

Robi Airtel Merger: An opportunity to ponder

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In September 2015, Robi Axiata Limited (Robi) and Airtel Bangladesh Limited (Airtel) 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

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.

Before delving into the merger, it would be beneficial to see how the landscape of the mobile market is in Bangladesh. Figure 1 is a graph of the number of subscribers for each of the operators as well as the total subscriber base in Bangladesh since January 2012. Over the past nearly four years, the compound monthly growth rate of the total subscribers in Bangladesh is almost 1% and we have seen on average over this period more than a million subscribers being added to the market every month. By any standard, this is an impressive growth rate and is indicative of the

mobile technology's affordability, ease of adoption, and of course the desire for society to use mobile technology. However, such a high growth rate cannot be sustained indefinitely. As of November 2015, the total number of subscribers is over 133 million; given that Bangladesh's population is about 160 million (with an annual growth rate of around 1%) and taking into account the addressable market of the population pyramid (e.g. excluding children), and that only a fraction of the population has multiple mobile subscriptions, the growth rate for mobile subscriptions is bound to slow in the coming years.

In terms of the individual operators of which there are six, we can see from Figure 1 that Grameenphone is the dominant leader and its lead over its nearest rival Banglalink continues to

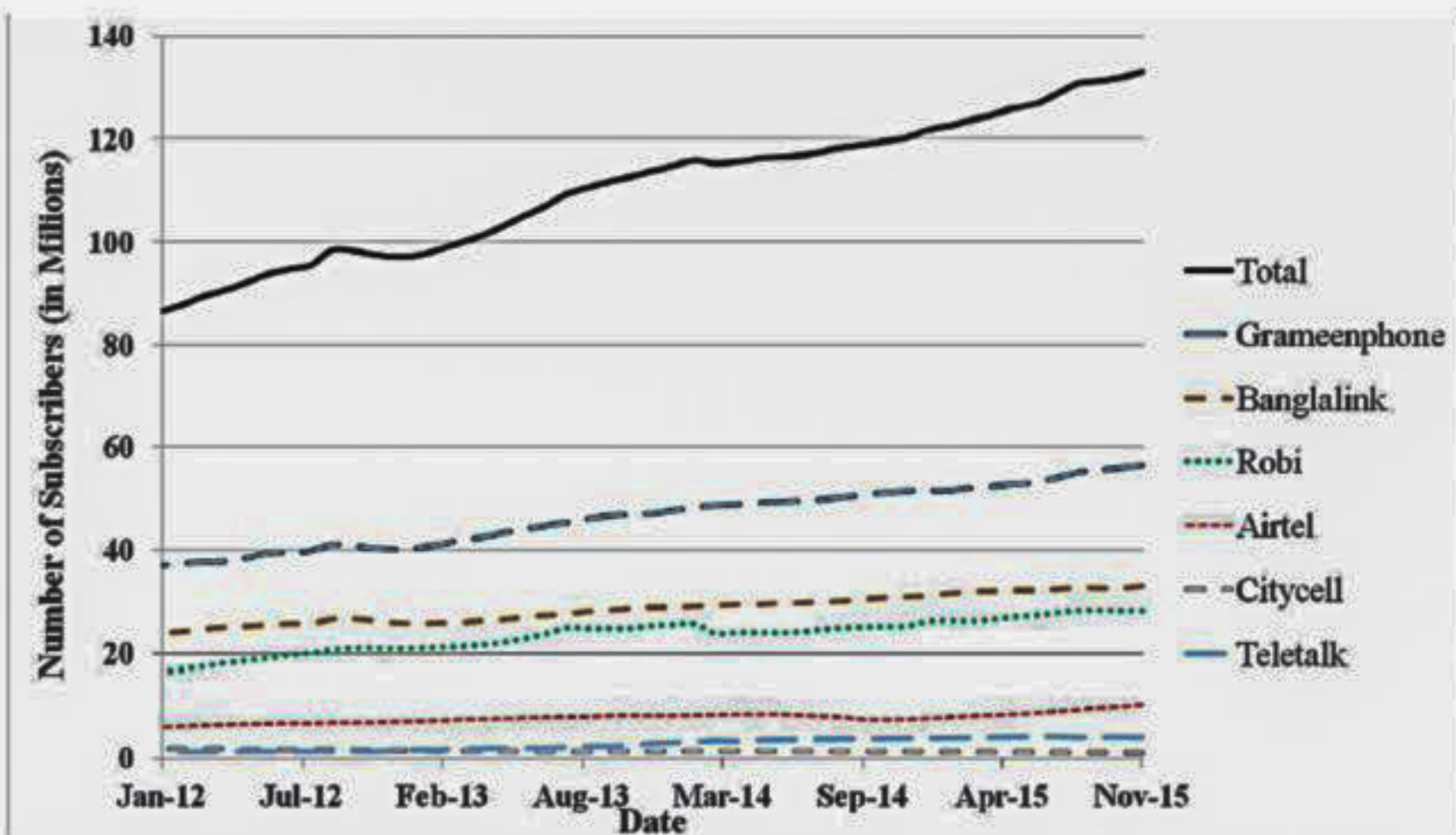
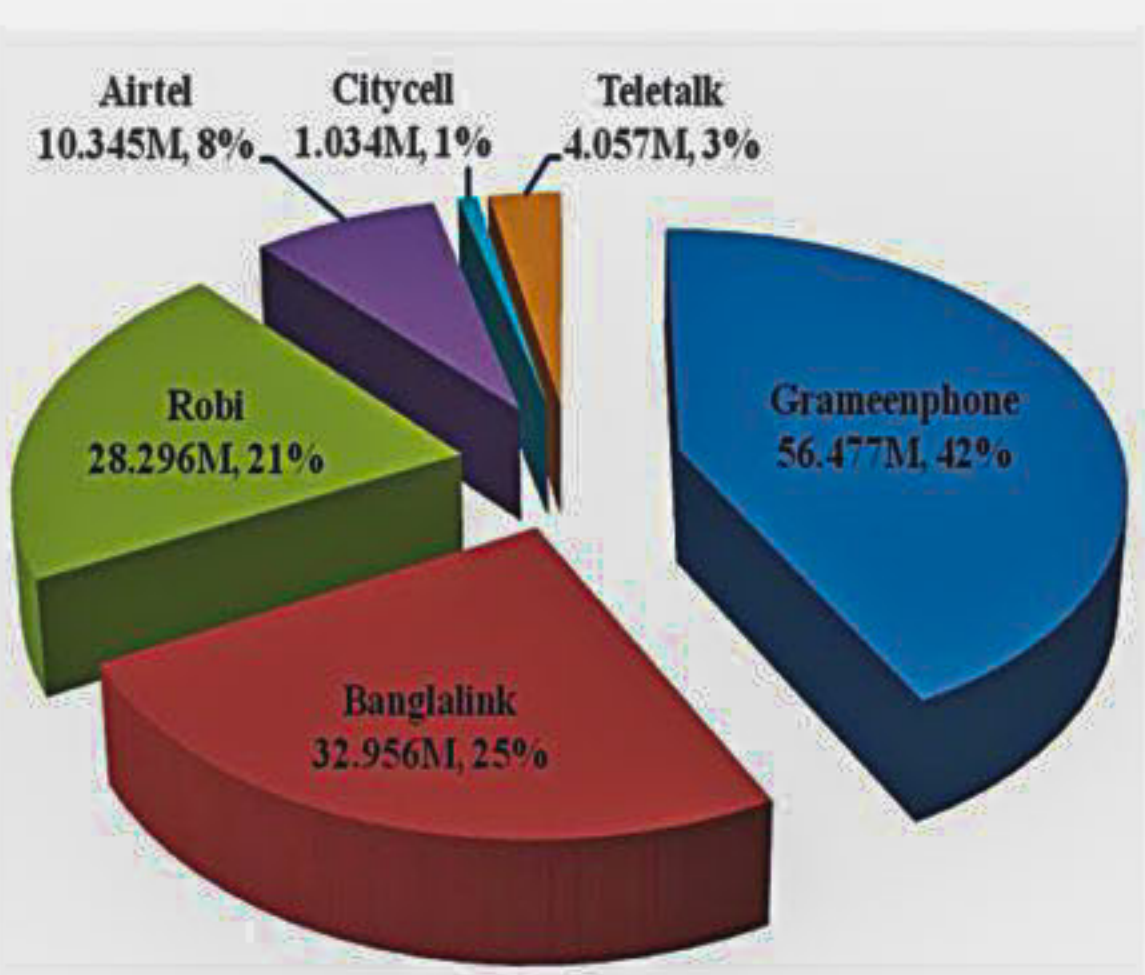


