

NEW CONNECTIONS

A CHINESE MOBILE PHONE RETAILER ACQUIRES A STAKE IN AN INDIAN ONLINE TELECOM BUSINESS. IS THIS A HARBINGER OF MORE ACTION TO COME?

REBECCA ABRAHAM REPORTS

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s the expansion of China's mobile phone market slows, interest from Chinese manufacturers in India's booming market has skyrocketed. Research from Counterpoint, a Hong Kong-based market monitoring service, shows that smartphone shipments in 2016 grew at 18% in India as compared to 3% globally.

The last quarter of 2016 was par-

ticularly good for Chinese brands in India. They accounted for 46% of total smartphone shipments, up from 14% in the last quarter of 2015.

CHASING SALES

India has attracted interest also from Chinese retailers - specifically from a retailer of mobile phones.

In June 2016 Hong Kong-listed Beijing Digital Telecom Company, which has a chain of 1,600 independent and franchised outlets across China, said that it had entered into an investment agreement to acquire a 49% equity interest in Spice Online.

11 | BILL / MARCH 2017

WHAT'S THE DEAL?

MERGERS & ACQUISITIONS



Salman Waris
Partner
TechLegis

The sheer compliances that they had been required to meet ... were part of the challenge that we faced

Spice Online, which runs online portal saholic.com, is a step-down subsidiary of Spice Mobility, a mobile handset and digital services technology provider that is listed on the BSE and the National Stock Exchange of India.

Spice Online also operates a business referral platform and intends to expand into business-to-business (B2B) e-commerce. Subramanian Murali, CFO of Spice Mobility, explains that it was this platform that drew Beijing Digital to India.

"They were interested in a B2B e-commerce platform that we were running, which was called ProfitMandi and took equity in the company," says Murali.

While the board of Beijing Digital had earlier resolved to set up Kindiya Investment in Singapore to make the US\$25 million acquisition, it was eventually made through a Singapore entity called New Idea Investment, which is wholly owned by Beijing Digital.

Simultaneously Beijing Digital announced that it would commit US\$25 million to form a joint venture in India with Omniventures, the parent of Spice Online. The Chinese company said it would hold 60% equity in the joint venture, which would mainly manu-