A

GLOBAL / COUNTRY STUDY AND REPORT

On

SOUTH AFRICA

Submitted to

Gujarat Technological University

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N. R. Institute of Business Management, Ahmedabad

IN PARTIAL FULFILLMENT OF THE

REQUIREMENT OF THE AWARD FOR THE DEGREE OF

MASTER OF BUSINESS ADMINISTRATION

[Batch: 2011-13]

MBA SEMESTER IV

(N.R. Institute of Business Management)

MBA PROGRAMME

Affiliated to Gujarat Technological University

PREFACE

The only thing permanent in today's world is change. In order to cope with the pace of change management holds a very important place in our lives.

The course of MBA is one of the best ways to acquire the required knowledge in this context. Global Country Report is a crucial part of the curriculum. It blends theoretical knowledge with practical applications. It mirrors how management works by making us work together as a team and develop various analytical skills.

The country under our purview is South Africa. This project report has studied the economy of the country in context and its various industries while simultaneously comparing it with the Indian scenario.

Finally the report attempts to be helpful to all the readers as well.

ACKNOWLEDGEMENT

The Global Country Report being a team effort, a lot of people have contributed in successfully completing it. We take this opportunity here to extend our gratitude towards each one of them.

We would begin by thanking our Director, Dr. Hitesh Ruparel for giving us this platform to enhance our skills and also to all the project guides for their seamless support and cooperation. We would also like to thank our faculty members, Prof Juhi Shah, Prof Shweta Bambuwala and Prof Neha Rohera who gave us the right direction and guided us all through. At the same time they encouraged our efforts and motivated us.

Finally , A sincere vote of thanks to everyone who directly or indirectly helped us in this report.

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CHAPTER 1

PESTEL ANALYSIS

1.1 POLITICAL ANALYSIS

The Republic of South Africa held its first universal suffrage elections in April 1994. The African National Congress (ANC), which led the resist against white minority rule and the apartheid system of state-enforced racial separation, won control of the National Assembly.

The Assembly chose as President Nelson Mandela, the ANC leader was set free from the prison in the year 1990, after serving for a period of 27 years. His release was followed by years of secret contacts between the ANC and the key white business and political figures. These contacts bought both the sides to the conclusion that a settlement could be mutually agreed upon that would protect all South African's interests.

The settlements themselves faced many obstacles, including several outbursts of violence that were capable of destroying the peace process.
Finally, however, in November 1993, all-party negotiations reached a stage of mutual agreement on a new constitution and free elections that were held in the year 1994.

South Africa's second universal right to vote elections were held in the year 1999, and the ANC managed to retain control of the National Assembly.
The Assembly chose Deputy President Thabo Mbeki, who had served in key ANC posts overseas during the anti-apartheid struggle, to succeed Mandela. Mbeki managed to retain his position as the President following the April 2004 parliamentary elections, in which the ANC won almost 70% of the votes.
South Africa's politics continue to be subjugated by the ANC, which has enjoyed support among many black South Africans because of its role in spearheading the long struggle against the rule of the white minority. Until December 2007, Thabo Mbeki served as president both of the party and the country when he lost the party presidency to a rival. He was expected to remain President of South Africa until the 2009 elections but resigned from the position in September 2008. He was replaced by a temporary president,

former Deputy ANC leader Kgalema Motlanthe. Post Mbeki's resignation, many prominent members of the party led a breakaway faction, now known as the Congress of the People (COPE). Prior to the 2009 elections, the ANC held a 72% majority of the seats in the 400-member National Assembly, where the country's legislative power is principally vested, way ahead of its closest opponent, the Democratic Alliance (DA), which had 12% of the seats.
The Inkatha Freedom Party (IFP), headed by Mangosuthu Buthelezi, had about 6% seats of the Assembly. Buthelezi, an active member in South African politics for about decades, holds a Zulu chieftainship, and the party majorly is Zulu in membership.

The IFP experienced a consistent decline in the parliamentary seats since the election held in the year 1994, while parallely the ANC and the DA have gained electoral support.

