

Case Study

The Strategic Journey of the Biggest IPO in Bangladesh: The Case of Robi Axiata Limited

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Abstract

Robi Axiata Limited (Robi)—a multinational cellphone operator—got the nod for the ever-biggest initial public offering (IPO) from Bangladesh's regulatory body on 14 October 2020. The IPO process ended on 24 December 2020 through its debut on the country's two stock exchanges. Based on both primary and secondary data, this study intends to depict the 23 years strategic journey of Robi till its IPO. Robi's IPO was oversubscribed by 5.75 times compared to its counterpart telecom giant Grameenphone by 3.5 times. Beyond the most common motive of settling the loan, network expansion was the only motive for Robi's IPO. The IPO enabled the company to reduce its corporate tax and create a positive brand image among stakeholders. Before the IPO, rebranding from AKTEL into Robi and its merger with Airtel were two major turning points. The merger contributed significantly to the company's market share and overall performance, which ultimately led the company to raise the largest-ever amount from the capital market through IPO.

Keywords: IPO, Primary market, Rebranding, Merger, Bangladesh capital market.

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Introduction

Robi Axiata Limited, branded as Robi, completed its debut on Bangladesh's stock exchanges on 24 December 2020 through the country's biggest-ever initial public offering (IPO). Before Robi, the IPO of Grameenphone Bangladesh Limited (GP) was the largest in Bangladesh. Researchers have suggested listing of multinational companies in Bangladesh's stock exchanges for the stability of the capital market and meeting investors' demand (Rahman et al., 2017). Therefore, Robi's IPO was a dauntless matter to the participants of the Bangladesh stock market. However, the task was a great challenge to the regulator and Robi. Before its successful listing on the stock exchanges in Bangladesh, the company completed a 23 years journey. In contrast, its counterpart GP journeyed only 12 years after its footprint in Bangladesh, which implies that Robi had to struggle and apply various strategies during its long journey in Bangladesh. In the above context, this case study intends to mark the strategic turning points of Robi's success up to its listing in Bangladesh's stock exchanges through IPO.

IPO—the sale of corporation stock to the public for the first time—has long been the ultimate ambition of many startup entrepreneurs and investors worldwide. IPO facilitates companies to become public and listed on stock exchanges (Silva & Bilinski, 2015, Rahman et al., 2017). From a company perspective, listing on stock exchanges improves its capacity to raise capital. It also enhances the overall governance and financial performance of a company. Also, listing on the stock exchanges enhances the goodwill and transparency of the company among investors. Investing in IPO is comparatively a risk-free and profitable business to investors in the Bangladesh capital market and around the globe. IPOs of reputed and established companies create enthusiasm among investors, especially the small ones. Hence IPOs usually stimulate multiple stakeholders of companies, such as investors, entrepreneurs, underwriters, regulators, financial analysts, and academics.

Case studies are conducted using various techniques, including interviews, documentation, archival data, observations, and physical artifacts (Yin, 2009, Ahmed et al., 2018). However, the current study relied heavily on secondary data gathered from Bangladesh Telecommunication Regulatory Commission (BTRC) records, IPO prospectuses, Robi's public annual reports, national daily newspapers, and the websites of Robi, GP, and the Dhaka Stock Exchange (DSE). Moreover, a high official of Robi and four high officials (one from each organization) from DSE, Chittagong Stock Exchange (CSE), Bangladesh Institute of Capital Market (BICM), and Bangladesh Securities and Exchange Commission (BSEC) have also been interviewed to gather insights. Finally, collected information has been narrated to formulate the case. Although case studies are common in academia, especially in business, it is pretty new in Bangladesh. However, several studies deal with individual events or companies from Bangladesh's perspective. This case study covering three significant events (rebranding, merger, and IPO) of a multinational's journey might bring new light. The remaining parts of this study incorporate the benefits and motives of IPO followed by the background of mobile phone operators in Bangladesh with their market shares, Robi's journey and its turning strategies, and the conclusion.

