

Vi Story of Towers

Objective- To understand the strategic management concepts used for business development through mergers and acquisitions

Outcomes-Vertical integration of businesses

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The Story

Vi makes it!

For the time being.

Yes, the telecom company that was once known as Vodafone Idea was able to raise ₹18,000 crores through the sale of shares. It can now use that money to reimburse the Indian government and its suppliers for the licenses it purchased to operate the telecom business. Perhaps it can even spend a portion of the funds to improve its infrastructure and entice subscribers to stick around.

While everyone is relieved that Jio and Airtel won't form a duopoly in the Indian telecom market, another company is also relieved. We are discussing the Indus Towers. It is considered one of Vi's "vendors." And Vi has a large debt to them. What, nevertheless, is Indus Towers' function in the telecom industry, you ask? Look, The tower network, however, is something they can "share."

And Indus Towers provides assistance with it. It installs the ubiquitous telecom towers that you see atop

buildings, in wide-open spaces like fields and grasslands, and on college campuses. and after that leases the infrastructure to the telecom companies for their use. There is no need for Airtel and Jio to have towers next to one other; instead, each telecom may easily put its own equipment to the tower it chooses. This also avoids the need for duplicate towers.

Additionally, sharing lowers carriers' overall costs, which translates into cheaper rates for

And thirdly, Vi's revival itself is a boon. Sure, you could argue that the latest funding is just a stopgap for the next few years. But even in that interim, Indus can be assured of having another potential tenant on many of their towers. They're not just depending on Airtel and Jio for their rents. This is crucial because some experts believed that the demise of Vi was imminent. But with fresh money flowing into Vi's coffers, they believe that there's a "100% probability of a three-player market." That's important because for Indus Towers, the best scenario is to have even more telcos in the mix. If they could go back to the days of 12 operators, it would probably be a fantastic outcome. But since that's not happening, they'd be better placed with at least 3. And they'll be hoping it remains that way.

And one way to gauge how this improves is by looking at something called the tenancy ratio. Think of this as the number of telcos that Indus hosts per tower. It's currently at 1.7 and the hope is that with Vi in

the mix, this should trend higher. Oh, and the immediate benefit is that Vi will now be able to settle its debt with Indus.

Actually, IIFL Securities is already doing rid of a provision for "doubtful debts" of ₹100 crores annually that it was previously accounting for. For the time being, the majority of brokerages appear to believe that the only direction for the share price of Indus Towers is 'up'. Hold on, though—we do need to make a few points about this. To begin with, Indus Towers receives about ₹74,000 per month in rental income from each tower. In fact, this decreased from FY21 to FY23. which implies that it is unable to pressure the telcos to raise their prices. And that might be a result of heightened rivalry.