Other parties represented in parliament include the New National Party (NNP), the United Democratic Movement (UDM), the Independent Democrats (ID), and the African Christian Democratic Party (ACDP). Over and above the National Assembly, there is a higher legislative body called the National Council of Provinces (NCOP) vested with limited powers. Governments of 9 provinces choose is members.

- The Democratic Alliance
- Strains in the ANC Alliance
- A New Party Emerges-The Congress of the People
- The Zuma Administration
- The Arms Deal and Corruption Scandals
- Press Freedoms
- HIV/AIDS
- Land Reform
- Crime
- U.S. Relations
- The United Nations

1.2 ECONOMICAL ANALYSIS

Mortality levels especially in child or less than five years of age reflect:

- The state of public health and hygiene,
- The sanitation, cultural and more about feeding and clothing,
- The social and economic growth and
- The people's outlook towards the dignity and value of human life itself.

The Child Mortality Level is the statistical index which expresses the idea of whether environmental hazards, including communicable diseases, typhoid, cholera, jaundice, etc. are controlled effectively or not in the developing or less developed countries. The child mortality level can be used for strategic and national planning as well as a measure of social indicators like:

- The quality of health care,
- Food,
- Family planning and
- Usage.

The level provides proof of policies and practices that guide to the improvement of health. Factors such as sanitation and disaster in and around the home are also shown in the child mortality rate.

Child mortality poses problem to both society and the family. High levels of child mortality are a signal that basic health facilities to fight poor sanitation, environmental degradation and living condition are grossly inadequate. In addition to this they reveal that other basic facilities those are absent or are in a poor state, e.g. like: utilities, drainage, sewerage, etc...

Where high level of child mortality is dominant, there is equal chance of infection of communicable and parasitic diseases. This is an indication of poor hygienic conditions and frequent occurrence of epidemic diseases.

The Bivariate analysis shows that, on the basis of Chi-square test, 10/14 independent variables influence <5 years of age child's death.

As we can see from below, are:

- The education of the mother,
- The occupation of the mother,
- The number of children born to the mother,
- A previous loss of child by the mother
- The marital status of the mother,
- The presence of a rival to the mother,
- The occupation of the father/husband (household income)
- The education of the father,
- The duration of breastfeeding, and
- The vaccination of children against certain communicable and environmental diseases.

While the different variables like social and economic, demographic and health in the model prove to be important factors affecting under five years of age of child's death, it is surprising to note that none of the factors like the type of house, water in house, and toilet in the house included, showed to be an important determinant of <5 years of age of child's death.

- **FINANCIAL SECTOR**

South Africa is having well developed financial sector and comprises of:

- 17 banks,
- 2 mutual banks, and
- a number of foreign bank branches and offices,
- non-banking financial institutions (including state-owned development finance institutions (DFIs),
- Smaller financial intermediaries and the Johannesburg Stock Exchange, the 18th largest in the world in 2011.

The banking sector is stable and strong enough and has survived the financial crisis relatively very safe as compared to other developing countries, but it currently faces low credit demand and increased costs. Domestic banks are already capitalized above the new Basel III levels and are presently operating with an average capital adequacy ratio of 15%, or 12% for Tier 1 capital, which includes issued ordinary share capital and retained earnings which are well above the minimum prudential capital adequacy requirement of 10%.

But they are still not able to find the way to meet the new global liquidity standard because of slow economic recovery. The non-performing ratio has reached to 5.5% of gross loans at the end of November 2011 but is expected to stabilize at this level. Following the 650 basis points cut in the policy rate between 2008 and 2010, the Prime Lending Rate (PLR) declined to 9% in 2011 while the average savings rate by 5 major banks on one-year deposits was 5.34%, leading to an interest rate of 4.66% at the end of 2011.

The bank loans-to-deposits ratio improved to 93% in June 2011 from 100% in March 2008, providing a remarkable buffer against liquidity pressures. Though there is high level of about 37% development of financial sector in South Africa, 33 million people are still not able to find their ways to access the banking services in 2010. The maximum of casual businesses have limited access to formal financing.

