

# India in Africa

## Lessons for Corporate India from its Kenyan Safari

The impending exit of Essar from the local telecoms market and Olive Telecommunications' disqualification from supplying the Kenyan Government with laptop for schools portrays a grim picture of investments by Indian firms in East Africa's largest economy. Experts attribute these and similar problems faced by Indian firms to the cultural gap which is still to be bridged.

Essar Energy sold its entire stake in Kenya Petroleum Refineries, arguing that it was unfeasible to invest further in a facility having obsolete technology and inhibitive regulatory environment. Essar trades in Kenya's telecommunication market as YuMobile and owns 50 percent of Changamwe-based oil refinery. Both these investments have not made a profit, since Essar established a presence in Kenya six years ago.

In October 2013, Essar Energy offered to sell its entire shareholding in the oil refinery to the Government for US\$5mn (Sh430mn), which was US\$2mn (Sh172 mn) lower than what it paid to acquire the stake in 2009.

Essar Energy in March 2014 announced that it was selling YuMobile, its only remaining telecom venture globally to its rivals Airtel and Safaricom after sinking more than Sh40bn in the operation, which is yet to return a profit. Under the deal, Airtel will acquire YuMobile's 2.7 million customers and Safaricom will take over Essar Telecom's infrastructure, such as network towers.

In case of Olive Telecommunication, Public Procurement Administrative Review Board (Kenya's procurement watchdog) ruled in March 2014 that Olive lacked the financial muscle to



deliver 1.28 million laptops for class one students, at a cost of Sh24.5bn with technical expertise, since it is not an original equipment manufacturer (OEM).

Other Indian firms too are grappling to sustain in the Kenyan market. CFC Stanbic Bank placed Sher Karuturi, an Indian flower firm, under receivership after the latter defaulted on a Sh383mn loan. The Bangalore based producer of cut-roses has a farm in Naivasha, whose average daily output is about 1.5 million stems, which it exports to Europe.

Management experts attribute this failure of the firms in the Kenyan market to their over-reliance on Indian expatriates to run Nairobi operations, resulting in huge cultural disparities which they have been unable to reduce.

The latest setbacks have, however, not deterred more Indian companies from trying to enter the Kenyan market. Sanghi Group tops this list. It has announced plans to set up a Sh12 bn cement plant in

West Pokot. The Sanghi Group, a Hyderabad-based Indian conglomerate with interests in cement, power, textiles and publishing, owns 74 percent of Cemtech – which plans to put up a plant with the capacity to produce 1.2 million tonnes of cement annually.

Similarly, Indian business tycoon Mukesh Ambani's Reliance Industries has successfully earned about Sh6bn from its Kenyan real estate business in the past three years. Ambani's Reliance Industries controls 60 percent of Delta Corporation, which has developed high end office blocks and a mid-to-low-cost residential estates in Nairobi.

Tata Chemicals, the world's second largest producer of soda ash, with a production capacity of 5 million tonnes annually, acquired Magadi Soda Company Limited in 2005. Tata's Kenya subsidiary posted a turnover of US\$104.3mn (Sh8.9bn) from exports of soda ash in the year up to March 2013.

In the banking sector, Kenya has three Indian owned lenders – Bank of India, Bank of Baroda and HDFC Bank, which established a representative office in Nairobi in 2008.

TVS Motor Company, another Indian company that is headquartered in Chennai, has successfully sold its range of motorcycles, scooters and three wheelers popularly known as *tuk tuks* in Kenya through the listed firm Car & General. Indian pharmaceutical firms with operations in Kenya include Dr. Reddy's Laboratories, Emcure, Cipla and Cadila.

(www.tmcnet.com, 13.03.14)

## Vocational Institute in Libya

India will set up a vocational training institute and agricultural research laboratories in Libya to help the Libyans in developing their human resource. Anil Trigunayat, Ambassador of India to Libya was briefing the media about Indian participation in the April 2-12 'Tripoli International Fair' in which over 100 Indian companies will be participating.

