

Deal Corner

January 01, 2000

PROVIDENCE INVESTS INTO IDEA CELLULAR

DEAL BRIEF

The Indian telecom industry is passing through exciting times. With already the fifth largest telephone network in the world, the Indian telecom industry is targeting 500 million mobile users by the year 2010. Currently, there are 110 million users and the growth rate is 5 million users per month. The Indian government is liberalizing its regulations and now permits foreign investment up to 74% in telephone services. TRAI has recently announced recommendations for providing 3G services. The industry expects the 3G user base to grow to 21 million users by the year 2010. With a high GDP growth rate, lower tele-density levels compared to China and Brazil, and the lowest airtime rate (about two cents per minute), India provides immense opportunity in this space. Consequently, several transactions including Maxis' acquisition of Aircel, Telekom Malaysia's investment in Spice, and Hutch's increase of its stake have been reported.

In line with this trend, Providence Equity Partners acquired approximately 15% equity stake in Idea Cellular Limited. This acquisition is Providence's first investment in Asia. While it was a significant transaction, its terms are kept confidential. Other players such as TA Associates, ChrysCapital, Citigroup, etc., also acquired stakes in Providence.

Providence Equity Partners is a global private investment firm specializing in equity investments in media and entertainment, and in communications and information companies around the world. The principals of Providence Equity manage funds with over US\$ 9 billion in equity commitments and have invested in more than 80 companies operating in over 20 countries since the firm's inception in 1990. Some of their other investments are in AT&T Canada, Cellular One, MGM, Intelsat, Telecordia Technologies, T-Mobile and Warner Music Group.

Idea is a leading wireless operator in India with over 10 million subscribers, and with operations in 11 of the country's major markets. Idea is among the top five cellular service providers in India by revenue, providing service to 58% of India's total telephony market. In addition to its cellular services, Idea provides several innovative value-added services.

OUR ROLE

We at Nishith Desai Associates acted as counsels to Providence Equity Partners in this transaction.

Read more:

- Providence Business News - Providence Equity acquires 15% of Idea Cellular
- Rediff - Providence buys 15% in Idea for Rs 1,800 cr
- Financial Express - Birlas offload 25% stake in Idea
- Business Standard - Providence buys 15% in Idea for Rs 1,800 cr
- Reuters - Providence Equity buys stake in Idea Cellular

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