



next decade as the demand profile there transitions from retrovirals to treat HIV/AIDS and antibiotics, to drugs to treat diabetes or cardiac disorders. Paul Anley, Founder and CEO of Pharma Dynamics, majority controlled by Lupin since September 2008, estimates the market for generic drugs – the Indian pharmaceutical industry's mainstay – in South Africa alone at \$4.5 billion today, up from \$1.4 billion in 2001.

Indians are stepping into infrastructure businesses they have excelled in. Wired phones and Internet connections are few and far between in sub-Saharan Africa and, although the continent has some 600 million mobile phones, companies such as Bharti Airtel are driving in full thrust in the 16 African countries they operate in. In early 2010, when it was buying Zain's operations there, Manoj Kohli, now head of Bharti Airtel's African operations, told *Business Today* of the massive opportunities in Africa. "Tele-density in large parts of Africa is below 25 per cent, there is a lack of landline telephones and mobile calling rates are incredibly high." The idea, he said, was to take Bharti Airtel's operating model in India of outsourcing everything – from network to towers management, from billing to customer service – on a pay-on-use basis to Africa. The model has helped it make operat-

ing profits of 30 per cent on customer billings of as low as ₹100 a month in India. In contrast, in some parts of Africa, phone users pay \$18, or at least ₹800, a month.

Then, there are infrastructure projects that are increasingly not headed the way of Chinese companies. R.B.S. Singh, head of engineering firm I&T's African operations, believes that the infrastructure build-out required for Africa will be so big that the Chinese cannot swallow it all. "It is not just the Chinese who are coming here, the Brazilians, French and British are also vying for contracts, and we are interested as well."

Air travel in all but a few African countries is conducted on older aircraft that have retired from Western skies. Often travellers between different countries in west and even central Africa have to route their tickets through Paris. Transport and telecom account for about one-tenth of Africa's GDP and are growing at nearly eight per cent annually, according to McKinsey, but they will have to grow faster for many years to meet the demand. Likewise with wholesale and retail, agriculture, manufacturing, banking and utilities. (See *Land of Opportunity* on pg 62.)

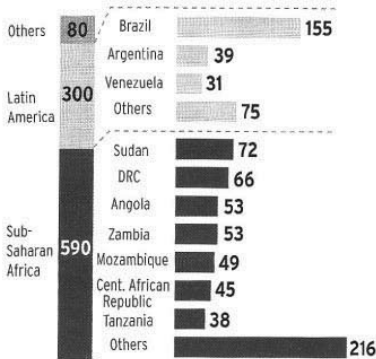
"Africa today is where India was 40 years ago. In the coming decade, Africa will drive growth for the global markets," says Sai Ramakrishna Karuturi, the chairman of the



In Liberia 94.8 per cent of the population lives within \$2 per day; in Burundi, 93.5 per cent

Africa possesses about 60 per cent of the potentially available cropland in the world

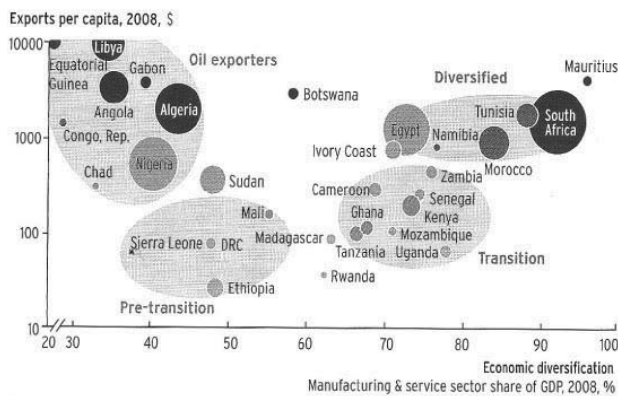
Additional available cropland, 2009*
Million hectares



*Cropland defined as land producing output greater than 40% of maximum yield under rain-fed conditions, excluding forest areas.