The government has formed option channels of small- and medium-sized enterprises (SMEs) financing like:

- Including the provision of credit guarantees to commercial banks which are willing to lend to small businesses, and
- Direct lending by specialized SME financing entities.

DFI which is the country's largest funding agency, single entity, created by merging of 3 state-owned development funding agencies operating in the micro-, small- and medium sized enterprise (MSME), the Industrial Development Corporation in April 2012.

- **MACROECONOMIC POLICY**

  - **FISCAL POLICY**

Two years before that is 2009 recession, South Africa adopted a counter-cyclic fiscal policy stance that favors expanded public spending during economic slowdowns and vice versa. So Fiscal policy thus became expansionary from 2009 onwards and though there is continued weakness in the global economy and also the weakness in the domestic recovery, it was remained so along.

South African monetary policy is guided by three principles:

- Long-term public debt sustainability,
- counter-cyclicality, and
- Intergenerational equity.

For investor as investment in network infrastructure that is energy, transport, and information, communications and technology (ICT) which remains central to government's growth plans, public sector expenditure on infrastructure reached 7.5% of GDP during the first half of 2011 and is expected to rise further to 7.8% of GDP during the subsequently two years, slowly declining thereafter.

The state-owned enterprises particularly for electricity there is ESKOM and for transport there is TRANSNET accounts the size of infrastructure investment. The wage bill is 12% GDP or 42% of Government revenue which is from 31% in 2008 which is due to improvements in public service pay and increases in employment raised that makes it the fastest growing component of current expenditure. The budget deficit declined significantly from 6.3% of GDP during fiscal year 2009-10 to 4.2% during 2010-11 and as a result of that there is control in spending in the areas where there is non-interest and a modest improvement in tax revenue, before widening slightly to 4.8% of GDP in fiscal year 2011-12, as increase in national government expenditure, underpinned by elevated current payments together with transfers and subsidies, exceeded the fair increase in revenue collection. There is expectation that the deficit to fall slightly to 4.4% in 2012-13 and to 4.2% in 2013-14 and this is mainly because of moderation in primary spending growth.

The primary deficit declined substantially from 4.0% in 2009-10 to 1.8% in 2010-11. Total government revenue for 2012-13 is estimated at ZAF 905 billion, or 27.4% of GDP, while total government expenditure is put at ZAF 1.1 trillion, or 32% of GDP, for the same year. The fiscal position is expected to remain moderately expansionary for 2012 and 2013

	2003	2006	2007	2008	2009	2010	2011	2012	2013
Total revenue and grants	23.2	26.3	27	29.7	27.2	27.5	27.7	27.8	28
Tax revenue	22.7	25.7	26.4	25.9	23.4	23.8	23.9	24.1	24.3
Oil revenue	-	-	-	-	-	-	-	-	-
Grants	0	0	0	0	0	0	0	0	0
Total expenditure and net lending (a)	25.5	25.7	26	30.6	33.5	31.7	32.5	32.2	32.3
Current expenditure	25.9	25.7	26.1	28.2	31	29	30.1	30	29.8
Excluding interest	223	22.8	23.5	25.9	28.6	26.6	27.6	27.3	27
Wages and salaries	9.3	8.4	8.5	9.2	10.2	11.2	11.6	10.6	10.3
Interest	3.6	2.9	2.5	2.4	2.3	2.4	2.6	2.7	2.9
Primary balance	1.3	3.5	3.5	1.5	-4	-1.8	-2.2	-1.6	-1.4
Overall balance	-2.3	0.6	0.9	-0.9	-6.3	-4.2	-4.8	-4.4	-4.2

Table 1 Fiscal Position in 2003 to 2013

- **MONETARY POLICY**

The average annual consumer price inflation remained within the target range of 3% to 6% in 2011, at 5% for the current year. Though the inflation has reached the upper limit and reached to 6.1% in November and December 2011. The reason behind increase of inflation rate is:

- Increases in the prices of food,
- Non-alcoholic beverages and

- Transport.

