BUSINESS REPORT Tuesday October 1, 2013

INDIA & AFRICA: STRATEGIC PARTNERS IN PROGRESS

UNUSUOUS relations between India and Africa have led to a significant economic tie that is expected to bring about economic growth in both countries over the long term. In the past few years, the ties between India and Africa have been strengthened, especially in the areas of trade and investment. This is due to the fact that both countries have a growing interest in each other's markets, as well as the efforts being initiated from both sides at all levels. India has been growing at an impressive pace since the turn of the century, and Africa is expected to be one of the world's fastest growing economies in the coming years, according to the International Monetary Fund (IMF).

India's exports have increased by more than 17% in the past five years, while Africa's exports have grown by 10% per year. This has led to a significant increase in the volume of trade between the two countries, with India becoming Africa's third-largest trading partner, after China and the United States. In 2011, India's exports to Africa reached US$ 39 billion, while imports reached US$ 31 billion, making India Africa's second-largest source of imports and third-largest export destination. The trade balance, however, is in favor of India, with the country having a surplus of US$ 8 billion in the trade with Africa.

The growth in trade has been facilitated by the growing interest of Indian companies in Africa's natural resources, with investments in mining, oil and gas, and infrastructure projects. Some of the key investments made by Indian companies in Africa include:

- Vedanta Resources, India's largest mining and non-ferrous metals company, has made investments of around US$ 4 billion in Africa's natural resources space in the past 10 years.
- Tata Motors, which has invested around US$ 700 million since 2008, is Africa's fastest-growing passenger vehicle manufacturer. From a single assembly line in Kenya and plans a large assembling plant in South Africa, in the next three years Tata Motors plans to have 9,000-10,000 vehicles being produced in Africa.
- Cipla Medpro, the company that was supplying its drugs in South Africa through a nonprofit model, has entered Nigeria's home insecticide market. The company has already entered Ghana and plans to enter Kenya and other countries.
- In 2011, India became Africa's largest trading partner, with trade worth US$ 60 billion.

The strong economic ties between India and Africa have been further strengthened by the growing interest of Indian companies in Africa's natural resources space, with investments in mining, oil and gas, and infrastructure projects. Some of the key investments made by Indian companies in Africa include:

- Vedanta Resources, India's largest mining and non-ferrous metals company, has made investments of around US$ 4 billion in Africa's natural resources space in the past 10 years.
- Tata Motors, which has invested around US$ 700 million since 2008, is Africa's fastest-growing passenger vehicle manufacturer. From a single assembly line in Kenya and plans a large assembling plant in South Africa, in the next three years Tata Motors plans to have 9,000-10,000 vehicles being produced in Africa.
- Cipla Medpro, the company that was supplying its drugs in South Africa through a nonprofit model, has entered Nigeria's home insecticide market. The company has already entered Ghana and plans to enter Kenya and other countries.
- In 2011, India became Africa's largest trading partner, with trade worth US$ 60 billion.

The strong economic ties between India and Africa have been further strengthened by the growing interest of Indian companies in Africa's natural resources space, with investments in mining, oil and gas, and infrastructure projects. Some of the key investments made by Indian companies in Africa include:

- Vedanta Resources, India's largest mining and non-ferrous metals company, has made investments of around US$ 4 billion in Africa's natural resources space in the past 10 years.
- Tata Motors, which has invested around US$ 700 million since 2008, is Africa's fastest-growing passenger vehicle manufacturer. From a single assembly line in Kenya and plans a large assembling plant in South Africa, in the next three years Tata Motors plans to have 9,000-10,000 vehicles being produced in Africa.
- Cipla Medpro, the company that was supplying its drugs in South Africa through a nonprofit model, has entered Nigeria's home insecticide market. The company has already entered Ghana and plans to enter Kenya and other countries.
- In 2011, India became Africa's largest trading partner, with trade worth US$ 60 billion.

