

Publication	The Economic Times
Date	29 th March 2011
Headline	Despite unclear spectrum road map, there's no risk to our expansion plan

Despite Unclear Spectrum Road Map, There's No Risk to Our Expansion Plan



Sistema Shyam TeleServices Ltd (SSTL), a joint venture between Sistema of Russia and Shyam Group of India, has invested over \$2.2 billion (around ₹9,900 crore) in India so far, but accounts for a mere 10 million of the country's 750 million mobile connections. A new entrant, SSTL which retails its services under the MTS brand, is betting big on being a data-centric operator since current broadband penetration level is less than 1% compared with 55% in voice services, but lack of clarity on additional spectrum allotment may derail its plans. SSTL president and CEO Vsevolod Rozanov said his management has asked the promoters and investors to keep their funding plans on hold until there is clarity on the regulatory and policy framework. In an interaction with Joji Thomas Philip, Rozanov talks about the challenges the CDMA operator faces in India and its expansion and IPO plans. Edited excerpts:

As per the direction of the courts, are you not supposed to carry out the listing of Sistema Shyam this fiscal? When will the IPO happen?
The court has only ordered that we do an IPO. It has not directed a specific timeframe for it. The process has already been initiated and we will specify its status by the end of this financial year. We will soon appoint bankers for the proposed listing. But, at the current market conditions, we will not command valuations at which the Russian government might have picked up stake in Sistema Shyam—the stake sale valued us at over \$3 billion. We understand that the minority shareholders want to exit, but they will not benefit if we go in for an immediate listing. While there is a legal case, an IPO must also have a financial case too, else it will lead to value destruction for all shareholders. I am sure that minority shareholders will understand this.

The Russian government picked up less than 20% in Sistema Shyam. Has the money come into the company? There have also been reports of the company raising funds for expansion.
The investment of \$600 million from the Russian government has already come into the company. This will take care of our funding requirements for this calendar year and also some part of next year. The funds will be used to finance the development of the company, particularly to strengthen its position in the wireless broadband market. The funds will also be used to expand the branded retail network in existing circles and accelerate the launch of operations in new ones.

New entrants, including Sistema Shyam that were given mobile permits under controversial circumstances by former telecom minister A Raja, have all been issued show-cause notices seeking cancellation of those permits? What is your response to these notices?
We were required to pay only ₹11 crore as liquidated damages for failure to roll out services in some circles and we have done so. Sistema Shyam was not among companies that were sent notices



GSM operators will be spectrum-constrained. Their smartphone customers will use data services that will use up their 3G spectrum. India apart, there's only one country (Austria) in the world, where telcos have less than 10 MHz of 3G spectrum. Besides, none of the GSM operators here has pan-India airwaves. Hence, they will have to share this resource to have a national 3G footprint.

VSEVOLOD ROZANOV S
President and CEO, SSTL

for allegedly submitting doctored documents the 2G scam.

Is Sistema worried about the lack of clarity and road map for spectrum allocation? Is the current regulatory and policy framework a concern for your shareholders and investors? Will this impact your expansion plans?

While the spectrum road map is not clear, there is no immediate risk to our expansion plans for this year and the next. Yes, there is no clarity on how and when the new entrants will be given additional airwaves. We have just 2.5 MHz of airwaves across the country, the lowest amongst all mobile phone companies. We will need additional airwaves, especially to service our wireless data customers. We are committed to the government's vision of a national broadband plan and already have over 0.5 million wireless broadband customers. As the spectrum crunch increases, we can increase the number of towers, but that is not a cost-efficient way to offer mobile telephony services.

Your strength lies in data card business. But, with GSM operators now having 3G spectrum, they can easily challenge MTS in the wireless broadband space. So, going forward, you stand to lose out in this space too.

My opinion is that GSM operators will be spectrum-constrained. Their smartphone customers will use data services that will use up their 3G spectrum. India apart, there's only one country (Austria) in the world, where telcos have less than 10 MHz of 3G spectrum. Besides, none of the GSM operators here has pan-India airwaves. Hence, they will have to share this resource to have a national 3G footprint.

So, the congestion will come in faster in the 3G space. Their (GSM telcos) focus, therefore, may not be on the data card segment.

But we hope that new M&A rules will allow operators to have more spectrum. Currently, with so many players, the airwaves are divided into narrow bands and, therefore, cannot be used efficiently.

The price wars in the telecom space have sent revenues and profits of all operators plunging. Can Sistema Shyam meet its targets for profitability under the current scenario?

We stand by our earlier guidance that we will be EBITDA positive by 2013 and cash positive by 2015. These are extremely aggressive ambitions considering the current telecoms market in India.

