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COMPANY ALERT**Bharti Airtel Limited****Bharti bids for Zain****Breaking News****Buy**

Reuters:BRTI.BO Exchange:BSE Ticker:BRTI

Price (INR)	314.40
Price target (INR)	340.00
52-week range (INR)	468.80 - 275.15
Market cap (USDm)	25,682
Shares outstanding (m)	3,792.3
Net debt/equity (%)	5.9
Book value/share (INR)	102.92
Price/book (x)	3.1

FYE 3/31	2009A	2010E	2011E
Sales (INRm)	369,616	393,710	390,561
Net Profit (INRm)	84,699.8	90,788.1	69,923.6
DB EPS (INR)	25.23	23.06	18.44
PER (x)	14.6	13.6	17.1
Yield (net) (%)	0.3	0.3	0.3

According to the Wall Street Journal, Zain Telecom has approved the sale of most of the company's African assets (excluding Sudan and Morocco) to India's Bharti Airtel.

Key metrics of the deal * Acquisition price : \$10.7 bn.

* 9 month CY09 revenues (in the concerned markets) is at \$2731 mn (-12% YoY) and EBITDA is at \$869 mn (-13.5% YoY) EBITDA margin at 32%.

* Valuation (Implied) = 9.2x CY09 EV/EBITDA. This compares to Bharti's FY10E EV/EBITDA at 7.5x.

* Nigeria is c38% of EBITDA. Other key countries include Democratic Republic of Congo (erstwhile Zaire), Zambia, Tanzania and Gabon.

* Zain commented that revenues and EBITDA fell yoy due to depreciation of local currencies.

Implications for Bharti: * We do not expect any funding concerns for Bharti. Company has net debt of \$420m and shareholders equity of \$8bn. Interest coverage ratio is at 44x and we expect FY10E FCF to be c\$1.2bn

* We note that Bharti had recently shuffled its organisational structure and Mr Manoj Kohli has been designated as the CEO of International business. Mr Sanjay Kapoor is the CEO-designate for India & South Asia assets.

Key strategic issue: * Most of Zain's customers are prepaid with ARPU around \$5-7. Bharti would need to transplant its operating model from India so that it can scale up Zain's operations.

* Cost synergies may not be significant in our opinion.

* Nigeria is a key market and Zain lags MTN in Nigeria as the later has a 45% market share compared to 25% for Zain.

We maintain our BUY recommendation and target price of Rs 340.

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