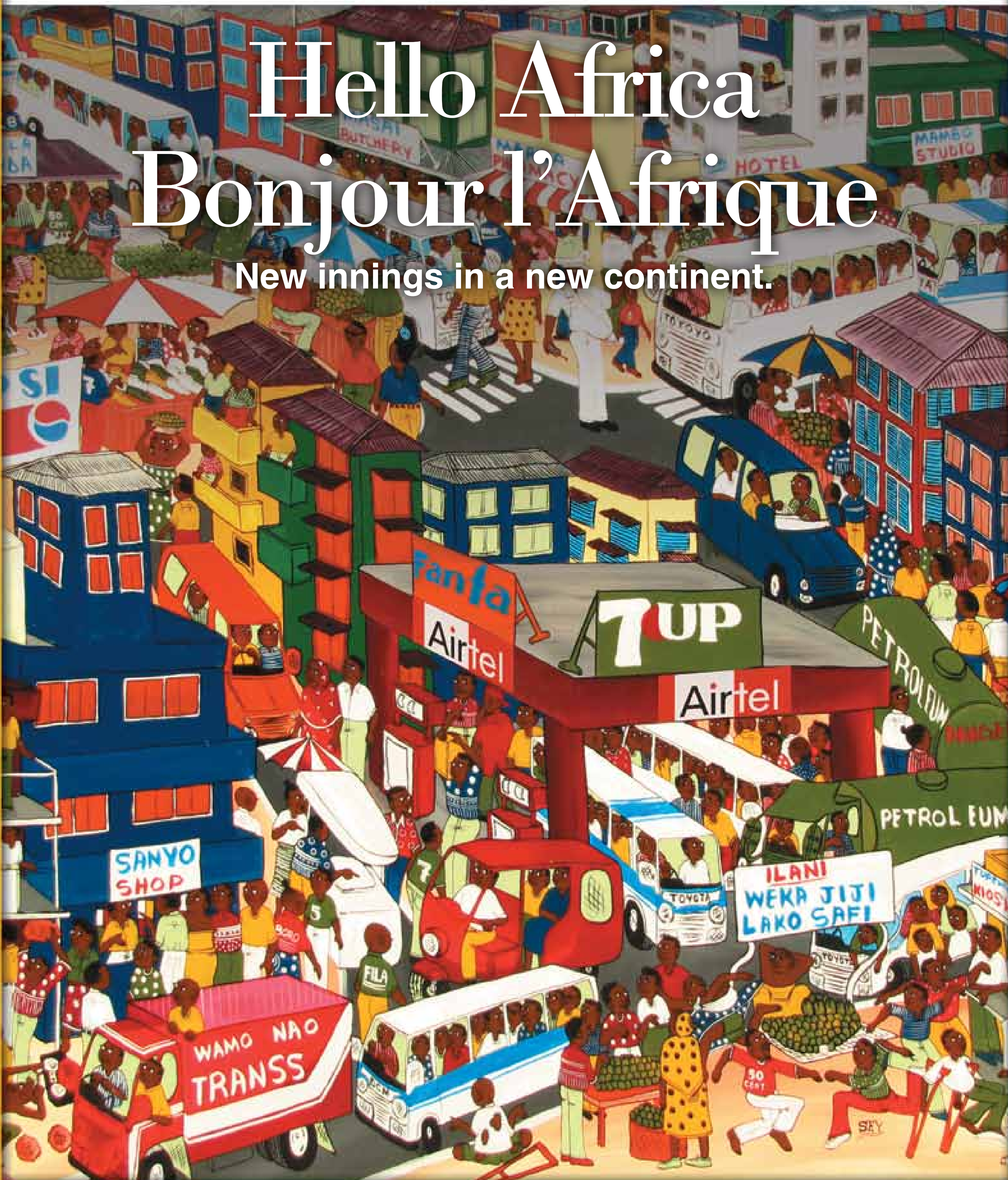
SPECIAL ISSUE

The in-house magazine of Bharti Enterprises

bharti TODAY

Hello Africa
Bonjour l'Afrique

New innings in a new continent.



Editor's Notes

IN JUNE 2010, *Bharti completed the largest ever cross-border acquisition in emerging markets to takeover Zain Africa BV's operations in 15 countries in Africa. At an enterprise value of US$ 10.7 billion, it is one of the largest global deals in recent times. With this Bharti has taken a giant leap on the global telecom ranking to become the 5th largest mobile operator in the world.*

This special issue tries to take the readers through the events leading to the closure of the deal besides throwing some light on the potential of this extraordinary event for all of us.

The Tinga Tinga painting on the cover is one of the traditional art forms of Tanzania. Painted with strong and vibrant colours made from pigments found in nature, the paintings were used to decorate hut walls. The first Tinga Tinga painter who brought the art onto the global platform was Edward Saidi Tingatinga who painted on wooden plates, which were later on replaced by canvas by the next generation of Tinga Tinga painters.

All global M&As have their own sweet little stories to tell. One such interesting sidelight during the deal making is the tale of two pairs of 'Moreschi' limited edition shoes. Yes, they too had a role – generating the good vibes for the deal. For a change the story is told in graphic format. ■

Relive the Past

India and Africa share a long history of social, cultural and economic relationship dating back to the 1st century AD.

Indo-Africa ties through the years

100 AD ONWARDS: Trade between India and Africa centered around Red Sea and Horn of Africa coast

400 AD: Trade between India and Aksumite Empire of North Eastern Africa

Coins from the Aksumite period found in India

600 AD ONWARDS: Members of Siddi community migrate to India from Africa

1000 AD ONWARDS: Movement of people from Abyssinia (presently Ethiopia) and other African countries to India. Many achieve prominent political positions like Badr who becomes the Governor of Alapur near Delhi

1330s – 1340s: Ibn Battuta, traveller from Morocco visits India and spends several years traveling across the country

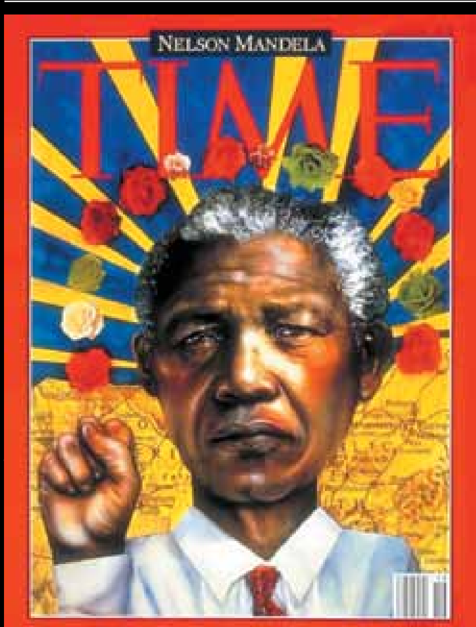
1830s ONWARDS: Indians go to the Africa to help in agriculture, construction of railways and administration

Ibn Battuta

Contents

1890s to 1915 : Mahatma Gandhi (seated in the middle) spearheads a non violent civil disobedience movement in South Africa against the British. This becomes an inspiration for future peaceful resistance movements in Africa and other parts of the world.