Diversified economies, oil exporters will lead Africa's growth

Size of bubble proportional to GDP
GDP per capita: <\$500, \$500-1,000, \$1,000-2,000, >\$2,000-5,000, >\$5,000



Note: Only countries whose 2008 GDP was approximately \$10 billion or greater, or whose real GDP growth rate exceeded 7% over 2000-08 included. 22 countries that accounted for 3% of African GDP in 2008 excluded.
Source: McKinsey Global Institute, Lions of Africa, 2010



COVER STORY Africa



The fertility rate in Niger (7.1) is the highest in the world. Africa's population will double to 2 billion by 2050

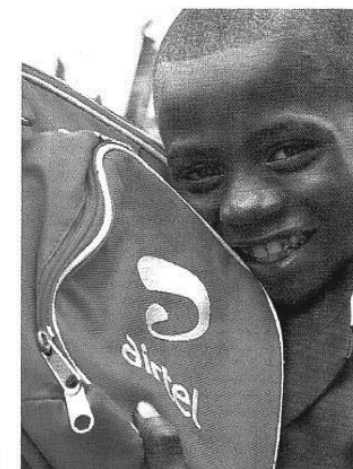
Bangalore-based Karuturi Group, the world's largest exporter of cut roses, who has made Ethiopia his first home – he spends two weeks a month there. Ethiopia today accounts for 90 per cent of the group's business (₹450 crore in April-December 2010), up from 15 per cent five years ago. But a bigger opportunity beckons: McKinsey estimates Africa has 60 per cent of the world's uncultivated arable land, making it ripe for a green revolution of the kind that changed Brazil and large parts of Asia. Karuturi seems to have its plans lined up. It expects to have 100,000 hectares of land under cultivation in Ethiopia by the end of 2011 growing paddy, palm and sugarcane, with another 665,000 hectares under lease from the Ethiopian government. In all, that is farmland roughly 12 times the size of the city of Mumbai.

Market entry strategies, though, are easier discussed in a cigar lounge than executed. It can be a long wait. "It takes time to develop a company in Africa. One cannot come into Africa and expect to be big overnight, which is why we have been working here for so long," says Raman Dhawan, Managing Director, Tata Africa Holdings, the holding company for African interests of the Indian conglomerate. In the continent since 1977, mostly based in Johannesburg, he has watched apartheid, military juntas, civil wars and democratic

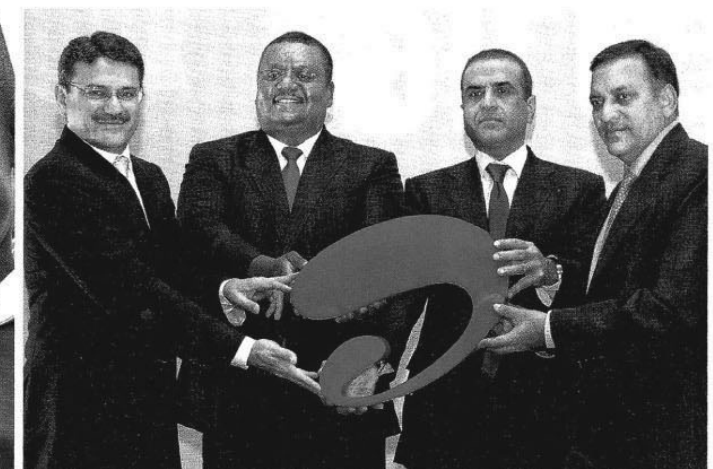
elections run past as the Tatas shipped steel, software services and, yes, the ubiquitous Tata truck to Africa.

At around 600,000 vehicles a year, the South African car market is much smaller than India's, but Tata Motors and Mahindra & Mahindra have found success. Even Congo and Mozambique, much behind South Africa in development, have hit the spot for Indian car firms. This is despite the fact that Chinese cars are often cheaper – sometimes even more than used Japanese and European cars. "If you look at the manner in which the Chinese compete, competition is primarily on the price front. Chinese brands rose to prominence after 2000, wherein they literally priced everybody out of the market. But the 2008 downturn has exposed their shortcomings. Several manufacturers have folded up and are not even offering after sales service anymore," says Pravin Shah, Chief Executive, International Operations, Mahindra Automotive, which sold 3,500 vehicles in Africa last year.

Elsewhere, at Godrej Consumer Products, the African business already accounts for around 11 per cent and is expanding rapidly. "The velocity of growth is already in double digits and the African business will outpace that growth," says Shashank Sinha, President, International Operations. Since 2006, the company has made three acquisitions in Africa, spanning hair and personal



Brand building: Airtel handed out schoolbags in Ghana



Full support: The Airtel brass launch its new logo in Zambia. (From left) Manoj Kohli, Fayaz King of Airtel Zambia, Sunil Mittal and Akhil Gupta