Background of Mobile Phone Operators in Bangladesh and Their Market Shares

Cellphone—an invention for modern telecommunication—started its footing in Bangladesh in 1989 by providing a license to Bangladesh Telecom Limited (BTL) to operate wireless communication networks in Bangladesh. In 1990, BTL and Hutchison Telecommunications (Bangladesh) Limited established the joint venture Hutchison Bangladesh Telecom Limited (HBTL) in Bangladesh. In 1993, HBTL began commercial operations in Dhaka as the first cellular provider in Bangladesh and South Asia utilizing AMPS mobile technology (Rahman, 2010).

When Pacific Motors purchased a 50% stake in BTL in 1996, HBTL was renamed Pacific Bangladesh Telecom Limited (PBTL). PBTL created "Citycell Digital" to promote its cellular devices using CDMA technology. When GP launched as Bangladesh's second mobile phone service provider in 1997, it did so via GSM technology. Banglalink (formerly Sheba) and Robi (formerly AKTEL) began operations in Bangladesh in the same year. Airtel (formerly Warid) and Teletalk got their beginnings later. Thus, all mobile phone operators except Citycell had used GSM technology.

Although Citycell was the pioneer, it encountered severe competition from operators with better technology and customer services (Ahmed & Rahman, 2017). Citycell's customer base and market share started shrinking after 2005 because of its backdated CDMA technology. Consequently, the company's financial condition was deteriorating from year to year. Finally, BTRC closed the operation of Citycell in 2016 as the company failed to pay the license renewal fee. The closure of Citicell converted the six operators market into a five operators market.

Table 1. Landmarks in the History of Mobile Telecom Industry in Bangladesh

Year	Event(s) occurred
1989	BTL and Sheba Telecom were awarded a license in Bangladesh for the 1st time
1996	Grameenphone got a license for cellular mobile telephony Telecom Malaysia International Bangladesh got a cellular mobile license BTL rebranded as Pacific Bangladesh and Citycell brand launched
1997	Launch of Grameenphone, AKTEL, and Sheba
1998	Telecom Policy formulated
2001	Act to establish Bangladesh Telecommunication Regulatory Commission (BTRC)
2002	Achieved the milestone of one million subscribers
2004	Teletalk launched cellular mobile
2005	Egypt-based Orascom acquired Sheba Telecom and Sheba rebranded to Banglalink Achieved the milestone of ten million subscribers
2007	Launch of Warid Telecom
2008	Japanese NTT DoCoMo bought the 30 percent stake in AKTEL
2010	Bharti Airtel acquired the 70 percent stake in Warid Telecom Aktel rebranded to Robi Axiata Limited

Year	Event(s) occurred
2012	Teletalk launched the 3G network in Bangladesh for the 1 st time
2013	Grameenphone, Robi, Airtel, and Banglink launched the 3G network Achieved the milestone of 100 million subscribers
2014	64 districts covered with 3G by Teletalk, Grameenphone, Banglalink, and Robi
2016	Airtel merged with Robi on the 16 th of November
2017	Subscriber penetration surpasses 50% of the population
2018	4G mobile service introduced on the 19 th of February
2020	Robi's listing on stock exchanges through IPO

In the meantime, the Government-sponsored 'Teletalk' started operation in Bangladesh on 26 December 2004. There were four main reasons why Teletalk was founded: to provide public sector mobile telephony service; safeguard the public interest by ensuring fair competition between the public and private sectors; meet a portion of the unabated high demand for mobile telephony service; and provide the government with a new source of revenue (Rahman, 2010). After three years, Warid Telecom started commercial operation in Bangladesh on 10 May 2007 as a wholly-owned subsidiary of Abu Dhabi Group. It was the last entered mobile phone operator in the six-operator market.

