

A preferred destination for Indian investors

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Even as Indian companies accelerate the acquisition of overseas assets in a bid to increase their footprints in global markets, Africa is becoming an in-

creasingly attractive destination for these companies to invest in joint ventures and wholly-owned subsidiaries. Indian industry is cognizant of the global investment paradigm shift from "should one invest in Africa" to "managing the risk of not being in Africa".

Africa is now a rapidly emerging economic powerhouse. IMF data released in 2010 said that six of the top 10 fastest growing economies in the world in the period 2001-10 were from Africa. IMF has also projected that seven of the top 10 fastest growing economies in the period 2011-15 will be from the African continent. In the wake of this economic boom, consumer spending in Africa is expected to double to about \$1.8 trillion by 2020. With an abundance of natural resources, a burgeoning middle class, rising per capita income and major economic reforms, African economy is experiencing unprecedented growth momentum.

Over the last several decades, many Indian companies - public and private - have been engaged in building Africa's key infrastructure projects. Now, a greater num-

ber of Indian companies are looking to invest in Africa's emerging business sectors. According to Thomson Reuters data, Indian acquisitions made up a third of total acquisitions (in terms of value) in sub-Saharan Africa in 2010, the highest by any country in the region. This is helped by the fact that many Indian companies view Africa as a place where they can replicate the business models that have worked in India. Buoyed by India's own growth experience and Africa's economic resurgence, Indian companies have invested in diverse sectors in Africa, covering mining, pharmaceuticals, machinery and equipment, financial services, software, etc. The private sector that has led these investment forays with corporate giants spearheading the country's charge into Africa.

While historically, Indian business presence in Africa was largely concentrated in the eastern and southern regions, today other parts of Africa, in particular western Africa, are beckoning Indian investors.

Sectorally, mining and energy sectors in Africa have attracted Indian investors in a big way. The continent has the widest range of minerals, from gold, platinum and diamond to chrome and coal. Today, Indian mining companies are partnering African mineral-rich states in accelerating their value-added mining activities.

Africa's hydrocarbon potential is immense with significant oil production already coming from West Africa and new promising gas discoveries in East Africa.

Indian energy major OVL have acquired shares in oil exploration ventures in Libya and Nigeria. Infrastructure development in Africa has always held immense interest for investors. As African economies board a higher growth trajectory and focus upon manufacturing growth, physical infrastructure development will become a key growth driver. Indian companies see a swathe of investment opportunities in this sphere.

Agriculture is another key sector where Indian companies are making serious inroads into Africa. African nations like Ghana, Zambia, Ethiopia and Mozambique have invited Indian investors to invest in this sector, citing that this has the potential to provide food to both Africa and India. Some of these countries are offering highly attractive investment incentives. Moreover, by investing in their respective countries, investors can also reach out to other markets within Africa, as well as the Middle East and European Union.

Indian companies have also made a big mark in Africa's pharmaceuticals and healthcare sectors. In fact, the African presence has helped India's makers of generic drugs to become the second-largest by volume producers in the world. Also, Indian medical companies have invested nearly \$32m in Uganda as a joint venture with another local manufacturer to produce anti-retroviral and anti-malarial drugs. Africa now consumes almost 15 percent of India's total drug production. For Africans, drugs that

once cost \$10,000 a year are now available for under \$400.

Importantly, what distinguishes Indian investing companies from other investors in Africa is their partnering approach. That is, Indian companies operating in Africa have been pro-actively engaged in local capacity building and training initiatives, leading to employment generation and skill development. The Indian government and industry have supported institutional capacity building across Africa in diverse areas of food processing, agriculture, textiles, weather forecasting and rural development. While the India-Africa investment ties have been largely marked by Indian investments in Africa, in the coming years, we are likely to see a sizeable number of African companies investing in India. In recent years, companies like South African Breweries and Sasol have already marked their Indian presence.

The 9th CII-EXIM Bank India-Africa Project Partnership 2013, organised in New Delhi during March 17-19, has brought Heads of State and Government, senior ministers, business leaders, bankers and other professionals from both India and Africa on a common platform to discuss and identify the emerging opportunities for boosting the bilateral investment cooperation.

It is time to not only focus upon the investment opportunities for businesses in Africa, but also on how these will translate into sustainable development for both Indian and African societies.

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