

## M&A Lab

May 17, 2010

### BHARTI CONNECTS WITH ZAIN AFTER TWO MISSED CALLS WITH MTN

Finally, Bharti Airtel Limited (“**Bharti Airtel**”) bags the ‘big ticket’ to begin its much awaited African Safari. The highly ambitious, Indian entrepreneur, Mr. Sunil Bharti Mittal had always looked at Africa as the venue for the next round of technology and telecom revolution and had never concealed his intent to be a part of African business history. Bharti Airtel was determined to find its way into Africa, but the crucial question was who would be the indigenous partner? The two rounds of extremely arduous negotiations with MTN Group Limited (“**MTN**”) could not bring any success for Bharti Airtel. However, the failure to woo MTN did not dampen the spirits of Bharti Airtel or dilute its ambitions. The writing on the wall was clear; choosing another African partner was only a matter of time.

On February 15, 2010, Bharti Airtel announced that it had entered into exclusive discussions with Mobile Telecommunications Company KSC (“**Zain**”) for the acquisition of Zain Africa International BV (“**Zain Africa**”) and thereby the entire African operations of Zain, excluding the operations in Sudan and Morocco. With bitter experience to haunt, Bharti Airtel strategically played it safe this time and made an offer to Zain which it just could not refuse. For a commercially ailing Zain, Bharti Airtel’s offer of USD 10.7 billion was a jackpot.

The deal makes Bharti Airtel the seventh largest mobile group in the world by subscriber connections and the second-largest African operator, behind MTN. Considering the extraordinary efforts that Bharti Airtel has put in order to fulfill its goal of entering the untapped African telecom market, the position seems to be well deserved. However, even this deal comes with its own set of problems, including the high acquisition price paid by Bharti Airtel to acquire a loss making entity, objections raised by the minority shareholder of Zain Nigeria, Governments of Congo and Gabon and an alarming culture misfit. According to Forbes, “investors know that it’s easier for Sania Mirza to win the Wimbledon than for Bharti to make money in Africa”.

In our M&A Labs titled ‘**BHARTI-MTN: Ringing The Bell From Asia To Africa**’ dated June 5, 2009 and ‘**Second missed call: Bharti Airtel fails to reconnect with MTN**’ dated October 9, 2009, we had critically evaluated the transactions proposed between Bharti Airtel and MTN in the two rounds of failed negotiations. In this M&A Lab, we explore the Bharti Airtel – Zain deal to analyze the commercial, legal, regulatory and tax aspects of this transaction which marks the entry of Bharti Airtel and brand ‘India’ into African shores.

**For a detailed analysis of the commercial, legal, regulatory and tax considerations and to access the M&A Lab, please [click here](#).**

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– Arun Scaria, [Ajay Singh Solanki](#), Sambhav Ranka, [Nishchal Joshipura](#) & Siddharth Shah  
You can direct your queries or comments to Team M&A

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