1947 to 1960s: India's first Prime Minister Jawaharlal Nehru becomes a leading champion of the anti-colonial struggle in Africa



1952: Jawaharlal Nehru sent a senior counsel for the legal defence of Jomo Kenyatta, founding father of Kenya, when he was imprisoned by the British

1991: End of Apartheid in South Africa. India is host to the first ever international cricket match played by South Africa after the dismantling of Apartheid.

1997: Bharti acquires licence to launch telecom services in Seychelles

2003: India, South Africa and Brazil sign Brasilia Declaration establishing "South-South" cooperation

Jomo Kenyatta

2008: First ever India-Africa Summit held. Africa-India Framework for Co-operation established and preferential market access announced for 34 African countries

2010: Bharti establishes presence in 15 countries

"The Gandhian influence dominated freedom struggles on the African continent right up to the 1960s because of the power it generated and the unity it forged among the apparently powerless"

Nelson Mandela in Time Magazine, January 3, 2000

Stitching it Together

Through a series of fleet footed moves Bharti completed the largest ever emerging market M&A deal.

10TH FEBRUARY, WEDNESDAY, 8.00 AM, Delhi International Airport. As Bharti's core team - Sunil Bharti Mittal, Akhil Gupta and Manoj Kohli - was preparing to board the flight, one thing was playing on everybody's minds; will it be another sojourn in futility? MTN was still very fresh. Just five months back they had called off the huge $23bn merger deal with the African major.

The very fact that Zain's largest shareholder Mr. Kharafi's elder son Bader al-Kharafi was there at the Airport to receive the Bharti team, made it clear that Zain too was looking forward to a serious meeting. In contrast to the small team from Bharti, Zain had a complete battery of lawyers and bankers to support the Zain leadership team.

After check-in at Sheraton Kuwait, the three were driven to Mr. Kharafi's office in the afternoon. The first meeting was frosty, hardball matter of fact discussions. Mr. Kharafi left no one in doubt that he had little time to waste in another Indian approach if the deal could not be closed in a record time and by the way there was little scope to negotiate on price.

The teams were scheduled to meet once again the next morning.

The crew on Bharti's private jet was told to be ready to take off for Delhi at 12 noon. Sunil knew that this no nonsense meeting will finish fairly soon and two hours was enough to either get ejected from the Kharafi HQ or secure another follow on meeting. It was with this backdrop that he entered the headquarters of Al Kharafi on the morning of 11th Feb at 9:30 am.

Akhil Gupta, Sunil Mittal and Manoj Kohli announcing the acquisition of Zain Africa

A lot of thoughts were pacing through Sunil's mind as he along with Akhil and Manoj walked up to Sheikh Kharafi's door. Sunil signaled Akhil and Manoj to have a cup of tea with Bader al-Kharafi and his team of advisors and bankers. He preferred to open this morning meeting with Sheikh Kharafi solo. The opening meeting and follow on meetings in the day were relaxed, friendly and even tough negotiations which took hours did not result in hardening stance or unpleasant posturing.

The Bharti Team agreed they had to seize the moment. Akhil in particular was keen on a written document. For Vivendi and MTN were hovering and any delay could have been disastrous.

As it transpired, there was urgency on both sides. Zain already had gone through several aborted attempts and things had stayed still for far too long for Mr. Kharafi. He was getting impatient to close the deal.

After several rounds of negotiations and discussions through the day on price, terms and exact language of the proposed deal papers. The team finally had a signed MOU in hand by the afternoon.

After staying on the wait mode since noon, Bharti's jet eventually took off for Delhi at 6 pm on 11th February.

The 23rd Factor

The agreement was signed on the 23rd floor of the World Trade Centre, Amsterdam

Sunil Bharti Mittal's lucky number 23 featured in the making of the Zain Deal also.

THE AGREEMENT was signed on 30th March in Amsterdam. Sunil Bharti Mittal and Manoj Kohli flew to Amsterdam from New Delhi on a late evening KLM flight on 29th March. At Amsterdam, the signing ceremony was to be held at the office of the law firm Freshfields at the World Trade Center. World Trade Center is located in Zuidas, a place known as the Financial Mile of Amsterdam.

Akhil Gupta with the Finance and Legal team from Bharti had already been camping in London and then in Amsterdam, tying in the last pieces of the deal. At 4 pm, Sunil and Manoj joined Akhil and team at the office of the law firm Freshfields in Amsterdam. They were escorted to the 22 floor of the imposing glass building. "22 Uhmmm!" Sunil thought just one short. They settled into the board room for that one last round. A few open points were going back and forth.

Sunil is a veteran of many a deals. He could sense that making history was just an hour away. Vijaya Sampath, the Group Legal Director of Bharti, requested Sunil to come and inspect the signing ceremony room. A wooden staircase from the reception took them up to a room with a stunning view of Amsterdam. Neatly arranged stacks of legal documents adorned the circular table waiting for the remaining few sheets.

Sunil appreciated the arrangements and strolled out of the room into the foyer and saw a signage. It read "Infosys". Intrigued, he went up to the glass door and saw many young Indian faces. He turned back and saw a big sign "23". Confused for a moment, he realized that climbing the wooden staircase, he had come up to the 23rd floor. The Signing ceremony room was carved out for Freshfields on the 23rd floor which had other occupants like Infosys. "Nothing will stop this deal" muttered Sunil to himself.

Nothing did finally stop the deal. ■

(From left) Bader Al-Kharafi, Nasser Al-Kharafi, Sunil Mittal, Maha K. Al-Ghunaim, Chairperson & MD Global Investment House, Asaad Al-Banwan, Chairman, Zain

Back home, Bharti Airtel's Board gave the go ahead to negotiate with Zain for the deal through a conference call on 12 February.

The Zain Board cleared the deal in its meeting on the 14 February and promptly communicated it to Mr. Mittal, who received the call while on board of the aircraft on his way to Barcelona to attend GSMA Mobile World Congress.

The first big obstacle out of the way, Bharti was ready for the next rounds, perhaps the most critical in any deal making exercise, as it becomes a tight rope walk at this stage. Any false step can be disastrous. The two teams engaged in long discussions, negotiations and due diligence in multiple locations – Kuwait, Bahrain, Dubai. This included function by function due diligence, country analysis and on ground visits to individual countries. Sunil, Akhil and Manoj made a quick tour of Kenya, Tanzania and Nigeria.

There were some hiccups as well. There were a number of issues which had cropped up and were threatening the deal. On 2nd March, Sunil and Akhil went to Abu Dhabi to pay their condolences to H H Sheikh

The Zain Board cleared the deal in its meeting on the 14 February and promptly communicated it to Mr. Mittal

Nahayan Mabarak Al Nahayan on the sad demise of his father H H Sheikh Mabarak bin Mohammed Al Nahayan. (Al Nahyans are Bharti's partner in the Bangladesh venture. Bharti had bought 70% stake in Warid Bangladesh from Al Nahyan family in January 2010). The Singtel CEO, Chua Sock Koong had also arrived for the same and joined Sunil and Akhil on their onward journey to Beirut for a lunch meeting with the Kharafis. Sunil felt it was important to have Sock Koong on his side for this meeting. He wanted her to add weight to the arguments. The meeting was not a pleasant one – some tough messages were exchanged.

