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RCom acquires US major for \$300 mn

Company's biggest buy gives it global foothold

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In its biggest acquisition deal so far, Reliance Communications (RCom) announced it had bought US data communications company Yipes Holdings in an all-cash deal for \$300 million (Rs 1,200 crore).

The company was acquired from venture capital firms Norwest Venture Partners, controlled by Promod Haque, Crosslink Capital and Sprout Group, and private equity firm JP Morgan Partners.

Haque, Yipes chairman and Norwest Venture Partners managing director, will also join the board of the new company, which has been acquired by and will function as a subsidiary of Flag Telecom, the submarine cable company RCom acquired in 2003 for \$207 million.

The acquisition will help the Indian telecom services provider to penetrate the \$100-billion global enterprise and institutional data market. Yipes has a 40 per cent share of the US data communications market.

By synergising operations with Flag Telecom, RCom Chairman Anil Ambani aims to become a global leader in the ethernet-based data communi-



From left: Anil Ambani, chairman, Reliance Communications; Jarrett Appleby, chief strategy and marketing officer, Flag; and John Scanlon, CEO, Yipes during RCom's announcement to acquire US-based Yipes Holdings in Mumbai on Monday
SURYAKANT NIWATE

cations market. Ethernet is the latest and most popular technology for data communications.

Yipes is headquartered in San Francisco and owns over 22,000 route kilometres of fibre across 14 US cities and has a presence in London, Hong Kong and Tokyo.

Flag and Yipes will work jointly to address markets in which RCom has a presence, like India, West Asia and other Asian regions.

Announcing the deal here

today, Ambani said: "This is the largest acquisition Reliance Communications has ever made. This will drive forward our strategy to offer sophisticated, cutting edge data communication products and services, specialising in application and content distribution."

"Yipes is a highly profitable company," he added.

The RCom scrip ended 3.49 per cent higher at Rs 574.05 on Monday on the Bombay Stock Exchange from Rs 554.17 on Friday.