Warid's entry made the market more competitive. Due to severe market competition, a significant event—the merger of Airtel and Robi—occurred in the mobile telephony sector in 2016. After the merger, the industry became a four-operator market. However, the total number of active mobile phone subscribers followed a growing trend, and the number reached 181.02 million on 31 December 2021 (BTRC, 2021). The number of subscribers was 161.30 million in 2020, 126.87 million in 2015, 43.70 million in 2005, and only one million in 2002. Although voice call service has been the main product of mobile phone operators in Bangladesh, the edge of internet service has nowadays become a focus of operators.

In summary, telecommunication has become one of the fastest-growing industries in Bangladesh and the fifth-largest market in the Asia Pacific region. The industry in Bangladesh is oligopolistic, where there are only four firms. The market can also be termed monopolistic because a single firm holds a significant portion of the market share dominates the industry. The mobile phone operating industry in Bangladesh has already outperformed for more than two decades. Thus the market has become saturated, and the competition has turned into a fierce rivalry.

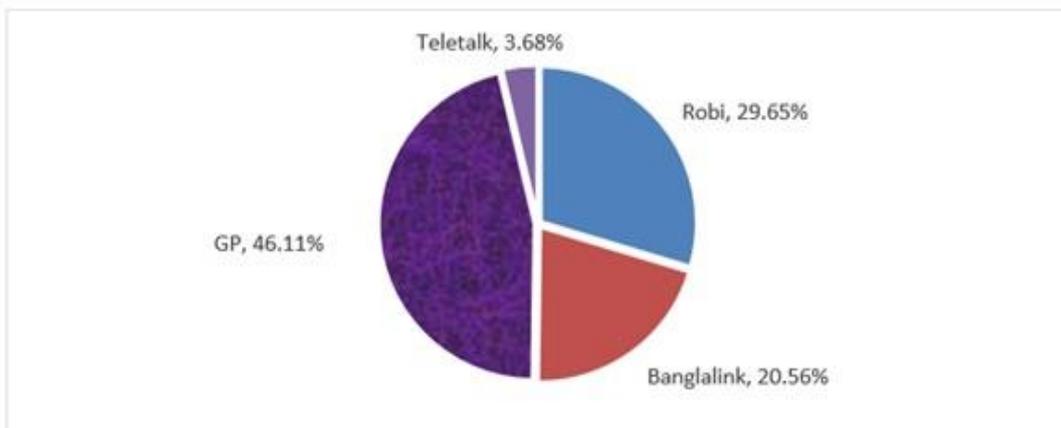


Figure 1. Market Share of the Mobile Phone Operators in Bangladesh
Source: BTRC Website (31 December 2021)

The Journey of Robi and the Turning Strategies

In Robi—currently the joint venture between Axiata Group Berhad of Malaysia and Bharti Airtel of India—Axiata holds 61.82%, Bharti 28.18%, and other shareholders own the remaining 10%. According to the most recent available data, Robi is Bangladesh's second-largest mobile network operator with 53.67 million subscribers up to 31 December 2021. Robi inaugurated its service in Bangladesh under the name AKTEL (a joint venture between Telekom Malaysia and the AK Khan Group) on 1 January 1997. In 2008 the Japanese NTT DoCoMo purchased AK Khan's entire stake of 30%. Thus, the company again became a new joint venture between Axiata Group Berhad and NTT DoCoMo Inc and AKTEL rebranded as Robi. Since then, Robi Axiata (Bangladesh) Limited has been using the brand name Robi.

Robi introduced different digital services in the mobile and telecommunication industry. For example, the company is the pioneer in taking mobile banking services to underserved rural and semi-urban areas. Moreover, the company successfully ran the 5G trial for the first time in Bangladesh's telecommunication industry history. Further, Robi has set up internet corners in seven divisional public libraries, installed clean drinking water facilities in ten major railway stations, and partnered with Access to Information (a2i) to build up 333—a contact center that provides information on government services. In addition, Robi introduced the first GPRS and 3.5G services. Further, Robi was the first mobile phone operator that introduced 4.5G services throughout the 64 districts in Bangladesh. The company has 398 international roaming operators in 182 countries and the largest 4G roaming footprint in 29 countries with 40 operators.

