

## Reliance expands into U.S. with \$300M Yipes purchase

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Anil Ambani's Reliance Communications, India's second-biggest mobile services provider, said on Monday it was acquiring US-based Ethernet services provider Yipes Enterprise Services Inc. for \$300 million in an all-cash deal that would help Ambani gain a foothold in the US market and scale up its optic fiber network.

"I am pleased to announce a further major growth in Reliance," Reliance Communications Chairman Anil Ambani said. "Yipes is a leading specialist in cutting edge data communication products and this will accelerate our entry in the data communication market in developed and emerging markets."

Yipes' has over 13,000 miles of optic fiber network, an operating margin of 55 percent and is cash positive. Ambani said the purchase will accelerate his company's entry into the \$90 billion global market for enterprise and institutional data services.

The purchase is Reliance's largest as the firm aims to provide sophisticated, cutting edge data communications products and services, specializing in application and content distribution.

The ethernet market alone was valued at \$10 billion, Ambani said, adding it was forecast to grow at a compounded annual rate of about 30 percent to more than \$25 billion by 2010.

"We see enormous potential to rapidly expand Yipes coverage in the US and to globalise Yipes service by leveraging our customer relationships and network reach around the globe. We confidently expect this acquisition to significantly enhance the growth rate, profitability and returns of our global data business," Ambani said.

Reliance Communications has more than 35 million internet and land-line subscribers in India, the world's fastest growing mobile market. It shares the market with leading wireless firm Bharti Airtel and Vodafone's Hutchison Essar.

Ambani said Reliance Communications, which acquired FLAG Telecom, owner of an undersea cable system, will spend Rs. 1,000 crore to roll out Yipes' services in Asia, Africa Middle-East and Europe in the next coming year.

"The acquisition of Yipes will place Reliance Communications among the top three Global Ethernet service providers in the world. Reliance Communications with FLAG has a strong foothold in India the Middle East and Asia, including China, Hong Kong and Taiwan," Punit Garg, President, Global Business, Reliance Communications, said.

"We plan to leverage the significant headstart of Yipes in Ethernet services, double the coverage in the US domestic market, and rollout Yipes services over the FLAG Global Network. We are fully committed to bringing Ethernet services to nearly 40 new countries."

Flag Telecom is a leading provider of international network transport and data services to telecom operators, content providers and internet communities worldwide.

Yipes' existing customers include Verizon and NTT.

Reliance Communications also sees a four to five percent increase in revenues of Yipes over the next 4-5 years.

Yipes was acquired from venture capital firms Norwest Venture Partners (NVP) controlled by Pramod , Crosslink Capital and Sprout Group, and private equity firm JP Morgan Partners. The investments the partners made in the Ethernet firm were not disclosed.

Haque will be on board of the acquired company.

Yipes, established in 1999, is a data communication provider with nearly 1,000 customers, mainly in the financial,

legal, government and health care sectors. The company has provided communication platforms for the New York Stock Exchange and NASDAQ.

Headquartered in San Francisco, Yipes has a reach across 14 US metro areas, covering nearly 40 percent of the total US datacom market. Yipes is also present in London, Hong Kong and Tokyo.

Reliance Communication has the second largest number of mobile phone subscribers in India. It reaches more than 8,000 towns and 300,000 villages in the country.

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