

MTN bids for Econet's stake in Yu

MTN Africa has its eyes set firmly on finally entering the Kenyan market by offering to buy Econet Wireless International's (EWI) stake in local mobile provider Econet Wireless Kenya (EWK) which operates as Yu. Currently Yu is the latest entrant in the telecoms market and it has already had its share of trouble after its founding CEO, Mike Foley, resigned only six months after being appointed.

By [Titus Kaloki](#) 6 Apr 2009

There have also been unconfirmed reports of unpaid suppliers and the company falling short on capital to continue its promised countrywide roll out. A delay in securing credit has led to the company experiencing tightening liquidity.

MTN made the bid at around the same time Foley resigned. MTN Africa CEO, Phuthuma Nhleko sent a letter of intent to Johannesburg-based EWI asking not only for the majority stake but also for management rights which could see Yu change its name to MTN. EWI owns 70% of EWK which is the local holding company the Yu brand and EWI is 49% owned by the Mumbai-based Essar Group therefore giving the latter management rights. MTN intends to diversify earnings and consolidate the group's leadership position in emerging markets.

The market in Kenya's mobile services is expected to add 15 million subscribers in the next five years and climb to 30 million by 2013. It is this large stake that MTN wants a piece of. The CEO of Yu, Srinivasa Iyengar predicts the current subscriber base of 500,000 to reach four to five million in the next two years.

MTN first showed interest in the Kenya market by bidding for Kencell Communications which was being sold by French Company, Vivendi Telecom, but lost to Celtel International, now Zain. Says chairman of the Parliamentary Committee for Communications, James Rege on the deal, "It is a capital intensive business and obviously, the company needs a partner with deep pockets and the patience to wait for the returns, because the market is already pocketed."

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