Figure 1. Bangladesh Mobile Operators and Their Subscribers as well as Total Mobile Subscribers as a function of time (Date). Source: BTRC (<http://www.btrc.gov.bd/telco/mobile>)

Mobile Operator	Spectrum in 900MHz Band	Spectrum in 1800MHz Band	Spectrum in 2100MHz Band	Total Spectrum
Robi	7.4MHz	7.4MHz	5MHz	19.8MHz
Airtel	5MHz	10MHz	5MHz	20MHz
Grameenphone	7.4MHz	14.6MHz	10MHz	32MHz

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

Figure 2. Bangladesh Mobile Operators and Their Subscribers in Millions, Percentage Market Share) as of November 2015. Source: BTRC (<http://www.btrc.gov.bd/content/mobile-phone-subscribers-bangladesh-november-2015>)



widen. Banglalink's closest competitor is Robi and they have both been on a somewhat parallel trajectory with a current offset of ~4.5 million subscribers. Airtel comes in 4th with a substantially smaller subscriber base but its growth rate has been quite good over the past year.

Given that growth rate will ultimately slow, market share becomes an even more important factor. Figure 2 shows the mobile operators and the number of their subscribers as well as their market share as of November 2015. Over the past four years, the market share range for each of the

operators is as follows: Grameenphone: 41-43%, Banglalink: 24-28%, Robi: 19-23%, Airtel: 6-8%, Citycell: 0.5-2%, and Teletalk: 1-3.5%. This tells us that the market share of the operators has been quite static and that it is very difficult for any operator to take away market share from any other operator. Thus, a merger or acquisition is one of the only routes to increase market share. If the Robi Airtel merger were to happen right now, the combined entity would have a subscriber base of over 38 million and a market share of 29%.

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