As a pioneer in mEducation, Robi created the country's largest online school named 10-minute school. Students across the country can access high-quality educational content free of cost at that platform. As a result, Robi won the coveted GSMA Glomo award at the 2017 Mobile World Congress (MWC) for the best mobile innovation in education and training. Robi is much caring about the culture and heritage of Bangladesh. As an example of Robi's cultural sensitivity, the company created the world's largest human flag of Bangladesh. Robi's mission is understood from the statement of its chairman Mr.

Thayaparan Sangarapillai— "As Bangladesh forges ahead with its bold plans for socio-economic transformation, encapsulated in the middle-income country eligibility envisage by 2024, Robi has aligned its strategy with the needs of the nation." Like other conglomerates, Robi proceeded with different strategies to survive in the marketplace. The following subsections of this study deal with significant turning strategies of Robi:

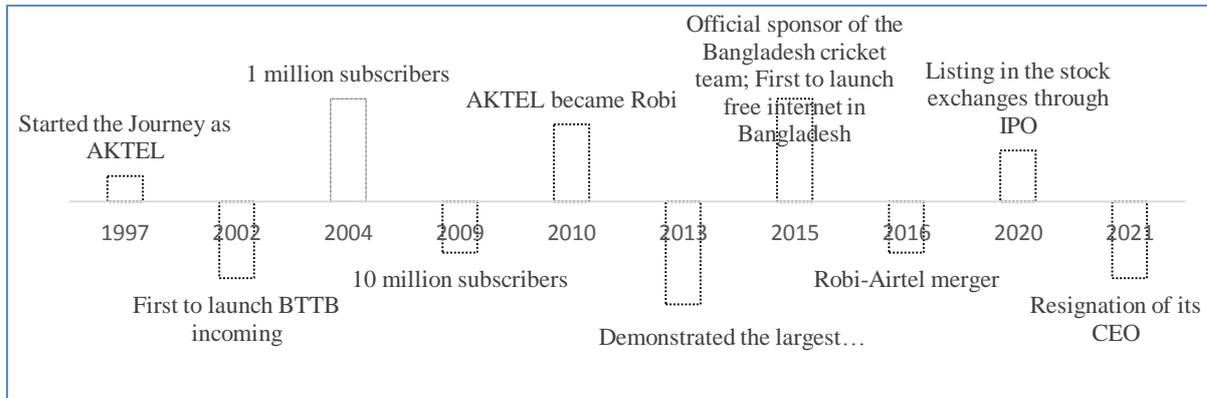


Figure 2. Important Milestones in Robi's Journey during 1997 to 2021

Turning Strategy-1: Rebranding of AKTEL into Robi

One of the significant turning points in Robi's journey took place in 2010 when Axiata (Bangladesh) Ltd was renamed as Robi Axiata Ltd, and its brand name AKTEL was rebranded as Robi. The rebranding target was to capture mostly untapped rural markets. Before rebranding Robi's market position in terms of customers demoted from second to third, side by side, there was a change in the company's ownership. The rebranding was to localize the brand by using a locally famous and easy-to-pronounce name, 'Robi'. The Bengali name 'Robi' was chosen to create an emotional appeal to Bangladeshi people. In Bengali, 'Robi' means Sun. Thus, the company launched the brand at sunrise on 28 March 2010. The most admired Bengali poet Rabindranath Tagore's short name is 'Robi'. Therefore, Robi attempted to establish an emotional link with the Bangladeshi people's cultural roots and position itself in buyers' minds. Although the rebranding decision involved a huge amount, it helped the company establish a meaningful and sustainable brand.

