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What Yipes adds to Reliance Communications

ANALYSIS

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Reliance Communications' buyout of Yipes Communication through FLAG Telecom signals a clear intent to become an international player in data communications.

This deal could help the Indian telecom major capture a share of the \$100-billion US data market.

With 22,000 route km of optical fibre across 14 cities in the US, Yipes has presence in financial, legal, government and healthcare sectors. In telecom, its clients include Verizon and NTT DoCoMo.

► *RCom could also lend its own experience, scale and expertise to expand Yipes' market in the US.*

Yipes specialises in metro-ethernet products, which are products that help compress and efficiently manage data-transfer across cities.

Metro-ethernet is a network of switches and routers for data connectivity across geographies.

Flag Telecom (a RCom company) is an international voice and data traffic carrier and has a global undersea fibre-optic network.

The possible synergies between Flag Telecom and Yipes appear to be at the root of this acquisition.

Yipes has about 1,000 enterprise data customers (including New York Stock Exchange and Nasdaq).

A combination of Flag's global network with Yipes' local network and good proprietary products could help Yipes emerge as a complete data solutions provider for many American players. This 'complete' connectivity may reduce the cost of providing services.

RCom could also lend its own experience, scale and expertise to expand Yipes' market in the US. (RCom ,

by itself, has connected about 4,88,600 buildings in India by Ethernet to its own network).

To establish itself as an international player in the data market, RCom may have to unleash aggressive marketing in the US.

For starters, it already has 1,000 clients of Yipes.

Despite its potential, the enterprise data market is competitive and is a relatively thin margin business, with players like AT&T and a large number of niche players. It remains to be seen, as the acquisition unfolds, as to how well the perceived synergies of the three players pan out.