



الجامعة الإسلامية العالمية شيتاغونغ  
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## **Assignment On**

Identifying the strategic benefits of Robi-Airtel merger, upcoming challenges and opportunities

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## **Background:**

In September 2015, Robi Axiata Limited and Airtel Bangladesh Limited expressed their desire to merge and made an application to the Bangladesh Telecommunication Regulatory Commission (BTRC) for initiating the merger process and recommendation for approval. If approved, Robi will have a 75% stake and Airtel a 25% stake in the merged company. A month later, BTRC agreed in principle to the merger but with certain conditions such as no reduction in work force after the merger and Robi taking the financial responsibility for Airtel's liabilities (the merger is also subject to the Telecom Ministry's approval). The merger, however, has met with some hurdles such as from the High Court on November 29, 2015 when it asked the government to explain, in response to a public interest litigation, why it would not be directed to assess the market impact of the merger by way of a competition commission, and most recently by the Prime Minister's ICT Adviser asking BTRC to seek public opinion before making a recommendation on the merger. Considering that this is one of the first large scale mergers in the telecom industry in Bangladesh, it is worth exploring some of the issues and ramifications of such a deal.

Let us look at some of the financial aspects of the merger aspirants. Robi has been profitable for at least the past three years while it is reported that the combined financial performance of Airtel Bangladesh and Bharti Airtel Lanka of Sri Lanka (Airtel Bangladesh does not report its profit/loss separately) has had losses in recent years. Robi's annual revenue is about Tk.5,000 crore while that of Airtel is less than Tk.1,400 crore. In terms of the number of cell towers throughout the country, Robi has more than 6,000 while Airtel has around 4,000. In terms of spectrum, Robi has a total of 19.8MHz and Airtel has a total of 20MHz. Currently in Bangladesh, the 900MHz and 1800MHz bands are assigned for 2G while the 2100MHz band is for 3G. The 1800MHz band is of particular interest to mobile operators as it is the

preferred band for launching future 4G/LTE given that the government does not impose a restriction on the choice of band. The 1800MHz band is desirable as it gives a good balance between capacity and coverage. Thus, the combined entity of Robi and Airtel would have 39.8MHz with 17.4MHz in the important 1800MHz band. In comparison, Grameenphone has 32MHz with 14.6MHz in the 1800MHz band, and currently no other operator has more spectrum than Grameenphone in any of the bands. Though Airtel may be ailing, it brings valuable spectrum to the deal in addition to its subscriber base and tower infrastructure.

### **Competitive Advantages:**

Telecommunication sector is the most growing sector in Bangladesh. The aggregate number of subscribers is more than 133.72 million where populace of Bangladesh is around 160 million (with a yearly development rate of around 1%) and considering the addressable market of the populace pyramids (BTRC, 2015). Throughout the most recent four years, the compound month to month development rate of the aggregate endorsers in Bangladesh is very nearly 1% and we have seen by and large over this period more than a million supporters were being added to the market each month.

Two media transmission giants Robi and Airtel are discussing to consolidate their business operation in Bangladesh. The joint venture will be perceived as Robi. Two administrators began their merger talks in the last September and presented their joint merger application to BTRC. A high court branch gave eight weeks to the administration telecom controller to come to ultimate choice on merger on 25 January 2016. It is said that after merger Robi will be the second biggest telecom administrator after Grameenphone limited. As indicated by the proposed merger

Robi will be the administrator of 3.9 crores subscribers, 29% market share and Tk 7000 crore of market income.

### **Challenges:**

- Terms and conditions make a merger more complex to work because two third of big merger will disappoint on their own term, loose value in the stock market.
- Differences in culture and strategy make merger unfruitful.
- Can hamper productivity due to change in working environment.
- Bureaucratic procedures can make merger more complex in terms of cost.
- Government may apply more conditions if 38.9Hz is too much for one operator.
- The legal obstacle can make it lengthier.
- Government may impose some extra regulation on the business, and then merger can fail.
- Merger can create an oligopolistic situation in the market.

### **Opportunities:**

- **Economic of Scale:** In case of purchasing advance technology, a bigger company can save more on costs. Robi-Airtel merger support them with improved purchasing power to buy equipment or advance technology like 4G internet.
- **Staff reductions:** As every employee knows, mergers tend to mean job losses. Consider all the money saved from reducing the number of staff members from accounting, marketing and other departments. But in case of Robi-Airtel merger it BTRC imposed condition on staff reductions.

- **Acquiring new technology:** To stay competitive, Robi have to stay on top of technological developments and their business applications. By merging with a smaller company with unique technologies, a large company can maintain or develop a competitive edge.
- **Improved market reach and industry visibility:** Robi and Airtel want to merger to reach new markets and grow revenues and earnings. A merge may expand two companies marketing and distribution, giving them new sales opportunities. This merger can also improve a company's standing in the investment community; bigger firms often have an easier time raising capital than smaller ones.
- **Optimized Strategy:** After amalgamation two operators can develop a combine strategy on diversified products, cost reduction, Services integration and advance technology use. For providing quality service to their subscribers Robi and Airtel can develop new strategy easily with lower cost.