The strong economic ties between India and Africa have been further strengthened by the growing interest of Indian companies in Africa's natural resources space, with investments in mining, oil and gas, and infrastructure projects. Some of the key investments made by Indian companies in Africa include:

- Vedanta Resources, India's largest mining and non-ferrous metals company, has made investments of around US$ 4 billion in Africa's natural resources space in the past 10 years.
- Tata Motors, which has invested around US$ 700 million since 2008, is Africa's fastest-growing passenger vehicle manufacturer. From a single assembly line in Kenya and plans a large assembling plant in South Africa, in the next three years Tata Motors plans to have 9,000-10,000 vehicles being produced in Africa.
- Cipla Medpro, the company that was supplying its drugs in South Africa through a nonprofit model, has entered Nigeria's home insecticide market. The company has already entered Ghana and plans to enter Kenya and other countries.
- In 2011, India became Africa's largest trading partner, with trade worth US$ 60 billion.

The strong economic ties between India and Africa have been further strengthened by the growing interest of Indian companies in Africa's natural resources space, with investments in mining, oil and gas, and infrastructure projects. Some of the key investments made by Indian companies in Africa include:

- Vedanta Resources, India's largest mining and non-ferrous metals company, has made investments of around US$ 4 billion in Africa's natural resources space in the past 10 years.
- Tata Motors, which has invested around US$ 700 million since 2008, is Africa's fastest-growing passenger vehicle manufacturer. From a single assembly line in Kenya and plans a large assembling plant in South Africa, in the next three years Tata Motors plans to have 9,000-10,000 vehicles being produced in Africa.
- Cipla Medpro, the company that was supplying its drugs in South Africa through a nonprofit model, has entered Nigeria's home insecticide market. The company has already entered Ghana and plans to enter Kenya and other countries.
- In 2011, India became Africa's largest trading partner, with trade worth US$ 60 billion.

The strong economic ties between India and Africa have been further strengthened by the growing interest of Indian companies in Africa's natural resources space, with investments in mining, oil and gas, and infrastructure projects. Some of the key investments made by Indian companies in Africa include:

- Vedanta Resources, India's largest mining and non-ferrous metals company, has made investments of around US$ 4 billion in Africa's natural resources space in the past 10 years.
- Tata Motors, which has invested around US$ 700 million since 2008, is Africa's fastest-growing passenger vehicle manufacturer. From a single assembly line in Kenya and plans a large assembling plant in South Africa, in the next three years Tata Motors plans to have 9,000-10,000 vehicles being produced in Africa.
- Cipla Medpro, the company that was supplying its drugs in South Africa through a nonprofit model, has entered Nigeria's home insecticide market. The company has already entered Ghana and plans to enter Kenya and other countries.
- In 2011, India became Africa's largest trading partner, with trade worth US$ 60 billion.
Africa has allowed Duty Free Quota Free (DFQF) access via the DFTP scheme. With the numerous strategic initiatives being taken to improve bilateral relations India and Africa are truly emerging as partners in progress. In order to improve trade and investment further, a Free Trade Agreement (FTA) is currently being negotiated with the South African Customs Union. Besides this, a Preferential Trade Agreement (PTA) is also being discussed. With the numerous strategic initiatives being taken to improve trade and investment further, India and Africa are truly emerging as partners in progress. To improve trade and investment further, a Free Trade Agreement (FTA) is currently being negotiated with the South African Customs Union. Besides this, a Preferential Trade Agreement (PTA) is also being discussed. An Exhibition cum buyer-seller meet was also organized in Accra, Ghana from September 30 to October 3, 2012, under the aegis of the Ministry of External Affairs, and with the active support of the Department of Industrial Policy & Promotion and the Ghanaian Ministry of Trade & Industry. The 2nd meeting of the IABC was held on March 6, 2013, in New Delhi. At the Summit, Ministers from India and Africa set a bilateral trade target of US$ 90 billion by 2015 as opposed to US$ 70 billion earlier, in view of the remarkable progress made in the past years. In addition, the Ministers from both sides also announced the launch of the India-Africa Business Council (IABC) with Core Partners India and Africa. The IABC is aimed at further improving India-Africa trade and investment and will, for the first time, be held in Johannesburg, South Africa, on October 1, 2013. It is to be seen that India-Africa trade and investment relations have greatly strengthened over the past few years, thanks to initiatives that have been taken by stakeholders at all levels in both regions. The upcoming 2nd India-Africa Trade Ministers meeting is expected to take this strategic engagement further to the next level.

