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Rostelecom Completes NTK Takeover

By Rachel Nielsen

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Having a wired “last mile” to reach the country’s largest broadband market is part of Rostelecom’s strategy. **Vladimir Filonov**

With Rostelecom planning to take full ownership of Moscow broadband operator National Telecommunications, the state-owned telecoms giant is poised to get a foothold in the capital's crowded market for fixed-line Internet and paid television services.

Rostelecom's board of directors was expected to approve at a Monday meeting the terms for buying 28.2 percent of National Telecommunications, or NTK, Vedomosti reported Monday. It will pay 13 billion rubles ($446 million) for that stake, the business daily said.

A 71.8 percent share of NTK was bought by Rostelecom in February 2011 from National Media Group, Surgutneftegaz and Severstal majority shareholder Alexei Mordashov for 27.9 billion rubles, according to Vedomosti. The remaining stake is being bought from Gazprombank.

The acquisition of the Internet and paid-TV provider could help Rostelecom gain a good position in the capital's retail telecoms market.

In the market for broadband Internet in Moscow, MTS has the biggest share, holding 25 percent, according to iKS-Consulting. Next is Akado with 19 percent, followed by VimpelCom with 18 percent and MegaFon with 9 percent. According to these figures, which are preliminary estimates for the end of 2011, Yota-brand operator Skartel and NTK each have 8 percent.

NTK, however, was the fastest-growing operator in Moscow last year, iKS-Consulting analyst Mikhail Bodyagin said.

In fact, it posted an eye-popping 90 percent increase in subscribers for its broadband Internet service in 2011 compared with the previous year, NTK general director Sergei Kalugin told Vedomosti.

The deal between NTK and Rostelecom "makes it possible to preserve NTK's level of service quality, as well as [NTK's] high level of growth," Bodyagin said.

He added that "the possible merger of NTK and Central Telegraph within Rostelecom could strengthen the position of the company in the Moscow market even further." About 40 percent of Central Telegraph is owned by Svyazinvest, which holds roughly the same percentage of Rostelecom, according to Vedomosti's company database.

In May, when Rostelecom's board of directors approved a corporate development plan for 2011-15, Rostelecom president Alexander Provotorov said in a press release that "innovative projects and new services" would lead to "the company's transformation into a national service provider."

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