The event is organised by the India Trade Promotion Organisation (ITPO) and the companies will have business-to-business (B2B) interactions with their Libyan counterparts.

Indian Institute of Foreign Trade will conduct a training programme soon in collaboration with the Libyan Ministry of Economy to impart training to Libyan managers, traders and exporters, especially in the small and medium enterprises, he added. ([www.libyabusiness.tv](http://www.libyabusiness.tv), 30.03.14)

## India's Interest in Uganda Gas

A joint Indian-Ugandan working team is under formation to look into the opportunities for the cooperation for the cooperation, in the newly-opened up Ugandan hydrocarbon sector.

The State run explorer Oil and Natural Gas Corp's foreign arm, Oil and Natural Gas Commission (ONGC) Videsh Limited is already present in Sudan, in a big way and the future may see its presence expanding in this oil producing African nation.

([www.deccanherald.com](http://www.deccanherald.com), 14.01.14)

## Rural Techno-park

The Indian Minister of State for External Affairs, Preneet Kaur during her recent visit to Côte d'Ivoire stated that India is to set up a rural technology park in Côte d'Ivoire, in addition to an information and communication technology park. She met the President of Côte d'Ivoire,

## Empowering African Women

A new initiative of India partnering with the African countries to empower the African women by developing skills which already exist within them has got under way. The crafts developed under the India Africa Craft Design Initiative, were exhibited during the 10<sup>th</sup> CII-EXIM Bank Conclave on 'India Africa Project Partnership' in New Delhi, India.

The project started in March 2012 with Zimbabwe, as the pilot country. After an extensive in-country field visit, two weaver groups were selected as the beneficiaries for the training workshops – the sisal basket weavers of Zienzele Foundation and the bamboo weavers from the STEP Trust.

Other than the training imparted on skills and product development, a significant aspect of the project in Zimbabwe was the transfer of basic technology wherein the bamboo weavers were introduced to hand tools and manually operated equipment.

([www.indiaafricaconnect.in](http://www.indiaafricaconnect.in), 11.03.14)



[www.ethicalfashionghana.org](http://www.ethicalfashionghana.org)

Alassane Ouattara among the other senior officials during her visit.

India inked two agreements with Côte d'Ivoire – one on establishing an Ivorian-Indian Joint Cooperation Commission and another between the Ministry of Foreign Affairs of Africa and the Foreign Services Institute of the Indian External Affairs' Ministry.

The agreements will enable Côte d'Ivoire to benefit from Indian expertise in different areas, including training.

([www.business-standard.com](http://www.business-standard.com), 06.02.14)

## India Inc Investment in SA

Elizabeth Thabethe, Deputy Minister of Trade and Industry, South Africa stated that South Africa, one of the key investment destinations for India Inc., expects around US\$500mn in investments in 2014–2015 from India during the 5<sup>th</sup> Investment and Trade Initiative in Chennai.

Thabethe added that total trade between India and South Africa grew by 235 percent to US\$15.7bn in 2012 from US\$4.7bn in 2007 with South Africa mainly through export of gold, coal, iron and steel, inorganic chemicals and ores.

It is learned that Motherson Sumi and Serco are the two of the biggest investors from India in South Africa.

([www.business-standard.com](http://www.business-standard.com), 25.02.14)

## Shifting Focus of Flower Importers

The State of East African Report Series showed that the flower importers are shifting their focus to India and Ethiopia for cheaper flowers in the wake of rising cost of production in Kenya, the world's largest horticultural exporter.

Currently, India's flower exports are about a tenth of the Kenyan exports. India exported flowers worth US\$59mn in 2011-12, a growth of 23.3 percent from the previous year, with projections showing revenues to double by 2015.

Ethiopia's horticulture industry earned US\$265.71mn in 2011-12, up from US\$224 mn the previous year, a 19 percent increase. In Kenya with the production cost going up by more than 30 percent due to input costs, the interest in Indian and Ethiopian markets is increasing.

([www.indiaafricaconnect.in](http://www.indiaafricaconnect.in), 19.01.14)

Source: BL: Business Line; BS: Business Standard; TH: The Hindu