

### **What deals offer**

The combined entity would become a leading emerging market telecom operator. The combined company is expected to benefit from economies of scale. Bharti would also benefit from MTN's operating experience in 3G and number portability, which is expected to be soon introduced in India. The deal will give Bharti access to 21 countries in Africa and the Middle East where average revenues per user are higher. Bharti could bring in cost efficiencies into MTN's operations to boost consolidated profits

### **Risk Involved**

- Bharti would face higher country risk, as only about 25% of MTN's 2008 EBITDA came from South Africa. MTN's other operations include Nigeria accounting for more than 40% of MTN's 2008 EBITDA, Ghana, Syria and Iran. However, this is partly offset by the telecom industry's relatively higher stability and resistance to economic cycles and macroeconomic pressures.
- The debt for the combined entity compared with Bharti's current low leverage levels, will increase with adjusted debt to EBITDA of about 2x in the near term.
- Bharti's current ratings stable but deterioration in the business profile through weakening market position or operating margins and significant increase in country risk especially for MTN or significant negative free operating cash flows may affect the future profit margin and rating of company.

### **Hurdles in Strategic move**

- The first round of talks between the two companies were failed so this time they are being extremely cautious.
- Shareholder's approvals on both sides will be required.
- The Finance Ministry, the Industry Ministry and the RBI are divided on FDI norms that could impact their initial talks.



## Disclaimer

Kindly read the Risk Disclosure Documents carefully before investing in Equity Shares, Derivatives or other instruments traded on the Stock Exchanges.

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