India in Africa

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Time for Greater Indian Initiative in Africa

– S. Srinath*

Indian investments in Africa need to go beyond tea and roses and into pulses, oilseeds and cereals as well.

The uncertain global economic environment caused by the financial crisis has rekindled the interest of investors to look for other attractive areas of investments. The growth of Brazil, Russia, India and China (BRIC) countries and the ever expanding emerging markets have increased their thirst for minerals and essential raw materials for their manufacturing sectors.

In this context, Africa is an interesting avenue for investments. The combined gross domestic product (GDP) of Africa in 2009, at US$2.2tr, is almost as much as that of India and Brazil. From 2002, Africa has seen a combined GDP growth of five percent per annum. The region has witnessed FDI of US$62bn in 2008 alone, the major contribution coming from China.

Politics, economics

On the political front, the region is slowly democratising itself, after the spate of coups witnessed between the 1950s and the 1990s. Democracy has stabilised in big African countries such as Nigeria, Kenya, and South Africa. Economic growth in 27 of its 30 big economies surged, thanks to government action to end armed conflicts and improved macroeconomic conditions. The new generation of leaders sees public-private partnerships as playing a vital role in bringing about sustained growth in the region and integration with the global economy.

According to the World Bank's Doing Business 2010 report, Rwanda took the top slot as the continent-wide reformer and Liberia, the tenth spot. In addition to these reforms, the African continent has understood the importance of infrastructure development and human resource development. Africa has 10 percent of world's oil reserves, 40 percent of gold, and more than half of the world's chromium, not to mention other minerals such as bauxite, columbite and zinc.

Against this background, India can effectively participate in the African Growth Scheme. India is now reeling under double-digit inflation and spiralling food prices, chief among them being pulses and cereals. Our land, due to overuse/misuse of fertilisers and chemicals have become toxic, and in spite of various measures announced by the government, the contribution of agriculture to GDP growth has not improved at all. There is an ample scope for India to enter into agricultural ventures in Africa, which will give us the benefit of a constant supply of pulses and cereals.

Agriculture remains Africa's largest sector and contributes 15 percent of continent's GDP. With these vast resources, Africa produces only about 10 per cent of world output, indicating huge scope for intensive farming, investment in technologies for soil engineering and water utilisation. It requires an investment of about US$50bn annually to improve yields and provide marketing infrastructure.

Tea and roses

India has a vast role to play both at the official and private levels taking advantage of our goodwill built from Nehruvian era. Already, Indian tea companies such as McLeod Russel are investing in Ugandan tea gardens, as some of the best black teas in the world are produced in these regions. Jay Shree Tea has acquired tea gardens in Uganda and Rwanda. Other companies such as Rossell Tea and Dhunseri Tea are looking to buy tea gardens.

In horticulture, Sai Ramakrishna Karuturi, from Bangalore, has become the largest producer of roses by owning vast tracts of rose gardens in Kenya. The Tatas have leased land in Uganda to run agricultural projects, and another company, Shapoorji Pallonji, has acquired the lease of 50,000 hectares in Ethiopia for farm projects. Malawi, Zambia and Congo in East Africa and Liberia, Togo and Ghana in West Africa also offer huge scope for Indian agriculture.

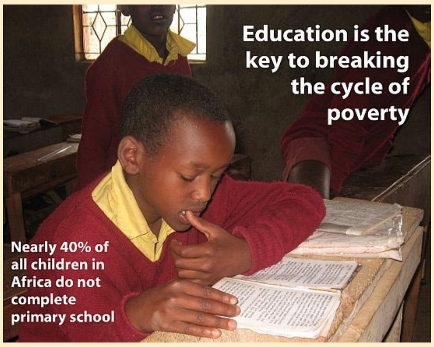
The Indian government, no doubt, has been playing a mediatory role, but it is time it worked together with private players and went beyond tea and rose gardens and looked at oilseeds and pulses, which will be readily absorbed in India.

