

The telecom infrastructure segment is an important part of the telecom value chain. It accounts for almost 60 per cent of the total investment in the sector. Hence, the trends and developments in the sector have a direct impact on the telecom infrastructure industry.

Lower operator spends on infrastructure due to the huge investments on 3G spectrum have had a ripple effect on infrastructure providers. Almost every telecom tower company has been revising its plans and strategies accordingly.

Indus Towers, the world's largest telecom tower company, recently announced its plans to add almost 5,000 towers annually for the next five years. This is lower than the company's yearly tower additions in the past.

"We follow operator margins closely. Operators have already spent a huge amount on 3G spectrum and rollout, and are witnessing declining margins. This has impacted our business as well," says B.S. Shantharaju, chief executive officer, Indus Towers.

Another issue is site rollout, which, apart from being a time-consuming process, entails high costs. "The focus has, therefore, shifted from greenfield tower rollouts to scaling up tenancies and reducing expenditure through increased sharing," he says.

Established in December 2007 with 73,800 tenancies, Indus Towers has grown rapidly to become an almost \$2 billion entity. With over 110,000 towers across 16 telecom circles, it crossed the 200,000 tenancy mark in January 2011.

"We have a current tenancy of 1.87 per tower and are planning to increase this to 2 per tower in the near future," says Shantharaju.

A joint venture (JV) of Bharti airtel, Vodafone Essar and Idea Cellular, Indus Towers derives

most of its business from its three stakeholders. “Currently, about 84 per cent of our towers are being used by the JV partners while the rest are catering to new service providers,” says Shantharaju. Some of the company’s other clients include Loop Telecom and Reliance Communications.

### Key initiatives

Increasing energy costs is a key area of concern for the telecom sector. These costs constitute about 8 per cent of total operator revenues, and power and fuel account for about 25 per cent of the total network cost.

Indus Towers consumes 3 million units of electricity a year, enough to power more than 1 million homes, and is the largest power consumer among all industries in the 16 states where it has operations. According to sources, the company buys nearly 35 per cent of all diesel generators manufactured in India. The company is planning to replace diesel generators at 2,500 cell sites with solar panels under a renewable energy pilot programme. Under this, it will opt for an outsourced model of solar power generation. The company has entered into agreements with six companies that will bear the initial cost of setting up solar installations and their maintenance. In return, Indus Towers will have to pay a fixed amount every month.

Another initiative taken by the company is setting up two tower operating centres (TOCs). The main TOC (located in the National Capital Region) controls operations in eight circles in north India while the second TOC (in Chennai) is responsible for operations in the other eight circles. Through the TOCs, the company has been able to increase the performance guarantee to its operators to 99.97 per cent on an average.

### The road ahead

With GTL planning to merge its operations with Viom Networks, the resultant JV is expected to compete strongly with Indus Towers in terms of size and scale. Realising this, the tower company is planning to enhance its scale of operations. Reportedly, Vodafone Essar is planning to sell its telecom towers in seven service areas that are not covered under the existing agreement with the company. The deal would give Indus Towers an edge in the growing competition in this space.

Future growth drivers for the company include 3G and broadband wireless access network rollout, and network expansion in rural areas. It has already rolled out over 22,000 3G sites in the country in a span of six months. Going forward, with all three of its stakeholders likely to emerge as leading players in the 3G space, the tower company's business is expected to hold strong.

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