

Reliance Globalcom, the undersea cable business unit of Reliance Communications (RCOM), has received in-principle approval to get listed on the Singapore Stock Exchange. Pegged at around \$1.4 billion, it is seen as Asia's biggest initial public offering (IPO) for 2012. The listing will also go a long way in retiring the huge debt accumulated on RCOM's books.

In the past months, RCOM has taken several measures to reduce its mounting debt. While its efforts to sell a majority stake in Reliance Infratel are still to fructify, the listing of Reliance Globalcom will help the company raise Rs 50 billion-Rs 65 billion by divesting 75 per cent stake in its submarine cable business.

The issue has opened at a price range of \$1.09-\$1.32 per unit. The bankers for the issue include Deutsche Bank, DBS of Singapore, Standard Chartered and the Industrial and Commercial Bank of China. Reliance Globalcom will be listed under the business trust structure. Post the listing, the company's submarine assets and business will continue to be controlled by the existing management. RCOM will continue to hold the remaining 25 per cent equity stake.

Company background

Reliance Globalcom was formed in 2003 as a result of an amalgamation of Flag Telecom with the Reliance Group for \$207 million. Flag, which had emerged from bankruptcy proceedings and had been on the block for over a year before being acquired by Reliance, was reeling under losses. However, the acquisition gave Reliance a foothold in the global business arena with over 50,000 km of submarine cables, thereby ending Tata Communications' monopoly in the undersea cable field.

From 2005, Flag embarked on an expansion path and finally broke even in September 2006. It introduced several higher-value-added products, including international private leased circuits (IPLCs), virtual private networks (VPNs) and Ethernet services. This accelerated the company's revenue growth and increased its profitability.

Flag Telecom later came into the fold of RCOM, led by Anil Ambani, after the Reliance Group's businesses were split between the brothers, Mukesh and Anil Ambani. In 2008, the company was integrated into RCOM's international operations under the Reliance Globalcom brand.

Cable network

Reliance Globalcom owns the largest private cable network in the world with over 277,000 route km of fibre optic cables. This includes 68,000 km of subsea fibre. Through strategic relationships with over 750 network service providers across the world, Reliance Globalcom provides assured connectivity to 163 territories worldwide. This makes RCOM a carrier's carrier as it provides global connectivity solutions to carriers and internet communities through its submarine cable system. The company has cable landing tie-ups across 46 locations in 26 countries with 31 partners.

The company's global backbone spans four continents, connecting key business markets in Asia, Europe, the Middle East and the US. The network consists of five cable systems – FLAG Europe Asia (FEA), FLAG North Asian Loop (FNAL), FLAG Atlantic 1 (FA-1), FLAG Alcatel-Lucent Optical Network (FALCON) and HAWK. The company also owns and operates a low latency, global MPLS-based IP network, which connects most of the world's principal international internet exchanges.

FNAL represents a part of the 9,800 km North Asian Loop submarine, an intra-Asia submarine cable system that links Japan, Korea, Taiwan and Hong Kong in a ring configuration. The entire FNAL submarine cable system consists of six pairs of fibre, three of which are owned by Reliance Globalcom. In August 2011, Reliance Globalcom upgraded FNAL to a 40G submarine network, to introduce 10G local area network physical topography and optical transport network services.

The FEA cable system links the telecom markets of Western Europe and Japan through the Middle East, India, Southeast Asia and China. FALCON is a high capacity, resilient loop cable system that provides multiple landings throughout the Gulf region, with submarine links to Egypt in the west and Hong Kong in the east. Launched in February 2004, FALCON commenced commercial operations in September 2006.

In 2011, Reliance Globalcom launched HAWK, its next-generation submarine cable system connecting Marseille in France to Alexandria in Egypt, terminating at the cable landing station of Cyprus based-PrimeTel. The HAWK cable system seamlessly integrates with Reliance Globalcom's global submarine network and European backhaul network, extending the coverage from Marseille to London, Paris and Frankfurt. This new cable system offers significantly lower latency between Cyprus and London compared to the existing cable systems.

It has a capacity of 2.7 Tbps and spans a distance of about 3,181 km.

Solutions offered

Reliance Globalcom provides a host of solutions to its clients in diverse locations worldwide. These include a full suite of connectivity and infrastructure services such as IPLC, Ethernet private line, Ethernet private point-to-multipoint, managed premium internet, MPLS VPN, global Ethernet and global Ethernet VPLS. It also offers managed wide area network services as well as business solutions including managed contact centre services, application/content delivery networks, security services, co-location application-aware networking solutions. The wholesale services include managed bandwidth services, capacity services and IP transit services. Reliance Globalcom's data centres support active application management, content distribution and cloud computing services in addition to managed services.

To ensure faster disaster recovery, Reliance Globalcom operates a resilient global network operations centre (GNOC) hierarchy. It operates a primary GNOC in Mumbai, a secondary one in the UAE to provide support on the FEA system, a geographically diverse disaster recovery GNOC in London as well as regional network maintenance centres located in the US, Europe and Asia.

As part of its retail voice offering, Reliance Globalcom provides virtual international calling services to retail customers for calls to 200 destinations including India under the Reliance Global Call brand. Its retail services are available in several countries including the US, Canada, the UK, Australia, New Zealand, Hong Kong and Malaysia. Currently, Reliance Globalcom serves over 2,100 enterprises, 200 carriers and over 3 million retail customers across 160 countries and five continents.

Going forward

While there were talks to list Reliance Globalcom in 2008, the plan had to be shelved due to the economic crisis. The decision to list the company now is a valid move by RCOM, which is in urgent need of funds to ease its huge debt. RCOM is optimistic that the business strength of Reliance Globalcom as well as the company's diverse presence will ensure that the IPO receives a positive response from investors.

Besides bailing out RCOM from its huge debt, the company will continue expanding its enterprise carrier model in emerging markets for greater connectivity across the world, particularly in light of outsourcing of IT and IT-enabled services from developed economies to low-cost markets.

Further, undersea cable networks, which carry over 95 per cent of the international telecom traffic, are vital for global commerce. With the global IP traffic set to witness a steep rise, the future of Reliance Globalcom's operations looks promising

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