* *Group Financial Controller, Nobel Industries Ltd, Accra, Ghana. Abridged from an article that appeared in the Hindu Business Line on August 10, 2010*

Aegis Spread Education Initiative

Aegis, Essar Group's business process outsourcing arm, is looking to expand the reach of its education initiative – Aegis Global Academy – into overseas markets now. The company plans to set up a centre in South Africa over the next 6-12 months.

The institute has already set up its first centre in Coimbatore and the next three centres have been planned in Kolkata, Bhopal, and the NCR, which will come up over the next 18-24 months. The education initiative would train students in managing 'customer experience,' which all service sector companies recognise as "the key to profitability."



The idea behind The Institute of Customer Experience Management is to create managers for the service industry, who would be groomed to tackle customer life-cycles rather than product life cycles. *(BL, 06.09.10)*

IOC to Acquire Oilfields

Indian Oil Corp, the country's second-biggest refiner, plans to acquire oilfields in Africa as part of a US$1bn overseas investment plan. Africa offers many grades of crude and gives refiners security of supplies to have fields there.

The refiner delayed crude-processing and pipeline projects overseas, including Nigeria and Turkey, because of reduced cash flow after selling fuels below cost. Indian Oil and Turkish builder Calik Holding had planned to spend US$4.9bn to build a 300,000 barrel-a-day refinery in Ceyhan on the Mediterranean coast.

The companies, with Eni SpA, Europe's fourth-largest oil company, had also planned to spend US$2bn on a pipeline from Samsun on Turkey's Black Sea coast to Ceyhan to transport as much as 1.5 million tonnes of Central Asian crude oil a day. *(BS, 16.07.10)*

India's Power Grid in Final Bidder

India's Power Grid Corporation is among the three firms shortlisted by the Nigerian government to manage the country's electricity grid to be constructed at a cost of US$3.5bn.

Once the bid is finalised, the management would be handed over to the successful firm by the end of 2010. The revival of the power sector in Nigeria must need a yearly injection of US$10bn for ten years.

Under the strategy, Nigeria will privatise power generation and distribution. The government will own the national grid but its management will be privatised. It will be funded by the government, private investors and international finance and development agencies and address Nigeria's future energy challenges. *(FE, 28.08.10)*

Cipla India Buys SA Stake

Ciplo Medpro SA was in the process of finalising an agreement with Cipla India regarding the acquisition, the consideration of which will be a "nominal value". Pursuant to this, Cipla India will provide additional volume and assist in achieving World Health Organisation and Food and Drug Administration manufacturing approvals in the near future, resulting in increased orders and business for our factory.

This will ensure better continuity and increased capacity utilisation and further entrench the relationship with Cipla India. For the six months ended June, Ciplo Medpro SA reported a 56 percent increase in diluted headline earnings per share to 24.4c from 15.6c previously. *(BS, 02.09.10)*

Bharti's Vendors Expand Presence

Bharti Airtel is back on the acquisition trail with another African purchase, despite net profits falling 32 percent in its fiscal 1Q10, which covers calendar 2Q. The Indian telco revealed it is purchasing Telecom Seychelles for US$62mn, expanding its presence in Africa to 16 countries.

Bharti's latest move in Africa comes just two months after it snapped up Zain Telecom's assets for US$10.7bn, which opened the door to 15 African countries. The acquisition comes despite a drop in fiscal 1Q10 profits to US$361mn, as fierce competition in the telco's domestic market, 3G license acquisition costs and losses from a strengthening US$ drove the figure down from US$531 million a year earlier. *(BS, 01.09.10)*

Efforts to Enhance Trade Ties

India called upon Ghana to ink the Bilateral Investment Promotion and Protection Agreement (BIPPA) to enhance the trade and economic engagement. India's desire was conveyed by visiting Union Commerce and Industry Minister Anand Sharma to Ghana's Finance Minister Kwabena Duffuor in Accra.

Ghana is one of the highest recipients of the lines of credit from India. India is engaged in executing seven projects worth US$193mn in Ghana. The Ghanaian Minister emphasised on the need for partnerships between the two countries in energy including oil and gas, pharmaceuticals and information technology sectors. *(TH, 03.09.10)*

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