Core inflation remained at around 3.9%. Both regulated and non-regulated prices administered by policy-makers continued to remain well above the policy range for nearly two years and were at 16.1% and 8.2% year-on-year, respectively, in November 2011. For the whole year of 2012, inflation is expected to remain outside the upper end of the target range and it will return to within the target range in 2013. Inflation is expected to average 6.2% in 2012 and 5.4% in 2013. For the year 2011 additional stimulus to the economy was provided by the government because of a 150 basis points cut in the repo rate in 2010 that brought the policy rate to 5.5% which was at its lowest level in 30 years. In real terms, the repo rate remained at about 1.2% in 2010 before shrinking to 0.5% in 2011.

There is a Free Floating Exchange rate system in South Africa. A sudden reversal in capital flows since the second quarter of 2011 and tied with heightened investor risk aversion towards emerging markets that led to a gradual depreciation of the rand at beginning in the third quarter of 2011, affectation a further upside risk to inflation. Though there is historically lowest interest rate in the country the demand for the credit by the private sector remains suppressed, increasing by 6% year-on-year in November 2011, compared to 5% in January 2011, while growth in broad money supply (M3) declined from 8.2% in January 2011 to 7.26% in October 2011.

In Private sector, investment in 2011 grew at an estimated 5.0% that is down from 12.0% in 2010. Given the dull outlook for growth and other key macroeconomic indicator, with employment, venture and exports remaining well below their pre-crisis levels, early economic policy tapering could harm the recovery. The continuation of the existing accommodative monetary policy stance through 2012 and 2013 is, therefore, vital for the recovery of private investment and consumption, which are vital for sustained growth and job creation. The declaration given by the Monetary Policy Committee in January 2011 is that it is unlikely to cut the repo rate in 2012 given the Monetary Policy Committee's statement in January 2012 unless and until global conditions deteriorate substantially and start visibly curtailing growth.

1.3 SOCIAL ANALYSIS

South Africa is one of the most diverse countries among the world. Many urban areas in South Africa have a different ethnic group that reflects the whole population. The population of South Africa includes the original black peoples and European, Chinese, Indian and many more from rest of the world have migrated to South Africa. The South African culture and etiquettes is much complicated and not easy describe due to its diversity.

- **THE FAMILY IN SOUTH AFRICA:**

The South African family consists of the small nuclear families and extended families. The colored and more conservative/conventional Afrikaans cultures gives more importance to extended families than the small and nuclear families, while the white English-speaking community gives more importance to the nuclear family.

- **THE RURAL/URBAN DICHOTOMY:**

In South Africa a huge differences is seen between the rural and urban areas. More than half of the white people living in rural areas are Afrikaner farmers who are descended from the Calvinists descended. They view world as narrow, and they give value to human civilization above materialism.

Many rural black people of South Africa are still attached and follow their old traditions; on the other hand the urban black people are more and more influenced by the urban environment and international and modern life style that surrounds them.

ETIQUETTE IN SOUTH AFRICA:

Several greeting styles are prevailing in South Africa, it depends on the type of person you are meeting and also on the culture and tradition the person follows. While meeting or gathering with foreigners, most of the South Africans shake hands and maintaining their eye contact with a smile on their face.

There are two main occasions in the South Africa when the tradition of gift giving takes place. Birthdays and Christmas are the two main occasions for giving present to someone. The South African people celebrate their 21st and 40th birthdays by giving huge party and a lavish gift for the near ones.

South Africans do not believe in long relationships or creating a personal relation in conducting a business. These people are more of a transactional nature. Major differences are seen in communication style prevailing in South Africa; it purely depends on the cultural heritage on an individual. In most part of South Africa the people keep harmonious working relationships among each other and avoid conflicts.

These people often use the metaphors and sporty language to demonstrate a point. Most of the South Africans, although ethnic, prefer to meet face-to-face above common communication means such as telephone email, letter, etc.

It is very important to develop mutual trust and understanding before any business negotiation.

