DELTA IN THE NEWS

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Interviewee: Fede Membrillera, Partner
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Zain's African sales challenged

David George-Cosh

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Zain's deal with Bharti Airtel is yet to get regulatory approvals in various African markets.
Trevor Snapp / Bloomberg

Government officials and shareholders of several of the African units that Zain has sold to Bharti Airtel have disputed the sale, which could force the buyer to forgo ownership rights in the subsidiaries.

On March 30, Zain signed a binding agreement with Bharti Airtel of India to acquire 15 mobile operators in Africa for US$9 billion (Dh33.05bn), along with $1.7bn of debt.

The deal is pending regulatory approvals from the authorities in various African markets.

On Monday, Thierry Moungalla, the telecoms minister for the Republic of Congo, said the sale of Zain Congo was illegal and he would not approve the deal under current conditions.

Mr Moungalla said his government had not been informed of the transfer of the mobile operator and cited an article in the country's telecoms regulation in which an operator in breach of the law may be fined and have its licence suspended or terminated.

"The Congolese government does not object to the rules of the game of business," he said. "Someone wants to sell, he is entitled to sell; someone wants to buy it, right to buy. But we are in a particular sector."

Zain's Congo subsidiary is the fourth-largest mobile operator in the country with 1.5 million subscribers.

There is also a legal dispute with Econet Wireless Holdings, a South African-based telecommunications firm that owns a 5 per cent stake in Zain Nigeria. Econet says it has the right of first refusal to buy the operator if it is up for sale.

Hugh McCaffrey, the European telecoms analyst for Goldman Sachs, released a report last week after meeting Strive Masiyiwa, the Econet chief executive, and said the dispute could affect the Zain Nigeria deal.

Zain Nigeria is considered one of the jewels of the company's African businesses. Nigeria is the largest market in the 15 African countries where Zain operates, with more than 14 million subscribers, and contributes about 26 per cent of Zain's African business as measured by earnings before interest, taxation, depreciation and amortisation.

"In a worst-case scenario, Bharti would have to relinquish ownership rights over the Nigerian assets and perhaps renegotiate the amount it paid to Zain to acquire its African assets, in our view," Mr McCaffrey said.

"It is unclear whether there is any clause in the agreement signed between Bharti and Zain which allows them to renegotiate at a later stage."

Meanwhile, the government of Gabon said on March 29 that it "disapproved" of the sale of Zain Gabon because both operators failed to comply with the country's telecoms regulations.

The government added it reserved the right to take "all necessary measures" to settle its dispute and was reviewing the sale.

Representatives from Zain and Bharti Airtel could not be reached for comment.

Fede Membrillera, a partner at the telecoms consultancy Delta Partners in Dubai, said the posturing might be an indication that the countries wanted to squeeze more taxes out of the transfer of Zain's African units.

"The telecom industry is a relevant portion of the GDP of those markets but in the past, the governments awarded spectrum licences regardless if there was a business case on it or not," Mr Membrillera said.

"The results has been that four or five operators in a poor country doesn't make sense financially."

dgeorgecosh@thenational.ae