Being a CDMA operator, are you not at a disadvantage. The GSM ecosystem is better and offers more choice of operators and handsets. Besides, the initial results of mobile number portability indicate that customers are opting out of CDMA. If the M&A rules change, will you buy a GSM-based telco to become a dual-technology operator like Reliance Communications and Tatas?

I don't think we are disadvantaged because CDMA has a narrow ecosystem. MTS is the only operator that is focusing on CDMA in India. In the handset space, a lot more models are coming in. The challenge in India is that our competitors who offer CDMA-based mobile services may be focusing more on their GSM operations as they offer services on the dual-technology platform. This may have had an impact on the CDMA ecosystem here. Yes, our competitors may have lost CDMA customers after

mobile number portability has been introduced, but this does not apply to MTS. We are net positive in terms of customer additions under MNP. Even under a new M&A regime, it is unlikely that we may buy a GSM operator. But that is for the shareholders to decide. At Sistema Shyam, we made a conscious decision to be a CDMA player and we stand by that.

Your average revenue per user (ARPU) is far below the industry average. Will you break even in India with such low revenues per customer?

Our ARPU is ₹80 per month, and while this is below the national average, you must take into account that most of our customers are new users. We are doing okay if one were to consider the national average for incremental ARPUs. Our data card customers are giving us about ₹700 per month. We are counting on the data ARPU, not voice. Our ARPU is increasing by ₹4-5 every quarter, led by increased data off-take and we are happy with that.

GSM operators are all advertising their 3G offerings. While CDMA can offer the same speeds, how do you get the message across? Besides, CDMA has a problem on the handset side too? Will bundling help?

It took us about nine months after the launch of our data cards to get the business model right. Moving to 3G will not be smooth for any operator. I don't think GSM operators are in a position to offer 3G dongles. They will rather concentrate on moving their high-end mobile customers to the 3G platform. Therefore, our position in the data card segment will not be impacted much.

Most CDMA users have low-end phones. Convincing customers to move to smartphones is a huge challenge. Actually, for us the smartphone segment began only after September 2010. We have been successful in selling data cards and we will use this expertise to sell smartphones. We started with a low-end base, and earlier there were not many handset models for our customers to upgrade to. But this is changing. The open market initiative where CDMA customers can use the same handset across operators on the same technology platform is helping. While bundling may not have taken off in India, on the global stage most of the high-end handsets are sold like this. While there are risks associated with bundling in India, we feel that by controlling the channel, we can minimize them. We have introduced an Android-based HTC touch screen handset, called MTS Pulse, which costs about ₹18,000. Customers need to pay ₹1,500 a month for which they are given a host of freebies, including SMS, data downloads and free minutes. Our target is to have 30 million customers.

Indian telcos traditionally have outsourced most of their core functions. What about MTS?

Our outsourcing strategy is different from that of other telcos.

For instance, we have outsourced the management of our networks to Ericsson, ZTE and Huawei, while for IT, we have about five different partners. We feel that this is a more efficient model.

Publication	Financial Chronicle
Date	30 th March 2011
Headline	MTS banks on voice services

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MICHAEL GONSALVES

Pune

MTS, the mobile telephony brand of Sistema Shyam Teleservices (SSTL), plans to introduce post-paid voice services in all its 22 circles in the next two to three months. To attract subscribers, the company plans to offer free the Rs 18,000 high-end MTS Pulse smartphone sourced from High-Tech Computer Corporation, Taiwan. The only condition is that the customer has to sign up for a monthly rental of Rs 1,500 with a 12-month commitment.

On Tuesday, the company launched the post-paid voice service in Maharashtra and Goa circles. Last

week it had covered Karnataka, Mumbai and Delhi circles. Its major rivals are Airtel, Vodafone and Reliance Communication.

"We plan to launch our post-paid services in all the remaining 18 circles within two-three months," said Ashoo Sethi, SSTL's COO for Maharashtra and Goa.

"Our target is to build a 30-million-strong customer base in the next two-three years," he said. At present, the company's subscriber base stands at over 10 million out of 750 million mobile connections in the country.

Regarding the free smartphone offer for a monthly rental of Rs 1,500, Sethi said, "The customer will get 1,500 minutes, 1,500 SMS and 1,500

MB data usage every month free for the next 12 months."

He said the company was targeting customers across all user categories, especially the youth and professionals on the move.

SSTL is a joint venture between Sistema of Russia and Shyam group of India. Sistema is the majority shareholder in the JV with a 73.71 per cent equity share. The Shyam group holds 23.79 per cent stake and the remaining 2.5 per cent is publicly held.

