

Reliance Industries and Reliance Communications Sign Telecom Tower Pact

The Ambani brothers have signed a mega deal to share mobile telecom towers. The agreement would permit Reliance Jio Infocomm, a subsidiary of Mukesh Ambani's, Reliance Industries Limited to rent 45000 telecom towers of Anil's Reliance Communications for a period of 15 years. Reliance Jio Infocomm will pay Rs. 12000 crores to Reliance Communication for this lease, which translates to around Rs. 14000-15000 per tower per month.

The deal is a win-win for both the companies as it provides a regular income stream for Reliance Communications and a quicker and economical network capability to Reliance Jio Infocomm when it rolls out its 4G services. Reliance Jio Infocomm could commence occupying some of the towers in the next six months. As per the market sources, Reliance Jio Infocomm did a hard bargain as the prevailing market rental value for a telecom tower ranges around Rs. 25000 - 30000 per month. Reliance Communication will use a large part of the proceeds to retire debt. It has an outstanding debt of around Rs 39,000 crores.

This is the second telecom business deal between the two Ambani brothers. Earlier, in April this year these two companies had signed a Rs. 1200 crore pact to share the optic fibre network for carrying call traffic across the country. According to Gurdeep Singh - chief executive (mobility), Reliance Communications, it is possible that these two firms will sign more deals that are mutually beneficial. Synergies in telecom operations appear to have brought the two family factions together.

Source: The Economic Times, June 7, 2013