Weeks of hectic parleys followed with multiple activities on all fronts, regulatory approvals, financing, legal documentation etc. Both parties were making progress. Akhil Gupta and Group General Counsel Vijaya Sampath stationed themselves in London with Bharti's lawyers to give the final touches to the draft agreement. Everything appeared on track for a scheduled 26 March signing in London before some last minute issues compelled the teams to postpone final signing to March 30. The Venue too had to be shifted to another location – Amsterdam, the headquarters of Zain Africa BV.

30 March, 2010, Tuesday, 6.00 PM, 23rd Floor of World Trade Center, an imposing glass building at the centre of Amsterdam. Member of both teams trooped into the signing room to watch history being written – signing of the largest emerging markets cross-border acquisition deal. After weeks of hectic negotiations, there was smile on everyone's face. Signing over, Mr. Kharafi greeted Mr. Mittal congratulating him for a new innings in a new continent.

It took just 45 days to reach a legally binding definitive agreement and 69 more days to deal closure, possibly one of the fastest deal closure in corporate history. ■

Capital Mantra

Redefining international financing

Bharti had last raised major debt way back in 2004 to finance its license fee requirements in the new telecom circles that it was planning to enter. But it was a very small sized debt by today's standard.

HISTORY WAS SET to repeat itself six years later. This time in a different context, and much wider in scope. Bharti was looking to raise $7.5 billion to fund India's second largest outbound deal ever to acquire Zain Africa BV.

Bharti was not new to large sized fund raising. It had gone through the whole process during the aborted attempt to merge with African telecom major MTN only a few months earlier (the deal was finally abandoned on September 30, 2009).

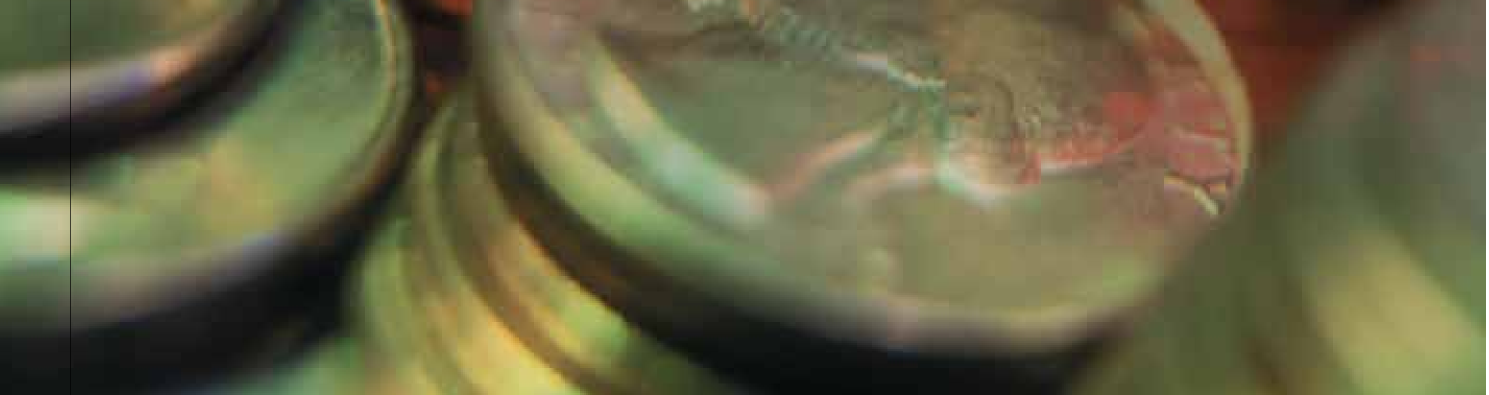
Keeping with its tradition of building deep relationships with banks who supported its earlier endeavours, Bharti first invited the same group of bankers to participate in this round. However despite all the concerns around the liquidity crunch, soon Sunil, Akhil, Manik Jhangiani (Group CFO) and Harjeet Kohli (Group Treasurer) were inundated with calls and visits from the other leading international and Indian banks expressing their strong desire to be part of the deal.

This clearly reflected the trust and confidence that Bharti enjoyed, not only for its strong balance sheet but also the deep relationships and immaculate reputation that had been built with the financial community over the last 15 years through its financial prudence, innovation and discipline. It was well known in the market that leave alone any default, Bharti had never delayed even by a day any payment on its loan obligations in its entire history.

While traditionally Bharti preferred bilateral transactions without running a formal process, overwhelmed with such response, it was left with no choice but to run a limited competitive process amongst short-listed banks.

Led by its lead bankers Standard Chartrered and Barclays, Bharti set out its standard terms and asked the interested bankers to make their best offers in terms of spread and amount of financing. The best 11 (Standard Chartered Bank, Barclays, SBI Group, ANZ, BNP, Bank of America Merrill Lynch, Credit Agricole CIB, DBS, HSBC, Bank of Tokyo Mitsubishi UFJ and Sumitomo Mitsui Banking Corporation) were chosen.

As a result Bharti was able to close one of the largest international financings in recent times, not only in record time but at terms which are considered best in class. Significantly, while some of the large deals had to depend on Bridge Financing, the entire financing of USD 7.5Bn was by way of fully tied long-term facilities with no uncertainties related to refinancing of Bridge Finance. With an all in spread of below 175 basis points over 3-month Libor resulting in an all-inclusive cost of approximately 2.25% p.a. at current rates, the interest outflow would be less than USD 200 Mn per annum for the entire deal financing. More importantly, Bharti has the pre-payment option in full or in part without any breakage cost, which enables it to reduce its overall debt quickly given its current annual operating free cash flow of nearly USD 2 Bn. ■



Emerging Market Star

Zain Africa BV is among the brightest stars across emerging markets in Asia, Africa and Latin America. Cutting-edge innovations and transformative services across markets make it the undisputed champion of customer delight.

PRESENT IN 15 MARKETS across the continent from the East coast to the West, Zain Africa BV has long been considered the emerging star in the world telecom map. Originally known as “MSI Cellular Investments”, the company was founded by Mo Ibrahim and began operating in 1998. Over the next six years MSI expanded rapidly through both acquisitions and organic growth. In January 2004, the company had a new name - “Celtel International”.

Celtel increasingly became a hot acquisition target for global telecom giants because of its rapidly increasing subscriber growth and geographic footprint in Africa. In April 2005, it was acquired by and became a subsidiary of a Kuwaiti telecom company - Mobile Telecommunications Company (MTC).

Its geographic expansion continued under the new owners too. In December 2005, MTC took over Madacom, an operator in Madagascar, to establish its presence. It acquired a controlling stake in V-mobile in Nigeria in October 2006 and in October 2007, it acquired Westel from the Government of Ghana. On August 1, 2008, Celtel was rebranded to Zain as MTC also changed its name to Zain.