Turning Strategy-2: Merger with Airtel

Merger has been widely recognized as one of the best growth, survival, and expansion strategies (Kongpichayanond, 2009). It simultaneously allows firms to grow and sustain by combining operations, expanding into new markets, and increasing existing market share. Although the history of the merger is not unknown in the global telecom industry, there is only a little evidence of mergers, alliances, and consolidations in Bangladesh. The Robi-Airtel merger was the first-ever corporate merger in the history of the Telecom industry in the county (Robi Axiata, 2022). Robi and Airtel decided to merge in 2015 with the permission of BTRC. The merger came into existence and began combined operations in November 2016 (Husain, 2016). The merger substantially improved the financial base, enhanced the scope of the economy,

and created positive synergy in the actions and operations of the merged company (Ahmed et al., 2018). The CEOs of merged companies stated that one of the reasons behind the merger between Robi and Airtel was to gain economies of scale. It was expected that the merger would boost the capacity to invest more, deliver superior customer value, and strengthen the company's reputation in the competitive marketplace. The combined operations after the merger resulted in more cellular towers, sharing of networks, and improved frequency. Table 2 compares the pre-and post-merger conditions of the companies to assess the effectiveness of the merger.

Table 2. Landmarks in the History of Mobile Telecom Industry in Bangladesh

	Before merger		After merger
	Robi	Airtel	Robi Axiata
Position in the market	Third	Fourth	Second
Number of subscribers	24.42 million	7.72 million	53.04 million
Market share	21%	7.8%	30%
Cell Towers	6,000	4,000	Combined
Spectrum	19.8 MHZ	20 MHZ	39.8 MHZ

The immediate post-merger performances of Robi-Airtel were not satisfactory. The subscriber of both the operators faced poor network and services due to technical difficulties arising from the sharing of the network. However, the companies tackled the situation quickly. The financial performances were also frustrating at the beginning of the merger. After the merger, Robi experienced losses in three consecutive years, as shown in table 3.

Table 3. Comparative Financial Performance of Robi

Particulars	2019	2018	2017	2016	2015
Revenue (m. BDT)	74,811	67,982	68,255	51,131	51,627
Profit/(loss) from operations (m. BDT)	8,658	(616)	(2,816)	(8,555)	4,823
Net profit/(loss) before tax (m. BDT)	3,789	2,679	(2,571)	(9,432)	4,754
Net Profit/(loss) after tax (m. BDT)	169	2,147	(104)	(6,931)	2,402
Total assets (m. BDT)	171,968	144,614	142,101	133,422	101,249
Shareholder's Equity (m. BDT)	59,588	60,591	58,670	58,677	47,160
Paid Up Capital (m. BDT)	47,141	47,141	47,141	47,141	35,356
Earnings per Share (EPS)	0.04	0.46	(0.02)	(1.88)	0.68
Net Assets Value (NAV) per share	12.64	12.85	12.45	12.45	13.34

Turning Strategy-3: Listing on Stock Exchanges through IPO

Companies undertake IPO to capture diversified benefits. IPO is considered a sustainable source of financing infrastructure projects (Faisal & Ridwan, 2012). Acquisition is among the top reasons for an IPO in the United States (Brau & Fawcett,

2006). However, boosting long-term growth through repaying debt and lowering the fixed interest payments is a common IPO motive to highly leveraged organizations (Fan, 2019). Though fixed pricing and book-building approaches incur issue costs, the latter involves additional marketing expenditures, which forces smaller firms to pick the earlier alternatives (Arora & Singh, 2020). However, the fixed price method signals information asymmetry and value uncertainty (Mehmood et al., 2020). Companies with the motive of capital investment experienced a better post-IPO performance (Andriansyah & Messinis, 2016). Although IPOs enable corporations to gain more power (Silva & Bilinski, 2015), Amor and Kooli (2017) discovered that organizations with investment plans experienced statistically insignificant return growth over three years after IPO. Despite several benefits, many companies are not interested in going public because they fear losing control over decision-making and ownership (Brau & Fawcett, 2006).