Sethi said the company had already invested over \$2.2 billion in the India operations. "We will be EBIDTA positive by 2013 and cash positive by 2015," he added.

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Publication	The Financial Express
Date	30 th March 2011
Headline	Sistema Shyam Teleservices eyes 30% mkt share by 2014

Sistema Shyam Teleservices eyes 30% mkt share by 2014

fe Bureau

Pune, Mar 29: Sistema Shyam TeleServices Ltd (SSTL), a joint venture between Sistema of Russia and Shyam Group of India, is targeting to carve a 30% share in the wireless data access space in India by 2014. "By 2013, Sistema will break-even in terms of EBIDTA margins and become cash-even by 2014," Ashoo Sethi, chief operating officer, Maharashtra and Goa, Sistema Shyam Teleservices, said.

The company has invested over \$2.2 billion (around Rs 9,900 crore) in India so far and accounts for 10 million of the country's 750 million mobile connections and 5 lakh high-speed mobile-Internet subscribers across 130 towns. Sethi said that the company had set a target of selling 500 of its newly launched post-paid connections under the MTS brand on a monthly basis.

"Depending on the response, the company would be scaling this upto 2,000 post-paid connections per month,"



he said. The company, which commenced operations in Maharashtra in December 2009, as on date has over seven lakh voice subscribers and one lakh subscribers for data services. The MTS post-paid, voice services are now available in Pune, Nagpur, Nashik, Kolhapur, Solapur, Aurangabad and Goa.

To mark this rollout, MTS is offering an HTC Android smartphone with each connection. There are plans to bring in bundled options with Blackberry and other brands in the range of Rs 6,000 to Rs

12,000, soon. On the show cause notices issued by Trai seeking cancellation of permits following the recent 2G controversy, Sethi said that Sistema was not among the companies that received any notice.

"The company paid up the necessary damages for some circles, but we have not received any notices from Trai," he said. The company plans to scale up its flagship stores to 150 from the current 130 outlets in Maharashtra & Goa. It also has a retail network of 40,000 outlets.

Publication	The Times of India
Date	31 st March 2011
Headline	SSTL issues 54.7 cr shares to Russia

SSTL issues 54.7 cr shares to Russia

New Delhi: Sistema Shyam TeleServices Lt (SSTL), a JV between Sistema of Russia, the Russian government, and the Shyam Group of India, said on Wednesday that it has issued 54,73,12,918 equity shares to the Russian government for the \$600 million fund it received in December 2010.

Sistema operates its telecom services under the MTS brand, which has over 10 million wireless subscribers, and under the MBlaze brand it provides mobile broadband services to more than 500,000 customers in over 130 towns across the country.

“Prior to this share allotment, the SSTL also issued 19,06,49,582 equity shares to its existing shareholders, including the Indian promoters, the Shyam Group,” the company said in a statement. The rights issue, launched mid-February and closed March 8, was done to accommodate the foreign direct investment by the Russian federation into the SSTL.

The objective of opting

for the rights issue was to provide equal opportunity to all the existing shareholders in the new proposed equity structure of the company, the statement said. With the completion of all formalities and allotment of shares to the Russian federation also getting closed, the paid-up capital of SSTL now stands at Rs.3193.92 crore.

“We are delighted to have received an overwhelming response from all our existing shareholders to the rights issue,” said Vsevolod Rozanov, president and chief executive officer of SSTL. “Additionally, with formalities relating to the allotment of equity shares to the Russian federation also getting completed, it truly represents a major milestone,” he added.

The revised holding structure of SSTL leaves Sistema with 56.68% stakes, while the Russian federation holds 17.14% stakes, Shyam Group 23.98% and the remaining 2.2% are held by the public. Earlier equity held by Sistema in SSTL was 73.71%. . PTI

Publication	Hindustan Times
Date	31 st March 2011
Headline	Sistema Shyam issues 547 mn shares to Russia

**Sistema Shyam issues
547 mn shares to Russia**

NEW DELHI: Sistema Shyam, a joint venture between Russia-based Sistema and India's Shyam Telecom group, on Wednesday issued 547.3 million equity shares to the Russian government against \$600 million received in December 2010. Sistema Shyam is a CDMA-based mobile service provider with over 10 million subscribers. The rights issue was open to all existing shareholders of SSTL, excluding Sistema, the company said. **HTC**

Publication	The Hindu Business Line
Date	31 st March 2011
Headline	Sistema Shyam raises Rs 194 crore thru rights issue

Sistema Shyam raises Rs 194 crore thru rights issue

Completes stake sale to Russian Government

Our Bureau

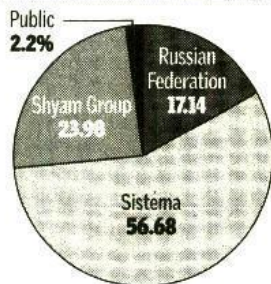
New Delhi, March 30

Sistema Shyam TeleServices Ltd (SSTL) on Wednesday said that it has raised Rs 194 crore through a rights issue subscribed by all the current shareholders. The joint venture company between Shyam Group and Sistema has also completed the stake sale to the Russian Government.