Zain Africa enjoys number one position in terms of market share in ten of the fifteen markets. In four other markets it runs a close second.

Mo Ibrahim, founder of Celtel

Today, Zain Africa has a total customer base of 42 million. In terms of leadership in individual markets Zain comes up trump on other competitors. It’s a clear leader in 10 of the 15 markets it is present in and in four of the rest five markets it runs a close second to the market leader.

Africa may be a young mobile market but it is never short on innovation. Zain has been a pioneer in this introducing services that can make developed markets appear behind the clock. Zain’s innovation in the space of mobile banking and in the shape of creating a borderless mobile communication networks have been truly outstanding.

In fact ‘One Network’ is the world’s first borderless mobile communications network. It treats roaming customers as ‘virtual local customers of the visited network. The virtual one market concept enables customers, when abroad, to receive calls and SMS without charge and to make voice and data calls at local rates throughout the 15 countries in Africa. The service allows a customer to top up airtime at any of the close to one million outlets within Zain’s ‘One Network’ footprint. All calls made while roaming are charged using the local currency and rates in the visited network. ■

ZAIN AFRICA SNAPSHOT

Number of markets present in : 15
Number of customers : 42 million

Zain’s ‘One Network’ is the world’s first borderless mobile communication network

Celtel/Zain through the years

March 1998	Celtel is founded by Mohamed Ibrahim in Amsterdam under the name MSI Cellular Investments
1998-2004	MSI launches mobile service in different market; Zambia (1998), Malawi (1999), Congo (Brazzaville) (1999), Gabon (1999), Sierra Leone (2000), Chad (2000), Congo DRC (2000), Burkina Faso (2001); acquires 35% of TTCL in Tanzania (2001); acquires 60% of Kencell in Kenya
April 2005	MTC Kuwait acquires Celtel for $3.4 billion
May 2006	Celtel acquires a controlling stake of 65% in Nigerian operator V-Mobile
September 2006	Celtel launches ‘One Network’, the first ever borderless mobile network in the world.
October 2007	Celtel acquires 75% stake in Westel in Ghana
August 2008	Celtel is rebranded as Zain
June 2010	Bharti Airtel acquires Zain Africa

Leading the way

Country (Zain’s ranking)	
Burkina Faso	1
Congo Brazaville	1
Congo DRC	1
Chad	1
Gabon	1
Malawi	1
Niger	1
Sierra Leone	1
Tanzania	1
Zambia	1
Kenya	2
Madagascar	2
Nigeria	2
Uganda	2
Ghana	4

‘Mobile Money for the Unbanked’

ZAP, Zain’s mobile banking service is one of the most comprehensive service in this space in the world.

THE MOBILE BANKING SERVICE OF ZAIN, better known as ZAP was a runaway winner in its category (‘Best Mobile Money for the Unbanked Service’) at the Barcelona GSMA Congress 2009.

Launched in February 2009, Zap represents the most comprehensive mobile banking service ever launched providing millions of people with access to banking for the very first time. Partnering with leading international and regional banks including Citigroup and Standard Chartered Zain enables its customers to use their mobile phones to:

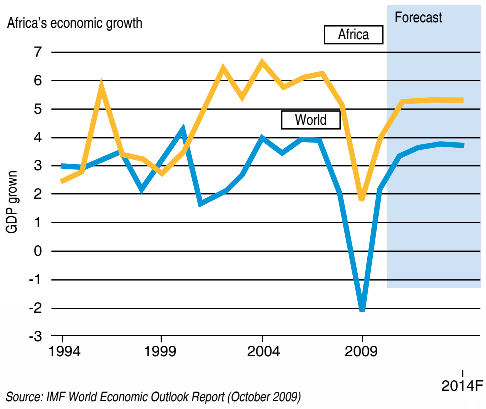
- Pay bills and pay for goods and services
- Receive money and send money to friends and family
- Send and receive money to the bank accounts
- Withdraw cash
- Top up own airtime account or top up someone else’s
- Send airtime to other Zain customers
- Manage their bank accounts

The customer can sign-up for free by completing an application form and handing it over to registered Zain agents across tens of thousands of villages and towns. Based on the registration, the company provides the customer with a mobile wallet, which allows them to use their mobile phone in much the same way as a bank account debit card and manage their money through their handset. Despite its sophistication, the service is supported on all handsets including ultra low-cost handsets (ULCH) in use across the continent. To ensure security the customer needs to use a password for each transaction. The service available 24X7 effectively makes it equivalent to anytime anywhere banking. ■

A Continent of Hope

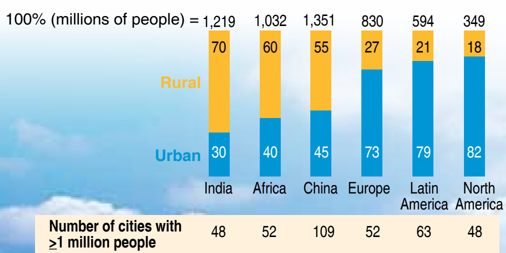
Africa's transformation from a dark continent to a continent of hope and unbridled aspirations has been both swift and substantial.

Africa's economy has grown faster than the world every year since 2001



Source: IMF World Economic Outlook Report (October 2009)