DEMOGRAPHY:

The population numbers approximately more than 50 million, which comprises of formally recognized Bantu-speaking groups; the white Afrikaners – the Dutch descendants, the German people speaking Afrikaans, the French, and a variety of Dutch; the English speaking descendants of

British; a multiracial that speaks Afrikaans and/or English; and the Indian immigrant who primarily speaks Tamil and Urdu.

Seventy percent of the populations in South Africa are the black Africans, whereas the white people make up eleven percent of the total population, Coloureds are eight percent, more than two percent are Indians, and other minorities come under less than two percent of the population.

- **<u>HISTORY AND ETHNIC RELATIONS:</u>**

The South Africa has rich abundant of early human fossils which are found in Sterkfontein and other places. The earliest modern citizens were the San known as Bushman – hunter gatherers and the Khoi people called the Hottentot, who herded domestic animals. The San are said to have their presence in South Africa since thousands of years and the rock art, the ancient cave paintings give the evidence of their presence in South Africa.

After the annihilating the San and Khoj, the Bantu speaking people and the European colonist had many conflict against each other which continued till democratic transformation of 1994. The black African rulers founded a large, powerful kingdoms and nations at the time of colonial expansion possible through incorporating neighboring leaders. The result of this incorporation was the emerging of the nations like Zulu, Xhosa, Pedi, Venda, Swazi, Sotho, Tswana, and Tsonga, along with the white Afrikaners.

History says that Afrikaners considers themselves as the true South Africans, and while giving the citizenship to all the inhabitants of European descent, denied that status to people of colored until the democratic transition of 1994. These European decent retain a connection to Europe and also maintain their identity of being the South Africans.

There is a strong sense of cultural separateness and individuality which coincides with the practical forms of cooperation and common identification of population. The diversity and division within cultural groups and the balance of problems between those groups throughout the 20th century prevented civil conflict among the ethnic groups in the country.

1.4 TECHNOLOGICAL ANALYSIS

- **INTRODUCTION TO SOUTH AFRICA TECHNOLOGY SECTOR**

South Africa has the prospect to compete internationally, there exists an huge potential to exploit and leverage selected technologies, in promoting business growth through exports thereby earning foreign currency. It is also essential that South Africa implement its technology strategy so that technology is applied to the maximum benefit of the entire nation and our strengths exploited to their extreme so that the future workforce can benefit as well. One of the needs that were identified as part of the process of supporting industry sectors is the need to have in-depth understanding on technological developments globally.

- **TECHNOLOGY DEVELOPMENT OF THE ICT SECTOR**

South Africa is not a leader in ICT technologies but rather an adaptor, integrator, assembler and follower, the South African ICT sector does have various competitive advantages. These usually comprise a well-developed telecommunications industries, established and competitive call centers, highly regarded capabilities in software development, e-learning and system integration. The industry is well positioned to exploit a number of emerging technologies, as identified in this study.

- **TECHNOLOGY DEVELOPMENT OF THE TOURISM SECTOR**

The tourism environment is shifting towards a greater emphasis on ICT and the traditional means of doing things for instance travelling, print media and maps will be transformed into more scoring.

This being the case with the changing tourism environment the grid below highlights the important technologies that need to be considered for future development in order to ensure that South Africa stays globally competitive and in touch with the rest of the countries as an emerging tourism destination.

The technologies which will enable sustainability and further development of the sector are mobile and wireless technologies enabling areas like m-commerce, accessibility and communication. E-learning, web based technologies and GIS are also important with a medium positioning but a strong relative impact on the sector. An important technology for the tourism sector is the internet because this will enable all transactions and online marketing to take place allowing easier accessibility to information on a global as well as on a national basis, but the infrastructure and network needs a vast improvement.

- **TECHNOLOGY DEVELOPMENT OF THE CHEMICALS SECTOR**

In the last few years the companies, including the small and Moderate-sized enterprises (SME) has become more interested to establish close contact with the chemical institutions at the universities and institutes of technology. The projects are established in close co-operation with four different academies, the University of Gothenburg, Chalmers University of Technology, University of Technology in Lund and the University of Karlstad.

