

## DOMESTIC OUTSOURCING

## IBM wins Vodafone contract, its fourth telecom deal in India

The \$600 mn deal is expected to support the roll-out of Vodafone's wireless network and growing customer base

BY MALOVKA RAO & ABHINEET KUMAR  
BANGALORE/MUMBAI

The world's biggest tech services company, **International Business Machines Corp. (IBM)** has signed a contract estimated at around \$600 million (Rs2,364 crore) to manage the information technology function at **Vodafone Essar Ltd**, India's third largest mobile phone services provider.

The five-year deal is IBM's fourth such outsourced tech services contract with telecom companies—**Bharti Airtel Ltd**, **Bharat Sanchar Nigam Ltd** and **Idea Cellular Ltd** are the other three clients—in India, in addition to similar contracts with reaty major **DLF Ltd**, **Delhi International Airport Ltd** and the Central Board of Direct Taxes.

The contract, which will see the transfer of some 300 of the telecom company's full-time IT staff to a local unit of IBM, is expected to support the roll-out of Vodafone Essar's wireless network and fast-expanding customer base, which stood at 38.5 million at the end of last month.

"Under the deal, IBM India will assume responsibility for the management of all of Vodafone Essar's IT operations



**Innovative structure:** IBM Corp.'s corporate headquarters in Armonk, New York. The order from Vodafone Essar points to the company's growing success in winning technology service contracts in India.

with the exception of network service platforms, spanning both hardware and software," Vodafone Essar said in a statement.

"The agreement will encompass the management of IT services including the development and maintenance of key applications such as billing, business intelligence and financial systems."

The agreement also covers internal IT services such as data centre operations and support such as an IT help desk, security and transition programmes. Vodafone Essar will continue to retain full strategic control of its IT requirements. The telecom firm de-

clined to divulge payment terms of the deal. "The agreement has an innovative structure based on risk and reward. Under the terms of the agreement, IBM's revenue from the deal will be linked to the commercial performance of Vodafone Essar," a spokesperson for the company said.

But one person close to the deal, who did not want to be identified, said the contract is valued at \$600 million.

An analyst independently put it higher. "Bharti Airtel's deal (was set at) 2.25% of their adjusted gross revenue. Based on that, Vodafone's deal size for five years would be around \$650 million," he said, re-

questing anonymity, too.

Monday's contract reflects IBM's growing success in winning tech service contracts in India. In March, Idea Cellular outsourced some of its tech and support operations to IBM in a 10-year, \$800 million deal. Bharti Airtel, extended a 10-year revenue-sharing deal to manage its core IT infrastructure, earlier this year to more than \$1 billion.

IBM expects its revenues from India, which grew 39% last year, to top \$1 billion in 2007, *PTI* reported from New York on Sunday. It plans to invest more than \$6 billion over three years through 2009.

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## 9.9 MEDIAWORX

## Ananda Bazaar CEO scripts media start-up

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After consulting media and entertainment companies across the US and India as a **McKinsey & Co.** partner for more than a decade and then leading India media house **ABP Pvt. Ltd** as its chief executive officer, **Pramath Raj Sinha** is starting up a diversified media enterprise.

Sinha, with three former senior ABP colleagues—**Vikas Gupta**, **Asheesh Gupta** and **Anuradha Das Mathur**—plans to launch community-specific business-to-business periodicals, mass publications and digital platforms. His company, **9.9 Mediaworx Pvt. Ltd**, also plans to enter the film entertainment business and launch an entity that will invest in media companies. 9.9 is pronounced nine-dot-nine.

"The (media) industry is still at its infancy with most companies playing the mass game, whereas we think that niche and targeted products are where the future growth is going to come from," Sinha said. "With 9.9 Media, we are planning to launch a diversified portfolio of media and entertainment properties that will tap these opportunities."

To start with, 9.9 Media will have five businesses—9.9 Insights, 9.9 Digital, 9.9 Print, 9.9 Ventures and 9.9 Studio. 9.9 Insights will cater to selected communities of professionals (for instance, chief technology officers) and organizations (such as mid-sized companies) through periodicals and events such as conferences and expo-

sitions. Sinha said he was hopeful of launching six to eight magazines under 9.9 Insights over the next one year. The company has already acquired one such publication, which will likely be announced on Wednesday. Besides, it is all set to launch under licence in India a "leading international title" catering to mid-sized companies. This venture will be headed by **Mathur**.