Share of Urban Population by Region, 2010 %



Source: United Nations; McKinsey Global Institute analysis

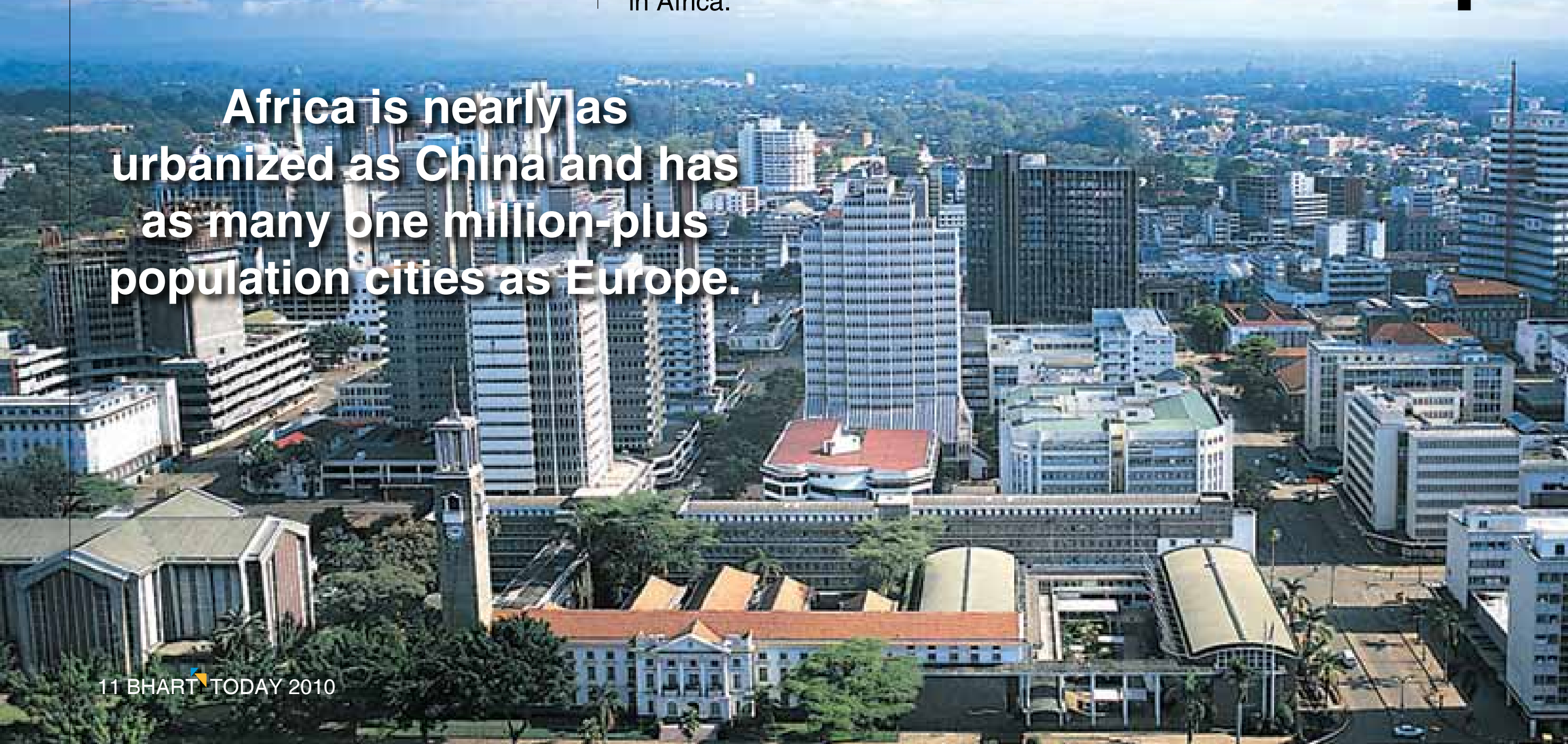
MAJORITY OF THE 50-PLUS ECONOMIES in Africa have steadily grown out of the commodity export driven mould to be strong diversified economies with vibrant domestic consumer markets. Though individual economies vary a great deal among themselves, key economic indexes point towards sustainable long-term growth and prosperity. The real GDP in the continent has grown by 4.9 percent from 2000 through 2008, more than twice its pace during the 80s and 90s. Holding the key to such a turnaround is the steady diversification of the economies with the rise of manufacturing and service sector. The economic growth is now less dependent on the changes in global commodity prices and more on key changes taking place in the continent's socio-economic landscape.

Urbanization is turning out to be a powerful driver of economic transformation. In 1980s, just 28 percent Africans lived in cities. Today about 40 percent of Africa's billion plus population are urbanites, which is much larger than India's rate of urbanization of 30 percent. By 2030 Africa's urban population is set to reach 50 percent. The demographic change is also showing in the rapid rise in the size of young and working age population. The demographic transition will make the continent home to one in five of world's young population. Today, the continent has more than 500 million people in the working age, which is projected to exceed 1.1 billion by 2040 – more than in China or India.

The promise of Africa is no longer in question. Increased flow of international capital into the continent is a clear indicator. The annual flow of Foreign Direct Investment has increased from US $9 billion in 2000 to US$62 billion in 2008. Relative to GDP this is almost as large a flow going into China.

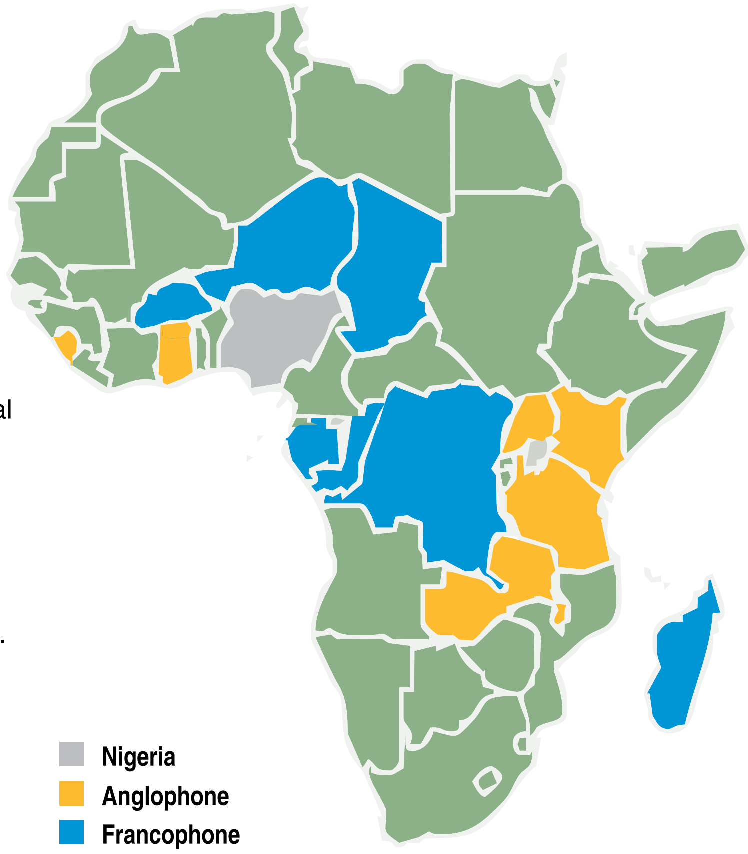
Alongside the socio-economic changes underway, holding Africa's growth story together is the decisive political and economic changes underway in many countries. While structural reforms have enabled economies to pare foreign debt by a quarter between the 1990s and 2000s, governments have managed to reign in average inflation from 22 percent to 8 percent during the same period. Changes in the economic mindset is best carried by another example; Nigeria privatized more than 116 public enterprises between 1999 and 2006.

Africa is changing, perhaps faster than many experts expected a decade back. No wonder it is competing with the other emerging markets for attention. Every global company feels it's time to be there in Africa. ■



Team Africa

A mix of talent drawn from different geographies, Airtel Africa's new management team under Manoj Kohli is ready to roll.



THE VENUE WAS SERENA HOTEL in Ugandan capital Kampala. The international leadership team from Bharti Airtel had joined Airtel Africa's senior management for a workshop, quite rightly christened 'Airtel afriCAN' to chart out Airtel's new future in the continent. Starting from people integration to business strategy, Airtel afriCAN provided the first serious platform for deliberations between the leaders from India and Africa. Even as Bharti Airtel's leadership team introduced the African leaders to the Bharti vision and values and the 'Airtel way' of working, the African leaders focused on the challenges and opportunities of the diversified continental market. They agreed as much as they differed. But by the end of it, both had co-created a Vision for Airtel Africa and concurred 'they can' unleash another Airtel success story in a new continent.

