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AFK Sistema Pulls Out of 10 Indian Regions

By The Moscow Times

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AFK Sistema's Indian affiliate Sistema Shyam Teleservices is wrapping up its mobile phone business in 10 out of 22 of the country's broadcast regions.

The company plans to contend for broadcasting frequencies in the remaining regions at an upcoming auction, according to the statement posted on AFK Sistema's official website Thursday.

The company's shrinking operational geography will reduce the starting price for broadcasting licenses from $1.7 billion to $600-700 million, Kommersant said.

Sistema plans to concentrate its Indian telecom business on regions with higher demand for broadband services. SSTL also hopes to obtain broadcast frequencies in the 800 megahertz range at the auction, which is scheduled for March 11, the statement said.

The company has not decided whether SSTL will apply to all 12 remaining regions. The decision will depend on frequencies' prices in each region, the number of other contenders and other factors, Sistema's press office said.

Broadcasting frequencies became available in February, when India's Supreme Court canceled 122 mobile phone operator's licenses, including 21 of 22 SSTL's licenses.

The first auction scheduled for November 2012 was cancelled due to a lack of interest from operators, who considered starting prices too exuberant. In early 2013 the Indian authorities announced a reduction of the starting price by half, to 91 billion rupies ($1.7 billion), Kommersant said.

The Indian government also confirmed that SSTL will be credited for the amount of previous license payments when buying new licenses, which could amount to about $300 million, Sistema said.

The company is not predicting how much new licenses will cost, noting that SSTL will have to pay a quarter of the price at once and pay off the rest after three years in installment payments deferred for 10 years.

SSTL provides CDMA mobile communication services to 16.6 million subscribers. Its revenue in the third quarter of 2012 totaled about $73 million, and the company posted a net loss of $90 million.

AFK Sistema owns 56.68 percent of SSTL, 24 percent belongs to Shyam Group, 17.14 percent is owned by Russia's Federal Property Management Agency and 2.18 percent is held by minority shareholders.

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