

SUMMARY OF PROPOSED INVESTMENT (SPI)

Disclaimer

This Summary of Proposed Investment is prepared and distributed to the public in advance of the IFC Board of Directors' consideration of the proposed transaction. Its purpose is to enhance the transparency of IFC's activities, and this document should not be construed as presuming the outcome of the Board decision. Board dates are estimates only.

Project Identification:

<i>Country:</i> India	<i>Project Name:</i> Microqual	<i>Project No.:</i> 31279
<i>Region:</i> South Asia		<i>Environment Category:</i> B - Limited
<i>Dept./Div.:</i> CN1S5-Reg Ind, Infra & Nat Res, ASIA/Infra & Nat Res-CSA		<i>Company Name:</i> Microqual
<i>Project Business Sector:</i> N-AC - Mobile Telephony		<i>Project Status:</i> Active

Parent Project Identification:


Parent ID:	
Parent Short Name:	
Parent Relationship:	No Relationship

Document Status:

Date Disclosed	10/12/2011 5:32:50 PM
Date Revised SPI Disclosed (if appropriate)	
Enter Projected Board Date [or internal management date]	11/30/11
Date of Clearance by client for factual accuracy	10/10/11

Description of the Project:

Microqual Techno Limited ("Microqual" or the "Company") is a telecom equipment manufacturing and services company that caters to Original Equipment Manufacturers (OEMs), telecom operators and telecom passive infrastructure providers in India, SAARC countries and Africa. The Company presently provides turnkey active and passive network installation and active & passive network management services primarily in India with a strategy to expand its international footprint. Microqual also manufactures a range of passive components like RF cables & transmission kits, in-building products, repeaters etc. for RF/ microwave industry at its plants located in India.

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The Company is planning a foray into outdoor telecom leasing infrastructure business by installing mobile telecom towers on existing electricity grid network (“Power Tower”) for the first time in India. Microqual, through competitive bidding processes, has obtained 10-year exclusive rights to develop wireless telecom site solutions on selected power transmission towers from Powergrid Corporation of India (PGCIL) and State Transmission Companies (STC) for installing and operating mobile telecom equipments on these towers. Microqual intends to develop a portfolio of about 10,000 – 15,000 such towers across India and lease it out for use by various telecom operators. To enhance its technical and safety capabilities, Microqual has entered into a joint venture agreement with Buckley Cable Construction Co., United States, which has two decades of experience in deploying and managing telecom infrastructure including power solutions.

Additionally, the Company is also developing a portfolio of in-building distributed antennae system across various properties in India. This will also be leased out to various telecom operators in India.

Project Sponsor and Major Shareholders of Project Company:

Microqual was set up in 1999 by Mr. Mahesh Choudhary with his family support and his cousin Mr. Varun Choudhary. The Company initially started manufacturing passive Radio Frequency components mainly for Wireless in Local Loop applications and kept expanding its product / service offerings. Key shareholders in the Company include Mr. Mahesh Choudhary, Mr. Varun Choudhary and their family members.


Financial investors in the Company include PE firms Indo-US Venture Partners, JAFCO Asia, BTS Advisors and Headland Capital Partners.

Total Project Cost and Amount and Nature of IFC’s Investment:

Microqual is planning to raise \$55 million to roll-out of the first batch of towers. IFC is considering an investment of up to \$25 million as a combination of debt (IFC A Loan) and equity/ quasi equity instruments.

Location of Project and Description of Site:

The initial batch of transmission towers are in the several northern states of India. Microqual expects to expand its reach further by bagging rights over towers in other parts of India as well. The initial roll-out of Power Towers is expected to take place in the above mentioned states.

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Expected Development Impact of the Project:

- a) The Project will have a strong development impact by the way of reducing the capital expenditure and set up time associated with installing new telecom infrastructure and thus facilitate expansion of telecom services in rural and remote corners of India.
- b) Project will contribute to climate change mitigation by reducing the diesel fuel through the initial use of renewable based hybrid energy solutions and later on, direct tapping of electricity from transmission networks.
- c) Deployment will result in employment opportunities in hilly states and rural areas. It will also contribute to government revenues by way of taxes and reduced use of subsidized diesel fuel.

IFC's Expected Additionality:


IFC has a strong role in this early stage project through the following:

- a. Microqual is a growing company with plans of rolling out services in India, SAARC, Middle East (GCC Countries) and Africa. IFC investment will act as a stamp of approval which will help it raise capital from international players which will be critical in its subsequent growth. Also, Microqual expects IFC to play a long term role by providing multiple financing as it grows further
- b. Demonstration effect: Long term debt and equity financing from IFC will enable demonstration of Power tower in India - an alternative which will help expand telecom services to rural and LIS areas

Environmental and Social Issues B - Limited :

The proposed investment is a Category B project because a limited number of specific environmental and social impacts may result that can be avoided or mitigated by adhering to generally recognized performance standards, guidelines and design criteria. Potential adverse construction impacts are likely to be limited to project sites, short term, able to be effectively managed and mitigated, and likely to have no or limited impact on environmentally sensitive features and sites. Project operational impacts are also manageable and generally mitigable through appropriate design and the implementation of suitable engineering and management measures.

Microqual's 'power tower' projects will deliver significant environmental benefits. With permission to step-down power from power transmission lines to provide electricity to the telecommunication devices, the dependence on fossil fuels will be reduced. At the same time, due to infrastructure sharing model, the telecom industry's footprint on land will be considerably reduced, while the outreach will increase significantly in rural areas.

 International Finance Corporation <small>Member of the World Bank Group</small>	Project ID 31279	
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Approval Status:

TL Clear-1 - Cleared by Harsh Singhal at 10/13/2011 2:08:11 AM.

Comment : A minor error in the name of Company now corrected. Earlier it was Microqual Techno Pvt Ltd - corrected to Microqual Techno Ltd as required by client..

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