Recent Initiatives in India-Africa Economic Relations

India-Africa Trade Ministers Meeting

A key highlight of the 2nd India-Africa Trade Ministers Meeting was the launches of the India-Africa Business Council (IABC), the Africa–India Business Council (AIBC) and various initiatives to improve India-Africa trade and investment. The 2nd meeting of the IABC was held in New Delhi on March 6, 2013, in New Delhi. It is to be seen that India-Africa trade and investment relations have greatly strengthened over the past few years, thanks to initiatives that have been taken by stakeholders at all levels in both regions. The upcoming 2nd India-Africa Trade Ministers meeting is expected to take this strategic engagement further to the next level.

Recent Initiatives in India-Africa Economic Relations

India-Africa Trade Ministers Meeting

A key highlight of the 2nd India-Africa Trade Ministers Meeting was the launches of the India-Africa Business Council (IABC), the Africa–India Business Council (AIBC) and various initiatives to improve India-Africa trade and investment. The 2nd meeting of the IABC was held in New Delhi on March 6, 2013, in New Delhi. It is to be seen that India-Africa trade and investment relations have greatly strengthened over the past few years, thanks to initiatives that have been taken by stakeholders at all levels in both regions. The upcoming 2nd India-Africa Trade Ministers meeting is expected to take this strategic engagement further to the next level.
The economy of India has left a lasting impression on investors in both developed and developing economies with its achievements in the past two decades. Successes like the emergence of a world class IT industry, the rapid growth in exports across sectors and the development of a sophisticated financial sector have made India one of the top choices for investment. The domestic economy has evolved rapidly over the past two decades and the last seven to eight years have seen the economy shift to a higher growth path. The country has also seen rapid financial integration with the world due to trade globalisation over the years. Rapid liberalisation and globalisation in trade have ensured that the fruits of development are shared by urban and rural India, bringing in tremendous opportunities for foreign investors. And on the other hand, developing its reach beyond the developed world and developing the domestic manufacturing industry has provided a fillip to India as a destination for sourcing quality products and services.

A STRONG DOMESTIC MARKET

Being a young nation of 1.2 billion people with a median age of 24 years, India is being viewed from a long term perspective by foreign investors. It is expected to emerge as the world’s largest consumer market, with aggregate spending of US$ 13 trillion by 2030. (Deloitte report). Factors like rising average income levels among the Indian middle class are expected to drive aspirational behaviour as Indian consumers seek out higher quality products, better healthcare and more sophisticated services. At the same time, it is important to note that total rural income in India is expected to go up from the current US$ 1.2 trillion to US$ 1.8 trillion by 2020-21. The availability of a large pool of skilled workforce to tap the growth potential available in the country makes India an investor-friendly business destination. For instance, India has the second largest pool of scientists and engineers and the second largest English speaking population across the world. The country is expected to be home to 25 per cent of the world’s skilled workforce by 2025.

The future looks equally promising. Today, India has the world’s second largest telecom network based on the total number of telephone users with over 960 million mobile phone subscribers. India is already the world’s largest market for two-wheeler market; fastest growing market for consumer durables; fastest growing market for luxury goods and among the fastest growing internet markets in the world. Going forward, there are many sectors that offer a huge growth potential. For instance, India’s infrastructure sector alone is expected to attract investments worth US$ 1 trillion during 2012-17. Foreign direct investment (FDI) stood at US$ 198 billion during April 2000 to June 2013 growing at a compounded annual growth rate (CAGR) of 20.2 per cent during this period. Almost every well-known multinational company (MNC) has a base in India. FDI programmers of over 100 Fortune 500 companies are run from India, with over 75 MNC-owned R&D facilities. For the current financial year alone, FDI stood at US$ 5.3 billion from April 2013 to June 2013.