The atmosphere said it all. Everyone seemed to have an idea or two to share on the upcoming challenge and even three days turned out to be too short to give every idea its due. A general sense of euphoria appeared to be the dominant mood.

With this acquisition, Bharti is ready with a presence across 15 telecom markets in a new continent in one big leap. More importantly coming into the Bharti fold are 6500 telecom talent from the continent.

Headed by Manoj Kohli, the new leadership team has alongside existing leaders from Africa, select inductees from the Indian operations.

The markets will continue to be grouped in 3 hubs/ regions:

Hubs/regions	Countries
Anglophone (comprising of the English speaking countries)	Ghana, Kenya, Malawi, Sierra Leonne, Tanzania, Uganda, Zambia
Francophone (comprising of the French speaking countries)	Burkina Faso, DRC, Chad, Congo B, Madagascar, Niger, Gabon
Nigeria	Nigeria

Oba Otudeko, Chairman, Airtel Nigeria and Inder Walia with Airtel Africa leadership team

Jayant Khosla has entered his second innings with Bharti Airtel as Chief Executive Officer (CEO) for Anglophone countries. Jayant was an Executive Director with the Company and had moved on to head Essar's Telecom arm in Africa as the CEO.

Tiemoko Coulibaly has become the CEO for Francophone countries. Tiemoko had been working as the COO for Francophone countries with Zain Africa ably guiding the Opcos to a position of strength.

Rajan Swaroop, who has been with Airtel for almost 6 years, has moved from his role as Executive Director - Enterprise Services to assume the responsibility as CEO & MD, Nigeria.

Deepak Srivastava is supporting Rajan as COO & ED for Nigeria. Deepak has 7 years of experience with Bharti and was working as the CEO of West Bengal and Orissa prior to entering this new role.

Sunil Mittal; Chua Sock Koong, CEO, Singtel; Akhil Gupta at Airtel afriCAN

Employees at Airtel Gabon

Members of Airtel Africa leadership team at Airtel afriCAN

Manoj Kohli at the Airtel afriCAN workshop

The functional leadership team is also going to be a good mix of leadership talent from the pools of the two continental markets.

Caba Pinter, who was heading the finance function for Zain's Africa operations has assumed responsibility as the Deputy CFO for Airtel Africa. Caba is being supported by Rajnish Baweja (fresh from his role as Chief Controller for Mobile Services in India) who has assumed responsibility as the Financial Controller for Airtel Africa.

Old hand **N Arjun** brings in his Project Management and Integration specialization for overall smooth functioning of Airtel Africa operations. He is the Chief of Project Management and Integration. Arjun has been with Bharti Group since its inception.

Andre Beyers has assumed the role of Chief Marketing Officer (CMO) of Airtel Africa. Andre comes into this role after a 11-year stint at Vodacom, where he headed the marketing and brand function.

Bhaskar Chakraborty is holding fort as Chief Supply Chain Officer.

Yves Mayilamene, who was heading the HR for Francophone operations for Zain Africa has assumed the role of Chief Human Resources Officer (CHRO).

Rahul Gupta, who had been the Chief Customer Service Officer at Bharti Airtel's mobility business for several years has become the Chief Customer Service Officer.

Rupinder Goel has assumed the responsibility as Chief Information Officer (CIO) for Airtel Africa. ■

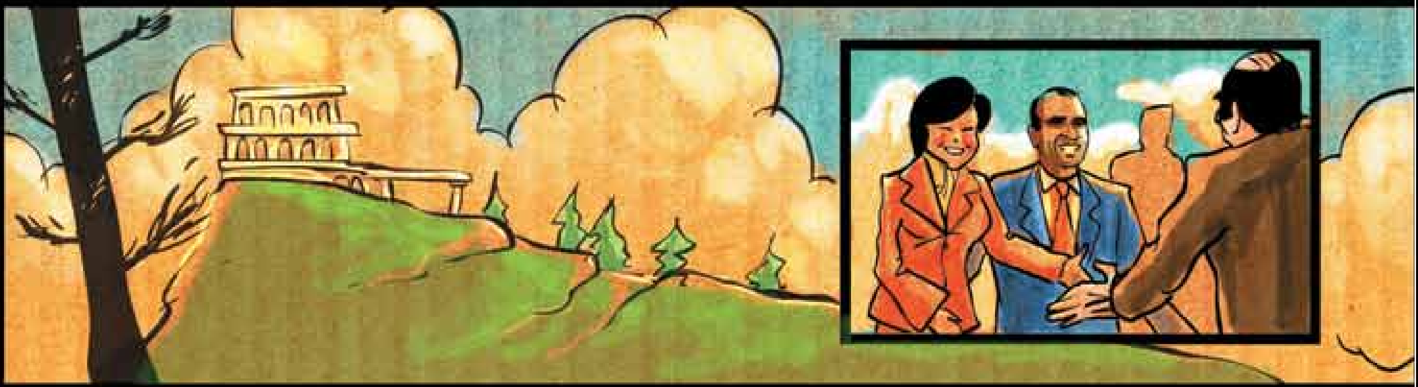
Seated from L to R: Tsiresy Randriamampionona - MD Madagascar, Philip Sowah - MD Ghana, Rene Meza - MD Kenya, Louis Lubala – MD Niger, Deepak Srivastava – COO Nigeria, John Ndego – MD Burkina Faso, Tiemoko Coulibaly – Head Francophone Africa
***Standing from L to R;** Mbaye Sylla Khouma - MD Chad, Steve Torode – Chief Business Development Officer, Antoine Pamboro - MD DRC, Edward Sauti-Phiri – MD Sierra Leone, Beston Tshinsale – Congo Brazzaville, Manoj Kohli – CEO International and JMD, Rajan Swaroop – MD Nigeria, Fayaz King – MD Zambia, RVS Bhullar – MD Seychelles, Yesse Oenga – MD Uganda*

‘Shoes Maketh a Deal’

Good vibes between the parties play a critical role in deal making. Read on how two pairs of shoes helped them flow in plenty to seal the Bharti-Zain Deal.

Lighter Moments

But this was not the end of their tryst with the shoes. Sunil, Akhil and Singtel CEO, Chua Sock Koong had a lunch meeting with the Kharafis in Beirut. As they entered the beautiful mansion on the hills in the outskirts of Beirut, they were engulfed in thick clouds.



