

Reliance Communications Buys Yipes for \$300 Million

By Anoop Agrawal and Shailendra Bhatnagar

July 16 (Bloomberg) -- Reliance Communications Ltd., India's second-largest wireless company, acquired all of U.S.- based Yipes Communications Inc. for about \$300 million, adding customers and markets to its enterprise-data services business.

FLAG Telecom Group Ltd., the undersea-cable unit of Reliance Communications, bought the stake from Norwest Venture Partners, JPMorgan Partners LLC, Crosslink Capital and Sprout Group, Chairman Anil Ambani said in Mumbai today. Yipes, which provides a high-speed data services to about 1,000 customers in 14 U.S. cities, runs an optic fiber network of more than 22,000 kilometers (13,670 miles), he said.

Yipes will accelerate Reliance Communications' entry into the \$90 billion global market for enterprise and institutional data services, Ambani said. Bandwidth demand is rising in India as software companies such as Infosys Technologies Ltd. and Tata Consultancy Services Ltd. win orders from overseas clients.

"It looks like a good acquisition," said Naveen Kulkarni, analyst at Religare Securities Ltd. "Data usage is increasing at 30 percent each year in India and if they get data connectivity by acquiring overseas companies then it improves their utilization rates."

Indian state-run and private banks are switching to computers and other large companies are automating supply chains by linking vendors and customers to their own computer networks.

Shares of Reliance Communications rose 19.35 rupees, or 3.5 percent, to 574.05 rupees at the 3:30 p.m. close of trading on the Bombay Stock Exchange. They had risen to a record 572.7 rupees earlier in the day.

Catching Up

Ambani plans to spend \$2.5 billion this year to narrow Reliance Communications' gap with rival Bharti Airtel Ltd. after he lost out to Vodafone Group Plc. in the bid for Hutchison Essar Ltd. Yipes, whose gross operating margin stands at 55 percent, "is cash positive and highly profitable," Ambani said.

San Francisco-based Yipes, which will become a fully owned unit of FLAG, will expand its network to 30 cities in a year and add as much as \$100 million to the revenue of Reliance Communications in the "next few years," Ambani said.

Reliance Communications, India's second-largest mobile- phone carrier, reported fourth-quarter profit more than doubled to a record 10.24 billion rupees (\$248 million).

"Reliance will take the Yipes franchise forward by leveraging its network in 40 countries," Ambani said. "Particular focus will be on India, the Middle East and Asia."



FLAG Telecom will sell shares to the public this fiscal year that began in April 1, Ambani said. The company plans to spend \$1.5 billion in the next two years to boost coverage in Asia and Africa and double the number of subscribers.

“We have significantly cut FLAG's operating costs,” Ambani said. “FLAG is now profitable at the net level for the first time in its history.”

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Last Updated: July 16, 2007 07:19 EDT