EXPORTS AND MANUFACTURING GROWTH

MNCs are leveraging India as a production hub for global markets. India has achieved many milestones in the area of exports over the past years. It is already the world’s largest rice exporter; largest manufacturer of motorcycles; largest bicycle manufacturer; largest producer of spices and second largest manufacturer of bicycles. In fact, India is expected to become the world’s fastest growing exporter. A host of factors such as Indian enterprises working on the cost competitiveness of their products, improved infrastructure and transport and the growth in the services sector have provided a strong push to exports from India. With the above factors, the government is planning to raise the share of manufacturing in India’s GDP from the present 16 per cent to 25 per cent by 2025, and is in the process of ramping up infrastructure and ensuring an enabling policy environment for manufacturing industries. With the country being praised, India is expected to become the second largest economy in manufacturing in the next five years, and promises immense potential as a sourcing destination, besides its well established credentials as one of the most lucrative consumer markets globally.

ININDIA: Inventing the Future

A US$ 20 cellphone, a portable refrigerator, a car that sells for US$ 2200
A US$ 2000 artificial heart, a US$ 1500 portable ECG machine
India is renowned for frugal engineering
Pharmacy of the World
A US$ 20000 artificial heart, a US$ 1500 portable ECG machine
India is renowned for frugal engineering
Pharmacy of the World
India Inc. Committed to Africa

SUNIL BHARTI MITTAL
Chairman and Group CEO, Bharti Enterprises

India is the continent of the future and has the potential to become a major growth engine for the global economy. India and Africa have had historic trade and cultural ties and marked cultural differences. To me, India and Africa are natural allies and their partnership adds immense value to South-South economic cooperation. I am confident that the economic engagement between the two partners will deepen further in the years to come and contribute to the well-being of their respective populations.

KARL SLYM
MD, Tata Motors

As a number of countries in Africa have embarked on a journey of development, the numerous infrastructure-related projects on the anvil and large investments in several mining projects provide a growing demand for heavy commercial vehicles such as trucks, tippers and pick-ups. Simultaneously, recognizing that the rapid urbanization in most of Africa developing countries will lead to the need for large mass transit systems using buses, we are among the few companies that have a range of differentiated bus offerings on the offer. Further, with Africa being among the lowest of cars penetration relative to the rest of the world, we also believe that there is potential of strong demand for passenger vehicles in the years to come. Tata Motors is well-positioned to cater to emerging requirements for transportation solutions across a wide variety of customer segments.

H M NERURKAR
MD, Tata Steel

Availability of raw materials for steel can make the African continent a favourable long-term destination for steel manufacturing. The region also holds tremendous potential to provide new coking coal sources, which can de-risk the steel industry's current dependence on existing coal sources. Tata Steel will also present its new opportunities to global players as a steel market in the medium to long term.

RAJENDRA S PAWAR
Chairman and Co-Founder, NEFT Limited

We see a growing potential for the training and skills development industry in Africa. In order to leverage human resources, appropriate skills are necessary. It is therefore important to understand skills development requirements of local industries, investors and trade development bodies for expanding work opportunities for the youth. But this is not a trivial task. Governments need to step in and provide an enabling environment for private players to participate.

Pawan Munjal
MD and CEO, Hero MotoCorp Limited

We are in the business of providing mobility – both necessity-based and aspirational. We are in the business of providing solutions. We offer a variety of two-wheelers, three-wheelers and mopeds – a range of mobility options across different segments. This is our strength and in Africa, we are exceptionally well placed to leverage our recipe. We have a proven track record of 30 years of experience in this very category in Nigeria with our Indian brand, Good Knight. Africa has one of the fastest-growing regions in the world and we are happy to be participating and contributing to the growth story.

VIVEK GAMBHIR
MD, Godrej Consumer Products Limited

We have made 4 acquisitions in Africa in the last 5 years and sell hair colourants, soap and hair extensions through our brands, Lakme, Titan and Godrej respectively. These businesses are performing well and we have learnt a lot about what it takes to be successful in the region. We also believe that these can only thrive, over time, provide a strong distribution and marketing platform for taking other home and personal care products from the Godrej portfolio to the African consumer. In fact, we have recently entered the home insecticide category in Nigeria with our Indian brand, God's Gift. Africa has one of the fastest-growing consumer markets in the world with a young population. As incomes increase, consumer with rising aspirations will seek new and existing products and new categories will emerge. A large section of the population will also be able to afford branded consumer goods and will be seeking for quality products at accessible price points.