- **TECHNOLOGY DEVELOPMENT OF THE BIO-TECHNOLOGY SECTOR**

Biotechnology is the application of molecular and cellular processes to solve inconvenience, do research, and create goods and services. South Africa has only a very small bio-economy, although bio-technologies are widely used in a number of industrial sectors including food and beverage, and waste water treatment. Because it is till at R&D level.

➢ TECHNOLOGY DEVELOPMENT OF THE AUTOMOTIVE SECTOR

Study highlights some of the support mechanisms that other governments have adopted or implemented to boost the competitiveness of their respective automotive sectors. It becomes clear that the automotive sector does not exist in isolation of Government support; rather it uses policies, programmes and support mechanisms as the crutch to propel it to even greater new heights.

➢ TECHNOLOGY DEVELOPMENT OF THE AGRO-PROCESSING SECTOR

- Sensors for online, real-time control and monitoring of food processing
- Separation modules that strength molecules into confined environments
- Prevention of food-borne infection by interruption of pheremonal communication among microorganisms
- Understanding of pathogen emergence and interactions with food production processes
- Real-time detection systems for authentication and validation of intervention technologies used in Hazard Analysis and Critical Control Points (HACCP) systems.

1.5 ENVIRONMENTAL ANALYSIS

- **INTRODUCTION**

Environmental protection is a most important part of the socio economic development. The increasing population, high degree of urbanization and unreasonable rise in energy use, has affected the sustainability of the environment. Deforestation results in the reduction of the sink for carbon dioxide and increases soil deprivation. Industrialization leads to water and air pollution. The water resources get polluted due to the discharge of untreated or partially treated wastes from industry, domestic dirt and fertilizer and pesticide run off from agricultural fields.

Environment is inclined by a variety of factors; hence environmental management is a difficult issue. A standard survey of the present status of various factors that govern the environment is a mandatory to formulate an proper environmental policy.

The United Nations Division for Economic and Social Affairs (UNDESA) has requested national focal points to submit country reports as a contribution to the Secretary General's Report for CSD 14, which focuses on the thematic cluster of Industrial Development, Climate Change Air Pollution/Atmosphere and Energy for Sustainable Development

This report is the South African country report to the Commission, which reports on the progress made in the implementation of Agenda 21 with regard to the review, evaluation and monitoring processes. It specifically focuses Industrial Development, Climate Change Air Pollution / Atmosphere and Energy for Sustainable Development. The key elements of the CSD 12 Report include a reflection on lessons learnt, best practice, the identification of actions, opportunities and constraints to the implementation of sustainable development and to the formulation of the NSDS.

➢ OVERVIEW ATMOSPHERIC POLLUTION AND CLIMATE CHANGE

The National Environment Management: Air Quality Act (2004) reformed the law regulating air quality in order to protect the environment by providing logical method for the prevention of pollution and ecological deprivation and for securing ecologically sustainable development while promoting reasonable economic and social development; to grant for national norms and standards regulating air quality monitoring, management and control by all spheres of government; for specific air quality measures.

Since the publication of government's Integrated Pollution and Waste Management policy in 2000, government has been implementing the National Air Quality Management Programme 2000-2010 (NAQMP). The programme is divided into four phases with each phase providing the foundation and/or input into the next phase. The NAQMP offers a starting point for the development of the National Air Quality Management Framework required by the Air Quality Act.

Phase I, has focussed on interpreting the Integrated Pollution and Waste Management Policy into a strategy and initial implementation action plan for air quality management for the country.

- Phase II (Transition) is also underway.
- Phase III (Capacity development) and,
- Phase IV (Maintenance and Review) will follow.

➢ CONSTRAINTS AND CHALLENGES

Fossil fuels remains the dominant energy source air quality authority has been relatively declining until 2000 and, as a result, there is an very limited specialist air quality management human resource base.