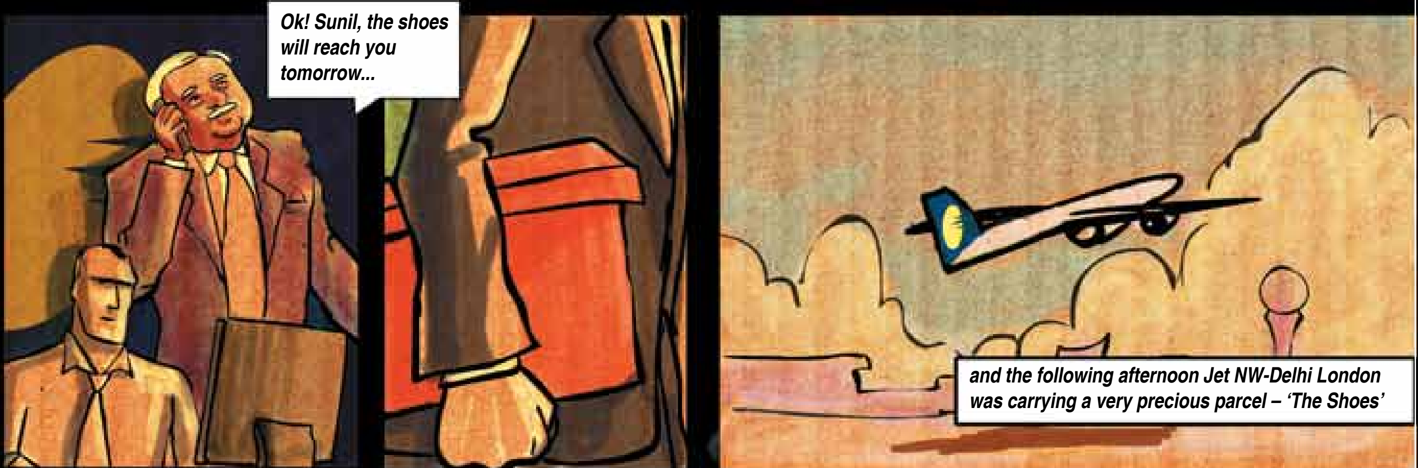
The meeting was not a pleasant one - some tough messages were exchanged.

Weeks of hectic parleys followed with multiple activities on all fronts. While both parties were making progress, there were a few concerns too.

In the next meeting at the Kharafi residence in Kuwait on the sea front, Sunil ensured that he was wearing the shoes...

The signing was fixed in London, Mr. Kharafi had one condition

Sunil was in London and the shoes in Delhi. Sunil called his friend Naresh Goyal of Jet Airways

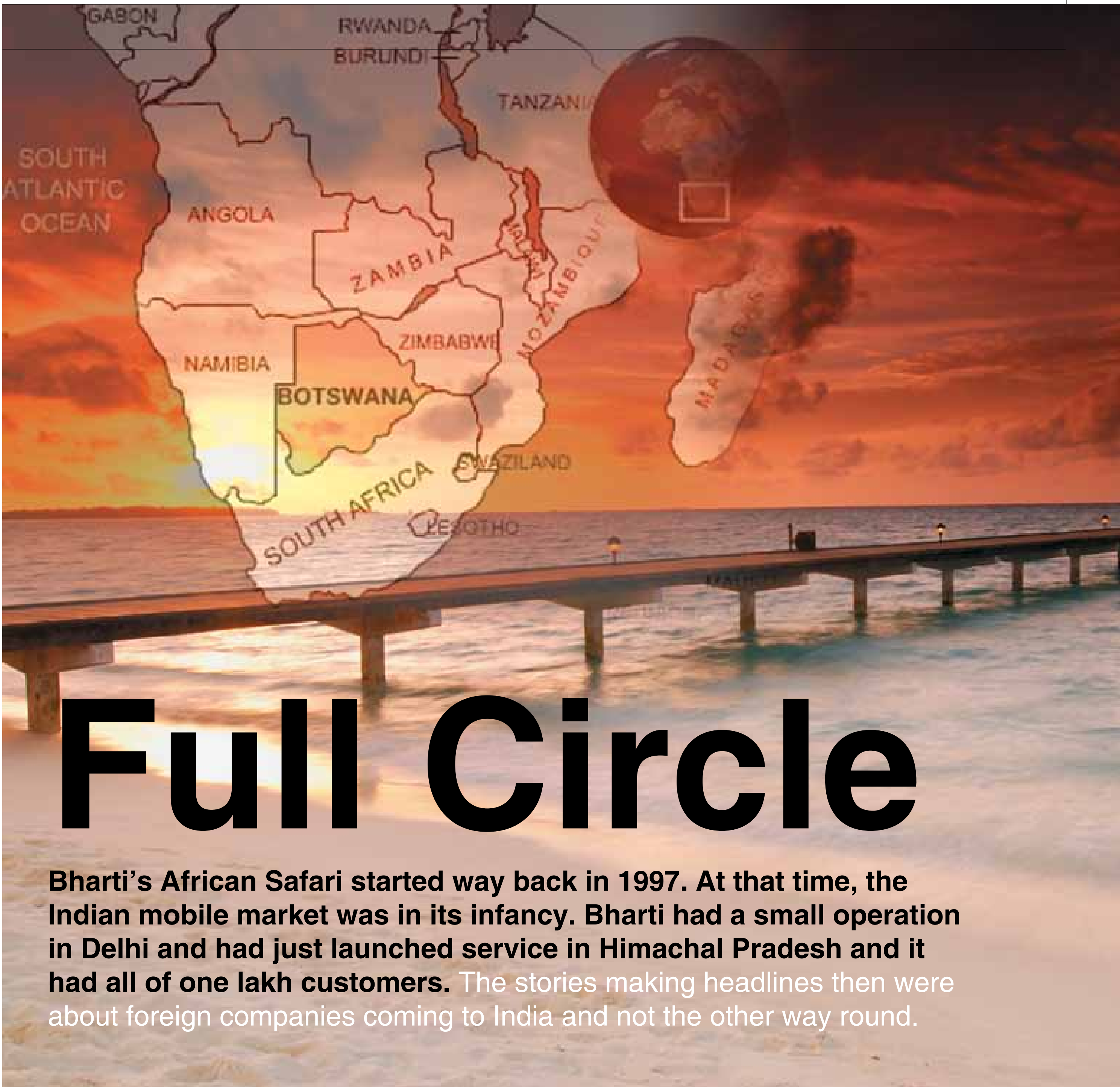


However, for legal reasons the venue was moved to Amsterdam. As they were boarding the KLM flight, Manoj Kohli asked Sunil if he had carried the shoes.

Kharafi was in Stockholm for another meeting and his shoes were in Beirut.

Kharafi walked in and was greeted by Sunil. Holding each others shoulders they looked down, tapped their shoes, the password accepted.

When the signing ceremony began, everyone in the room was clicking pictures of their shoes on their mobile phones. Maha Al Gunaim, chairperson of GIH summed up-



Full Circle

Bharti's African Safari started way back in 1997. At that time, the Indian mobile market was in its infancy. Bharti had a small operation in Delhi and had just launched service in Himachal Pradesh and it had all of one lakh customers. The stories making headlines then were about foreign companies coming to India and not the other way round.

DURING THOSE SALAD DAYS of the post liberalization, Bharti made two separate attempts to enter Africa. The first effort was a successful one and represents Indian telecom's first ever overseas foray. A 100-year telecommunications monopoly of Cable and Wireless ended when Telecom Seychelles, a Bharti Group company was issued a license for offering comprehensive telecom services – mobile, landline, internet - in October 1997. The Airtel brand was launched in Seychelles in 1998 and it has set several benchmarks since then – introduction of pre-paid, concept of 24-hour customer service. Telecom Seychelles launched 3G services in 2007 and today has a market share of over 55%.

