

Arbitration may not prevent future deals for RCom

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Call disconnected: A cobbler sets up his stall in front of an ad for RCom's Reliance Mobile in Mumbai. Merger talks between the company and South Africa's MTN Group were called off on Friday.

Two days after Anil Ambani's Reliance Communications Ltd, or RCom, and South Africa's mobile phone services firm MTN Group Ltd together decided to end merger talks, legal experts say arbitration proceedings by estranged elder brother Mukesh Ambani may not prevent any future deals that his younger sibling would want to take up.

A person with knowledge of the development, who did not want to be identified, said the deal for a possible merger was all done, but MTN decided to call it off due to the legal issues involved. "MTN was not convinced whether Anil Ambani would be able to get through the legal issues. In fact, the arbitration notice issued to RCom was a jolt to them, and that's when they decided to call it off," this person said.

A legal expert said the arbitration notice issued by Mukesh Ambani's Reliance Industries Ltd, or RIL, would fail automatically since the talks have been called off. "Only specific disputes under an agreement can be referred for arbitration," Vyapak Desai of Mumbai-based legal firm Nishith Desai Associates said.

Another legal expert said Mukesh Ambani cannot prevent RCom from buying any other company. "Anil Ambani will have to consult RIL before selling shares to another company. If he does not, then RIL has the right to challenge the decision," said Anand Prasad, partner at legal consultant firm Trilegal.

On Saturday, AAA Com, the investment firm of RCom promoter Anil Ambani that owns 63.38% equity in the mobile phone company, said in an emailed statement that it was not party to the 12 January 2006 non-compete agreement between RIL and RCom, and was free to deal with RCom as it deemed fit. An RCom spokesman declined to comment on future acquisition plans, and the RIL suit.

The weekend developments are expected to have a positive impact on RCom's shares when the Bombay Stock Exchange opens for trading on Monday.

"The deal is not happening. That will be bit of a relief for the shareholders," said Ambareesh Baliga, vice-president at Karvy Stock Broking Ltd. "The stock should rise on Monday." (Devidutta Tripathy of 'Reuters' contributed to this story.)

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