SUNIL BHARTI MITTAL
Chairman and Group CEO, Bharti Enterprises

In an event to be held in Lagos, Nigeria, which is the largest country in West Africa, we are gracing the stage as a part of an umbrella event called ‘India-Africa Inc.’ It is an event with a 25-year history, where business leaders come together to explore opportunities to enhance trade and investment. Apart from giving us an opportunity to leverage the existing potential in Africa, this event also provides us with insights into the growth and investment opportunities in the next 25 years. We are committed to Africa, and we are here to strengthen our position in the region and explore new opportunities for growth and development.

R S AGARWAL
Joint Chairman, Emami Group of Companies

Africa is a gold mine, but it doesn’t come easy! While explosive population growth is a painful problem with 50 per cent of inhabitants below 20, if age coupled with over a 100 million households with discretionary income, it offers great potential for progressive Indian companies like Emami. The African consumer is very similar to the Indian consumer, where both quality & price are equally critical, which is something Emami understands well. Finally, it’s about timing and the time is ripe to grow with weak presence in Africa.

NINAD KARPE
MD and CEO, Aptech Limited

Aptech has been present in the African market for the last 15 years. Our first centre was in Lagos. We now have 15 centres in Nigeria and 23 in Africa. Our current presence can be seen in Nigeria, Ghana, Sudan, Gabon, Tanzania and Uganda. We intend to expand into nine more parts of Africa. There is great potential for IT and vocational education. Apart from career-oriented courses in IT and animation, which are delivered in our centres, we also have our presence in the school segment. We are supplying 10-12 IT content to 56 schools in the Rivers State in Nigeria. Aptech also has tie-ups with many universities, which allow our students to also acquire an international degree in IT and Animation.

QIMAT RAI GUPTA
CMD, Flavils India

The India-Africa relationship is distinct and owes its origins to a common past that these two nations share – a past that witnessed a struggle against colonialism, poverty and illiteracy. India and the African nations have been building strong and mutually beneficial associations. Africa offers diverse opportunities for trade and investments. Africa is one of the fastest-growing regions in the world and we are happy to be participating and contributing to the growth story.

SANJAY KIRLOSKAR
Chairman and MD, Kirloskar Brothers Limited

Kirloskar Brothers Limited is in the business of manufacturing pumping systems for all kinds of fluid movement. The fluid range varies from water to oil. The African continent is one of the largest growth markets in all fields, be it infrastructure, agriculture or development of industries like the extraction industry. All such growth requires a variety of fluids to be moved, and so I believe that Africa as a continent gives our industry a strong growth opportunity. As growth opportunist continue to move away from the traditional pharmaceutical market, it is in Africa, which holds tremendous promise, where we see TCS’s new investment’s importance. By 2014, pharmaceutical spending in Africa is expected to reach US$ 35 billion. This value is driven by a 15 per cent compound annual growth rate (CAGR) over the next 5 years, second only to Asia Pacific (12.5 per cent). Spurred by a convergence of demographic changes, increased wealth and healthcare investment, and rising demand for pharmaceuticals, however, this market potentially represents a US$ 45 billion opportunity by 2020. In Africa, Bombay has over US$ 120 million in investments. We believe in expanding local manufacturing, means to markets in Africa, which gives us greater flexibility and speed to serve the market and therefore, we are continuously working towards localising the manufacturing of our products.

Pawan Munjal
MD and CEO, Hero MotoCorp Limited

Africa is the new land of opportunity. Even in the current global downturn, a number of African nations are growing in excess of five per cent. Apart from all African countries are also resource-rich, and as these resources get effectively tapped, economic opportunities will be an increasing demand for passenger vehicles in the region.

By arrangement with the High Commission of India, South Africa and the India Brand Equity Foundation (IBEF), www.ibef.org