

Indian companies race to catch up to China in Africa

Michael Flaherty and Sumeet Chatterjee



A Cape Town store of MTN Group, the largest African cellphone service provider, which has attracted attention from the Indian company Bharti Airtel. (Pierre Crocquet/Bloomberg News)

As China pushes into Africa to tap its natural resources and consumers, Indian companies want deals of their own there to feed a booming economy and a corporate sector hungry to grow overseas.

But India is having to play catch-up as China has a tight foothold across the African continent, stretching into nearly every country in areas like mining and oil.

"There's been a definite shift in the way Indian companies look at Africa," said Shipra Tripathy, head of the Africa desk at the Confederation of Indian Industry. "We are now big enough to foray into what was earlier perceived as a risky market. It's not just natural resources. Companies are now looking for opportunities in many sectors."

China and India, the world's two most populous nations, are competing for resources to drive their roaring economies, and are going head to head when it comes to cross-border acquisition strategies for fast-growing companies.

That is the backdrop for an expected bid by the Indian cellphone service leader, Bharti Airtel, for a controlling stake in the South African telecommunications operator MTN Group, a company worth about \$40 billion.

Bharti has said it is in talks with MTN but has not yet made an offer. Analysts expect other global telecommunications companies like China Mobile to also bid for MTN. China Mobile said Thursday that it had not bid for MTN but was interested in the South African market.

A deal for MTN could be the largest-ever cross-border Indian acquisition and would raise the country's presence in Africa.

In March, Satyam Computer Services, a major Indian software services exporter, announced the creation of a software development and support facility in Egypt to tap a growing outsourcing business in the Middle East and North Africa.

The Indian outsourcing company Tata Consultancy Services has a business unit in South Africa. Oil & Natural Gas, Tata Steel and Tata Motors also do business there.

Chinese outbound acquisitions so far this year have surged to \$28.3 billion on 72 deals from \$2.3 billion and 66 deals a year earlier, according to Thomson Reuters data.

Industrial & Commercial Bank of China, the largest Chinese bank, agreed to buy Standard Bank Group of South Africa last year for \$5.6 billion. A CLSA report from 2006 said more than 900 Chinese companies had invested in 49 African countries, from Rwanda to Niger.

Indian cross-border acquisition activity dropped 39.1 percent to \$6.8 billion so far this year, according to Thomson Reuters data. Last year, India-Africa trade grew to \$30 billion, while Chinese trade with Africa jumped to double that figure.

In addition to oil and natural gas producers, African miners could come up as potential targets.

The relationship between India and Africa has undergone starts and stops over the years, but they appear to be strengthening ties. Last month, for example, India was the host of the India-Africa Forum Summit, which was attended by 14 African countries.

As China has discovered, tight relations with certain Africa entities come at a price. The Chinese relationship with Sudan has come under fire internationally, with critics accusing Beijing of helping to underwrite the violence in places like Darfur.

Several other risks come with overseas expansion. But with economies growing at about 10 percent a year, expansion abroad is as much tempting as it is a necessity.

That China has been able to forge more relationships in Africa in part because of Beijing's role in partnerships abroad. Most of the top Chinese companies are controlled by the government, providing capital to finance deals.

Corporate India, by comparison, has neither government backing nor its balance sheet, so companies have had to be more selective in where they invest.

"So far they've been lagging China, obviously," said Rahul Singh, Citigroup analyst covering the telecommunications, oil and natural gas sectors in India.

"The Chinese government has tended to support their oil companies much more than the Indian government does. As far as the other growth sectors are concerned, the Indian government always left it to private-sector companies to do their own thing."

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