The Federal Agency for State Property Management of the Russian Federation (Rosimushchestvo) had earlier announced plans to pick up 17.14 per cent stake in SSTL for \$600 million. As a result, Sistema's stake in SSTL has dropped to 56.68 per cent from 73.71 per cent earlier. The company issued 54,73,12,918 equity shares to Rosimushchestvo against the funds received in December 2010.

SSTL plans to utilise the funds to finance the continued

New share holding in SSTL



development of the company, and in particular to strengthen its leading position in wireless broadband. The funds will also be used to expand the branded retail network across the various telecommunication circles and to further accelerate the proliferation of the company's telecom services in a number of new circles.

"All formalities relating to the allotment of shares were however completed on March 25, 2011. Prior to this share allot-

► *SSTL plans to utilise the funds to finance the continued development of the company, and in particular to strengthen its leading position in wireless broadband.*

ment, SSTL also issued 19,06,49,582 equity shares to its existing shareholders including the Indian promoters i.e. the Shyam Group," said a press statement.

The rights issue, launched in middle of February, was done to accommodate the foreign direct investment by the Russian Federation into SSTL. The rights issue was open to all existing share holders of SSTL, excluding Sistema (LSE: SSA).

"The objective of opting for the rights issue was to provide equal opportunity to all the existing shareholders in the new proposed equity structure of the company," the statement added. The paid-up capital of

SSTL now stands at Rs 3,193.92 crore. According to Mr Vsevolod Rozanov, President and CEO, Sistema Shyam TeleServices Ltd: "Both these developments are a testament to the faith reposed by all the shareholders in our company, which now has over 10 million customers. Going forward, the challenge is to further accelerate the proliferation of our telecom services nationally, in sync with our data centric, voice enabled strategy."

The new capital structure has been registered with the Registrar of Companies and the stake sale has the approval of the Foreign Investment Promotion Board.

Publication	Business Standard
Date	31 st March 2011
Headline	Sistema Shyam allots shares to Russian govt

Sistema Shyam allots shares to Russian govt

BS REPORTER
New Delhi, 30 March

SISTEMA Shyam, a joint venture between Russian Sistema and India's Shyam group, has issued 54,73,12,918 equity shares to the Russian government against \$600 million received in December last year.

All formalities relating to the allotment of shares have been completed, a company statement said. According to the revised holding structure of SSTL, the Russian Federation holds a 17.14 per cent stake, Sistema 56.68 per cent, Shyam Group 23.98 per cent and the remaining 2.2 per cent is held by the public.

Prior to this share allotment, SSTL also issued 19,06,49,582 equity shares to its existing shareholders including the Indian promoters—Shyam Group. The rights issue was done to accommodate the foreign direct investment by the Russian Federation into SSTL. The issue was open to all existing shareholders of SSTL, excluding Sistema, the statement said.

The paid-up capital of SSTL now stands at ₹3,193.92 crore.

The company offers mobile service across various telecom circles under the brand MTS with 10 million customers. SSTL plans to utilise the entire fund to finance its development and to expand its branded retail network across various circles.

Publication	The Tribune
Date	31 st March 2011
Headline	SSTL completes share transfer to Russian govt

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TRIBUNE NEWS SERVICE

NEW DELHI, MARCH 30

Sistema Shyam TeleServices Ltd (SSTL), a joint venture between Russian Sistema and India's Shyam group, today said that its had completed the formalities of issue of shares to the Russian government with the transfer of 54,73,12,918 equity shares against \$600 million received in December 2010.

"The rights issue was launched in the middle of February and closed on

The company offers mobile service across various circles under the brand MTS

March 8, 2011. It was done to accommodate the foreign direct investment by the Russian Federation into SSTL. The rights issue was open to all existing shareholders of SSTL, excluding Sistema," SSTL said.

"We have received an overwhelming response

from all our existing shareholders to the rights issue. With formalities relating to the allotment of equity shares to the Russian federation also getting completed, this is a milestone," SSTL President and CEO Vsevolod Rozanov said.

The company offers mobile service across various circles under the brand MTS. Under the MBlaze brand, it provides mobile broadband services to more than 500,000 customers in over 130 towns across the country.