

## THE ECONOMIC TIMES

NEW DELHI: In the rough-and-tumble that is Africa, a clutch of Indian companies decided to brave it out. And many moons later, their adventure is paying off — and how!

Every sixth person in Egypt uses an Indian FMCG product, an Indian company's inverters are lighting up hundreds of African homes and an Indian drink is the favourite of children in that part of the world.

The world's biggest consumer brands may be flocking to China and India for their growth scripts, but a raft of Indian companies like Marico, Luminous and Rasna, having made inroads into African countries, are swearing by the fortunes of the Dark Continent.

Sample this: Bangalore-based rose grower Karuturi Networks has catapulted itself to Africa's biggest private sector land owner and even owns a top football club in Kenya! Power solutions provider Luminous recently won a pilot project from a South African telecom giant to prune the power consumption (and costs) of its telecom towers.

And Gurgaon-based SME Kalindee Rail Nirman, which takes up signalling and track-laying projects for the Indian Railways and the Delhi Metro, has been roped in by Ghana to conduct a study of its ageing railway network for upgradation.

The excitement is indeed palpable. Most African countries represent what management guru CK Prahalad had famously christened the bottom-of-the-pyramid (BoP) consumers, who may spend less on a product but collectively make up a huge consumption base that marketers cannot ignore.

“African growth of GDP, capital accumulation, and FDI have been higher than the global average in the period 1996-2007,” says Sanjay Kirloskar, chairman of Africa Committee at the Confederation of Indian Industry (CII).

Indeed, Indian companies have been quick to sniff the vast opportunities the African market offers. While investments by India Inc into Africa have traditionally been into core areas like mining and oil and gas, that is now changing with companies making a beeline for sectors like retail, textile and telecommunications.

Says Piruz Khambatta, chairman, Rasna International: “It's a cost-conscious and low SKU (stock keeping unit) market.”

It's also a market where distribution and logistics, up against a fledgling marketing machinery,

are big issues. To circumvent this problem, Mr Khambatta has created products that have a longer shelf life. “In most African markets, we are number two or three,” says Mr Khambatta, who has also launched advertisements in local languages.

Most Indian companies have chosen the acquisition route to get a foothold in these markets. Bangalore’s Karuturi acquired rose plantations from Dutch rose grower Sher Agencies in Kenya, a deal that propelled it into the world’s biggest rose grower in one go.

#### Booming trade between countries

Not satisfied with that deal, the company has been on a land acquisition spree, so much so that its total land bank now stands at 3,40,000 hectares (around eight times the size of Greater Mumbai). Karuturi has also been given land on long lease in Ethiopia’s Gambella state for farm development. “We are possibly the world’s biggest private landowners now,” claims the company’s chairman, Ram Krishna Karuturi. His most cherished possession, however, is Sher Karuturi, a football club in Kenya that came as part of the Sher acquisition.

FMCG firm Marico too entered the Egyptian market by snapping up brands like Hair Code and Fiancée two years ago. Today, it boasts of a 60% share in the country’s hairstyling market. The company’s chief executive of the international business group, Vijay Subramaniam, estimates that its brands in South Africa—the Caivil and Black Chic range of haircare products and the Hercules range of healthcare products—command 8-10 % of the ethnic hair care space.

“In Africa, we make products locally for local consumption. Our current business from Africa (Egypt and South Africa) is about 25% of our international business group’s turnover,” says Mr Subramaniam. While some brands are cashing in on the swell of consumerism across the continent owing to rising incomes and better awareness, others are benefiting from poor infrastructure and lack of public utility.

“We do \$4-5 million in inverters, which we plan to grow four times to \$20-25 million in the next three years. Our products have a bigger demand in highly populated and infrastructure deficit markets,” says Luminous Power CEO Rakesh Malhotra . The company, which started selling UPS and inverters in the continent three years ago, now has its products available in 12 countries across west Africa (Nigeria, Ghana), east (Uganda, Kenya and Tanzania ) and parts of south Africa. Mr Malhotra estimates the brand’s share at 12-15 %.

India’s blossoming interest in Africa is revealed by a CII-Exim Bank report released in March 2009. Trade between the continent and India rose from \$7 billion to \$51 billion between 1997 and 2007, an increase of over seven times, said the report.