The second attempt, however, was not a success. In July 1997, the Botswana government invited global bids for launch of private mobile services. Sunil Bharti Mittal spent his 40th birthday (October 23, 1997) in the sunny city of Gaborone, the capital of Botswana. Five companies submitted their bids and two were selected. Bharti was not one of them. The bids were won by Mascom Wireless (consortium of Telecom Portugal, DECI Holdings and local firms) and Vista Consortium (majority owned by France Telecom).

Eight years on the Africa interest got revived again. Bharti Airtel, had crossed 10 million customers in January 2005 and had become the 39th largest mobile company in the world. It was well on its way to becoming the first operator in the country to have a complete all India presence. There were a slew of launches – Jammu & Kashmir and West Bengal in October 2004; Bihar in January 2005 and Assam and North East was soon to follow.

Launch of Telecom Seychelles

In May 2005, Bharti got outbid by a mile thanks to some very aggressive bidding by a Kuwaiti company named Mobile Telecommunications Company (MTC).

Was it the right time to do a serious multi country African bid? In late 2004 itself, Bharti was seriously evaluating overseas forays, given the realized growth was fully covered and unique business model was now in place and it could be planted in other emerging markets. By early 2005, several options were evaluated and it was felt that Africa was the right choice given its population base, low telecom penetration levels, and projected GDP growth at that time. Very few assets were available in Africa and even amongst them, a handful were real targets. Celtel was in the market through its bankers Rothschild looking for a buyer. For Bharti, it was the most perfect fit and the top pick of the management.

Celtel was founded in 1998 by Dr. Mo Ibrahim as an African operator. Over six years, Celtel had become a prominent force in the African mobile market, through acquisitions as well as organic growth. It had revenues of USD 614 million, EBIDTA of 200 million and 5.2 million customers (FY 2004 Dec).

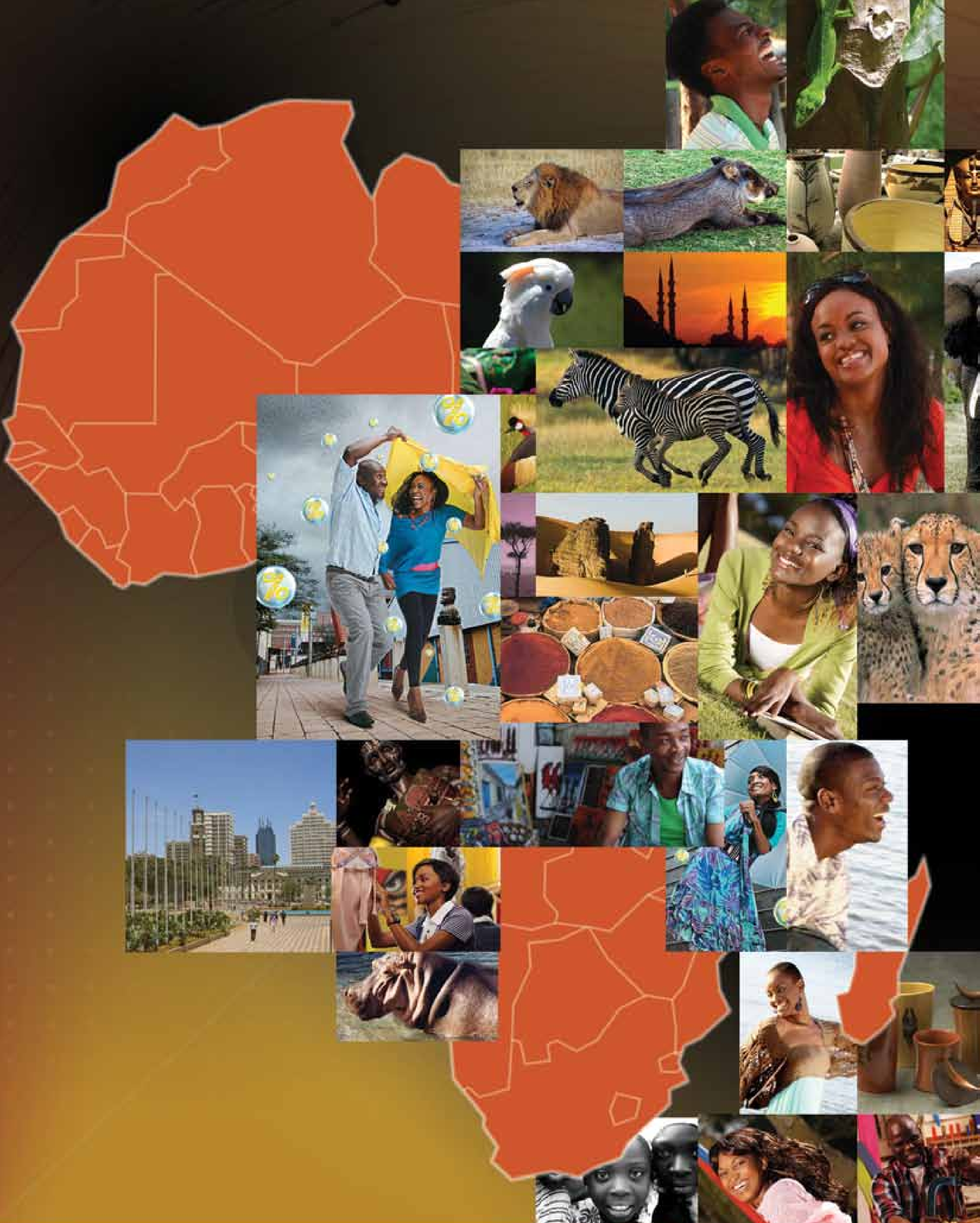
It was during the first quarter of 2005 that the shareholders of Celtel started scouting around for a buyer. The main shareholders were Mo Ibrahim, Actis, and other financial institutions. According to the Stern School of Business case study, "Celtel had a reputation for being well run: it was profitable and had a presence in 13 countries, but money was always tight and Celtel's plans for African dominance had been relatively easy to dismiss. Its management skills and sound business practices had seen it repeatedly raise debt and equity funding to expand."

Bharti Airtel was not much larger than Celtel. In FY 2004, the company revenues were a little over USD 1 billion and an EBIDTA over 360 million. A small team at the Corporate Office worked on the bid for Celtel. The two other shareholders (then) of Bharti, Singtel and Warburg Pincus fully supported this effort.

Bharti put in a non-binding bid for Celtel, which it thought was a right price for the asset at that point. However, Bharti got outbid by a mile thanks to some very aggressive bidding by a Kuwaiti company named Mobile Telecommunications Company (MTC). MTC bid USD 3.4 billion dollars for Celtel and took over the company in May 2005.

Five years later, Bharti's African Safari has turned full circle as the company it tried to acquire five years back entered its fold.

Zain Africa (formerly Celtel) has however grown in size. From 5 million customers to 42 million customers and addition of three more markets of Madagascar, Nigeria and Ghana and revenue of USD 3.7 Bn and EBITDA is USD 1.15 Bn ■



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