Robi got the IPO opportunity after getting approval from BSEC on 23 September 2020 (The Daily Star, 2020). With the consent, Robi Axiata entered the milestone of issuing the largest-ever IPO in Bangladesh. Mr. Shahed Alam, the corporate and regulatory officer of the company at that time, stated— "This is indeed a historical moment of Robi. We are immensely proud to be coming to the stock markets with the largest ever stock listing." Robi was granted to raise BDT 5237 million by issuing 523.7 million ordinary shares at BDT 10 per share under the fixed price method. As mentioned in the IPO prospectus, the principal objective of raising funds through IPO was to expand the operator's network capacity throughout Bangladesh. Besides, the strategic motive behind the IPO was to reduce the company's corporate tax. The corporate tax rate was reduced to 40% from 45% for listing with the stock exchanges. Thanks to listing on stock exchanges through the IPO, Robi got the opportunity to advertise itself among around 2.7 million investors and related parties. Further, the company raised a handsome amount of funds for network expansion from an equity source that does not require any fixed financial expenses. Third, Robi got the scope to issue its shares to its employees through private placement to increase job satisfaction and make employees more loyal.

Despite the above benefits, some challenges emerged for Robi because of its listing through IPO. First, after listing, the company must comply with numerous statutes from BSEC, DSE, CSE, and CDBL. Second, before listing on stock exchanges, people were not aware of the company's earnings. However, after its listing, the company is bound to disclose its earnings regularly. Here the challenge arises—if the company cannot demonstrate earning growth, it might have a negative impact on customers and investors. Third, the company may encounter pressure for dividend declaration. As its counterpart GP declares a handsome amount of dividend every year, if Robi fails to pay fair dividends to the shareholders, it will be transferred to the inferior 'Z category', which will ultimately affect its image.

Regarding the pricing mechanism, both fixed-price and book-building approaches of IPO coexist in Bangladesh. However, the book-building method—the most widely used method worldwide—is still being tested in Bangladesh. Robi issued its shares under the fixed price method and got an overwhelming response from investors because of its issuance of shares at par value.

About the current performance, Robi's chairman states— "I feel our financial performance was satisfactory. It would be unfair not to highlight the fact that our performance doesn't represent the full potential of our company." The chairman also regrets saying, "Despite coming to the stock market with the largest-ever IPO, Robi was not offered any incentives." The chairman also argued that thoughtful consideration of reducing the tax burden from the industry might help the company deploy its capabilities to achieve the national vision of digital Bangladesh. Mr. Mahtab Uddin Ahmed, the first home-grown CEO of Robi, played the pivotal role to take the company to the dizzying height of success through a leadership position in 4G, digital innovation, and the biggest ever IPO.

Conclusion

Robi has completed its 23 years journey in Bangladesh through a challenging path. To survive in the competitive market, the company had to adopt numerous strategies. Unfortunately, few did not work as expected, while few played as turning points. The crucial strategies of Robi include rebranding of AKTEL to Robi, merger with Airtel, and listing on the stock exchanges through IPOs. Although the company has bagged several benefits through IPO, it has compelled the company to encounter some challenges. Issuing shares to employees is considered a praiseworthy initiative from the employee's viewpoint. However, it will take time to see the full effect of such a share issue to employees. Finally, stakeholders will have to wait to see if there is any effect of the resignation of the company's first local CEO one month before the expiry of his tenure, who played the pivotal role to take the company to a dizzying height.

Author Contributions

The 1st author generated the idea of this research, developed research design, collected significant part of the required data, compiled the whole work, and reviewed the paper several time.

The 2nd author wrote a significant part, prepared the abstract, and made valuable contribution by reviewing the article.

The 3rd author supervised the whole work, gone through the whole work several times, and made many important corrections.

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