Although some research has been carried out and some are still ongoing in respect to impacts of fossil fuel burning, detailed research to understand and to address the specific contribution of industrial air pollution (e.g. impacts of emissions from the petro-chemical industry) has not been undertaken.

- **POLICIES REGULATING AIR QUALITY IN SOUTH AFRICA**

The major legislation governing air quality is the South African Constitution, particularly section 24 which states that everyone has the right to an atmosphere that is not unsafe to their health and well-being. Following South Africa's first independent elections in 1994, the Consultative National Environmental Policy Process (CONNEPP) was launched in 1995. This policy development process is regarded as being one of the most participatory national policy improvement processes experienced both locally and internationally.

The end result of this policy improvement process was the White Paper on National Environmental Management (1997). With this solid policy foundation, by 1998, government had published new legislation allowing it to implement the policy, namely, the National Environmental Management Act(NEMA).

- **OVERVIEW OF AIR QUALITY STUDIES**

The approach to air quality studies has been uneven and disorganized in South Africa and although a number of studies have been completed, results are not incorporated and easily reachable. Despite this lack of information, South Africa's air quality is regarded as being relatively good on the whole, but there are number of air pollution around the country where severe air quality problems are experienced. AQA recognises this problem and provides specific means by which these severe air quality problems may be managed.
Often related to these severe air quality problems, larger problem was of indoor air quality. Research highlighted that although outdoor sources often control air pollution discharge, indoor sources frequently control air pollution experience, since exposure is a function of both the concentration in an environment and the person-time spent in the environment.
Control of air pollution

Since 1965, the approach to air quality management in South Africa was regulated and driven by the Atmospheric Pollution Prevention Act (APPA). For many years, this act was regarded as useless for a number of reasons. The publication in May 2000 of government's Integrated Pollution and Waste Management policy (IP&WM Policy) marked a turning point for pollution and waste governance in South Africa. From an air quality management perspective, the new policy presented a complete concept shift from the APPA approach. As such, a new approach to air quality management was required.

1.6 LEGAL ANALYSIS

CONSTITUTIONAL LAW

- Supreme law of South Africa ,legal foundation for republic's existence
- The current constitution of South Africa came in to action since 1997 when Nelson Mandela was president of South Africa.
- Since than 16 amendment acts have been included to the constitution of South Africa.
- The constitution of South Africa also defines key principals, national anthem, flag, languages and language related government policies.
- In most of the countries for their citizen, they have their own individual rights as right to work, right to vote & right to enter in any part of the country.
- Before facing court people have best welfares in their national provincial and local relationships between ruling government and their own organization.
- Legal describe the structure of parliament. It has two parliament house like India, i.e. National Assembly and National Council of provinces.
- The parliament of South Africa determines the structure of parliament and also the government's legislative branch.
- It also determines the election laws and enacts different bills into the laws.
- Amendments and other technical procedures are being done in the houses of the parliament of South Africa.
- It determines the national executive's roles and president's powers. It also determines the election and removal of the president and the working term of the president that is two terms of five years.
- It determines for the accountability of the president and the parliament.

- The constitution of South Africa has established nine provinces and also the provincial government's power and structure.
- The constitution defines the limits of the provincial government that refers the boundaries of municipalities and districts.
- The constitution has listed some exclusive powers over certain matters to the provincial government.
- The constitution has framed a structure for local government also. Its primary requirement is entire territory of South Africa that is three different categories of municipalities such as category A, B and C.
- The governing and functioning of all the municipalities are done in different ways according to their structure defined by the constitution of South Africa.
- The constitution has established a unique structure of judicial system for the country.
- It has the hierarchal structure consisting four different kinds of courts such as magistrate courts, high courts, Supreme Court of appeal and the constitutional court.
- The president of the country appoints the judges based on the advises of the judicial service commission and a single national prosecuting authority is being formed that is responsible for all the criminal prosecution in the country.
- The constitution has formed many different commission s and offices that protects and supports democracy and human rights.
- Two of the commission is independent in nature that are: electoral commission and communication authority.
- A public service commission has been established to maintain the values and principles for the administration of civil services named in the constitution.
- A strong and unique structure has been established for the civilian security and control of defense forces, police forces and the intelligent authorities.
- As per the constitution the president himself is the commander in chief of the defense forces but there are some conditions have been

applied on how and where he has to be come into action he is accountable to the parliament.