Under 9.9 Print, the company plans to invest in running publications. "We wish to have a presence in the newspaper space and we will ideally want to acquire and run such a property on our own," said Sinha. Besides a newspaper, the group, to be headed by **Vikas Gupta**, a former Coca-Cola India marketing head, wants to launch niche business and news periodicals.

9.9 Digital will house various online initiatives of the group, including the digital versions of its print publications. "We will also offer off-shore services in the area of content development and publishing to institutional clients under this project," said Sinha. The biggest of the group's plans involves entry into film entertainment in "the long term". To start with, the group plans to produce small budget films. It will also work with independent film producers by financing, marketing and distributing content in India and abroad.

9.9 Mediaworx is funding the current projects through internal accruals but in future will raise funds through private sources.

## WIDER REACH

## RTIL plans website to identify locations for telecom towers

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In an effort to easily identify locations for the telecom towers it plans to set up, **Reliance Telecom Infrastructure Ltd (RTIL)**, a subsidiary of **Reliance Communications Ltd**, will soon launch a website that will serve as a medium to link site owners with the company, according to executives at Reliance Communications familiar with the development who did not wish to be identified.

Tower sites are required by telecom tower companies such as RTIL to set up either ground-based towers or rooftops towers in private or commercial buildings.

The owners of land, apartments, houses or commercial buildings lease out space for towers to tower companies for between eight and 10 years. RTIL's website, [www.btssite.relianceada.com](http://www.btssite.relianceada.com) will be the first of its kind in the world, claim the executives. It will be launched in a few days, they add.

Tower companies approach site owners directly or through middlemen, including proper-

The firm will also put out a list of locations where it wants to set up towers

ty dealers. Through its site, RTIL aims to reach out directly to individuals and companies that own land or buildings where towers can be installed. Interested owners can log on to the site and submit details. The company then evaluates the site and sees how it fits its infrastructure requirements.

Reliance executives claim the new approach benefits both parties. In addition, the site will have a list of locations where RTIL is interested in setting up towers. RTIL has more than 15,000 towers and is constructing another 25,000, which will be ready by March. This is part of its plan to set up more than 40,000 tower sites that will cover 25,000 towns and 600,000 villages during the current financial year.

## DIVERSIFYING BUSINESS

## IVRCL mulls \$1 bn investment in overseas acquisitions



**Ambitious plans:** IVRCL chairman and managing director E. Sudhir Reddy.

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Hyderabad-based Rs2,379 crore infrastructure company **IVRCL Infrastructure and Projects Ltd** is looking to acquire companies providing so-called oil-field infrastructure services in an effort to grow and diversify its business.

The company plans to invest a total of \$1 billion (Rs3,940 crore) in such acquisitions and

is talking to investment bankers to help it identify suitable targets.

"We are not really looking at owning oil and gas wells, which is a different ball game altogether. The acquisitions would be in areas such as onshore and offshore drilling and allied services such as 2D (two dimensional) and 3D (three dimensional) seismic surveys and any software-related services," said E. Sudhir Reddy, chairman and managing direc-

tor of IVRCL. Seismic surveys are carried out by oil exploration and production companies as part of their exploration or production plans.

IVRCL's plans come in the wake of its acquisition, for an undisclosed amount, of **Alkor Petroo Ltd**, an oil and gas exploration and production company with 25% interest in three exploration blocks in Yemen and 20% interest in two blocks in Egypt. **Gujarat State Petroleum Corp. Ltd** holds the rest

and IVRCL has already announced its decision to spend \$50 million in the exploration of these blocks.

Reddy said IVRCL will spend between \$100 million and \$150 million on each acquisition. "It is better to acquire a smaller company and then ramp it up." However, Reddy added that the company would not mind spending up to \$1 billion on a single acquisition if a suitable company were available.

IVRCL had previously tried to acquire some large rig companies in Venezuela but lost out as it was not the highest bidder.

The company has since built teams to look for opportunities in the US and the Asia-Pacific region. "We would like to primarily own rigs and then go in for allied services such as capping the wells, laying pipelines... and loading and unloading... We are looking keenly at companies located in Middle East, Venezuela and Russia," Reddy said.

Shailesh Kanani, a research analyst with the Mumbai-based brokerage **Angel Broking Ltd**, said infrastructure companies are trying to de-risk their business model by venturing into other related businesses. "IVRCL's planned acquisitions can augur well for the company if it is able to leverage the opportunities available," Kanani added.

Shares of IVRCL gained 0.62% on the Bombay Stock Exchange on Monday to close at Rs497 each even as the exchange's benchmark **Sensex** lost 35 points to close at 19,930 points.