

Vodafone pumps \$7bn into India unit

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Vodafone has injected more than \$7bn into its Indian subsidiary, boosting its firepower for an emerging price war and bolstering its balance sheet ahead of a planned public offering.

The UK-based mobile operator said it had infused Rs477bn (\$7.1bn) of equity since April into Vodafone India, which is facing a big push into the sector from oil products giant Reliance Industries.

The company claimed this represented the biggest instance of foreign direct investment in India's history — even as it is in the middle of fighting a \$2bn tax case with New Delhi that has weighed on foreign investor sentiment towards the country.

Sunil Sood, chief executive of Vodafone India — the country's second-biggest mobile network by revenue after Bharti Airtel — said in a statement that the capital would be used partly to acquire spectrum and upgrade the company's network.

Bidding will begin next week in India's biggest spectrum auction by amount of spectrum available, with the leading telecoms operators set to invest heavily in

expanding capacity for the fast-growing 4G data market.

Vodafone has deposited Rs27bn ahead of the auction, giving it scope to acquire more spectrum than Bharti Airtel, third-placed Idea Cellular and three smaller peers, who all made smaller deposits.

But this was dwarfed by the Rs65bn deposited by Reliance's Jio business, which is rolling out its service through a

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three-month free trial, and has vowed to attract 100m users within "the shortest possible time" by offering unprecedentedly fast data connections at low prices.

This month, Reliance chairman Mukesh Ambani announced deals including free voice calls and data tariffs as low as Rs67 per gigabyte as well as free downloads for three hours a night.

Vodafone and the other market leaders have slashed data tariffs to remain

competitive, while becoming locked in a dispute with Reliance, which claims they have tried to undermine its launch by refusing to open sufficient interconnection points with its network.

Analysts at Bernstein wrote last week that Vodafone was "not well prepared" for 4G provision and "will need to spend big at the upcoming auction to maintain share", estimating that it would have to pay Rs176bn for new spectrum.

The capital injection will help Vodafone India pursue investment without amassing debt that could affect sentiment towards the long-mooted flotation of a business that now has more than 200m users, Vodafone said yesterday — up from 31m when it acquired it in 2007.

Vodafone has been in talks with bankers this year on the Mumbai public offering, but analysts expect it to wait for the impact of Reliance's entry to become clear, as well as for a resolution of its long-running \$2bn tax dispute with the Indian government.

The two sides are locked in international arbitration following a \$2bn tax claim over Vodafone's acquisition of the local business, made retrospectively by New Delhi in 2012.