?

We are the only truly third-party tower company in a market flushed with potential buyers. Since our restructuring is over, we are debt-light and lean on our costs. We have capacity to double our operating profit in less than five years without needing significant additional capital or debt. Most of our contracts still have a lock-in of 10-15 years, giving an acquirer time to settle in. More than 60% of our revenue in FY18 will come from Bharti, Idea, Vodafone and Reliance Jio who are very strong operators.

Our contributed equity to debt is 0.27, compared with 2.0 industry average, and our debt to EBITDA is close to 3 against the global industry average of 5. Operators have committed more than \$60 billion towards spectrum. The network modernisation and upgrade is overdue, which will benefit the tower companies.

GTL Infra is a beneficiary from entry of Reliance Jio. How do you think it will affect the telecom sector?

Jio is transforming the telecom landscape. Mukesh Ambani has singlehandedly converted a voice-centric 2G market into a data-driven fast-paced Internet-centric industry. This is leading

to forced consolidation and will exert pressure on finances of operators, forcing them to modernise and letting go of tower assets. It is a huge push for digital economy. Jio has been disruptive for the industry but transformational for the country and us.

ET Q&A

MANOJ TIRODKAR
CHAIRMAN,
GTL GROUP



How does the Vodafone-Idea merger affect you?

Vodafone and Idea merger is a smart move on the part of Mr (Kumar Mangalam) Birla to create the No.1 telco. It will accelerate the consolidation process. In my view, this is the first merger that clearly signifies consolidation. We all know that in a few years India will be a maximum 3 to 4 player market. This is very good for the tower industry, consumers and also for the telco space.

Have government policies helped telecom?

It is the PM's vision to transform India into a digitally empowered society. He is a very assertive and decisive leader. The government policies to invest in fibre across India, digital payments, use of social media and e-governance are huge push for tower and internet business.

The government permitting 100% FDI in telecom and tower space and not interfering with Vodafone's tax dispute has all resulted in global investors viewing Indian telecom markets positively.