- The national government controls the police authorities but the provincial governments also enjoy some of the powers in policing.
- The status and authorities of traditional leaders are recognized and customary law and subject to the constitution of the country.
- Formation of provincial houses and a national council for traditional leaders is allowed as per the constitution of the country.
- An act of parliament appropriates the money from national revenue fund for different public interest works.
- The municipalities and provinces receive an equitable distribution of revenue from the national revenue fund. They are also assigned some powers to raise certain taxes and rates. An effective and transparent budgeting has been done at all levels of governments to establish a worthy national treasury to oversee all the budgetary processes.
- The general provinces have been given an equal importance by the constitution of south Africa. It says that while dealing with the international law, the existing agreements binding the country will continue to bind and the new agreements have to be approved by the parliament before binding.
- It also refers that the customary international law applies in south Africa only when it doesn't conflict with the national law and the courts also play their part to make a balance between national and international laws and their consistency.
- South Africa's criminal law is being defined as the legal body of the nation dealing with the crime. In broader terms it mainly deals with the safety, security and welfare of the people of country.
- The punishments to those who are engaged in crime is also defined in the criminal law of the constitution of the country.

➢ CRIMINAL LAW

- The main purpose of the criminal law is to provide a social mechanism protecting for the safety and welfare of the society. According to the South Africa's criminal law a standard of evidence is required to validate a crime.
- The central criminal law along with the judicial system is meant for enforcement of law, prosecution of offenders and punishment to the convicted.
- In the constitution of South Africa the retributive theories has been formed with the central purpose of restoring the legal balance, disturbed by the crimes.
- These theories do not justify the punishment but it is focused to maintain a balanced civil society.

➢ CONTRACT LAW

- In making of South African contract law of roman-Dutch. Basically contract means an agreement that is enforced by law & it's essence of the contract law of South Africa. It's formed for the purpose of business & exchange of resources.
- Contract law determines some part of law of obligation also, where in an obligation is legal bond or documentation between two parties that obliges that both the parties are exchanging on a fair deal.
- The primary sources of obligations which are contract & delict, if the latter is wrong & blameworthy conducts which causes harm to a person. There is very close connection between a breach of contract & a delict, in that both are civil wrongs & might be giving rise to a duty to pay damages as compensation.
- More sources of obligations are enrichments that are unjustified, that occurs while there is a shift of wealth from person's estate to another without proper legal ground. Where a party is transferring an asset to

another party by contract that is for any reason invalid, change of wealth is without good cause & an enrichment action for restitution of the asset will apply.

- Many commercial transactions deal with both the law of obligations & the law of property, & that's why have both proprietary & contractual terms. A contract of sale, i.e., obliges the seller to deliver the thing that is sold to the buyer. It's the main reason for the transfer of ownership. It doesn't, affect the transfer, that is accomplished by the real or transfer agreement (concurring purposes of parties to give and receive transfer of ownership). If relevant contract is invalid, ownership will pass, because South African law adheres to abstract rather than causal system of transfer. The transferor will afterwards have option of enrichment action to recover the property.
- Roman law recognized a number of various categories of contract, it had law of contracts, rather than of single contract. This differentiates it from modern practice of regarding an agreement meeting specific general requirements as enforceable contract. Specifically for consensual contracts (of sale, lease & mandate) was mere agreement sufficient within itself to create a contract. The growth of consensual contracts was formed according to needs of growing Roman state, but Roman law never reached till that point that it can enforce all serious & deliberate agreements as contract.
- Where there is a divergence between the true purpose & the expressed or perceived purpose of the parties, question of whether or not a legal system will decide upon contract is dependent on its approach to contract: Is it subjective (focused on actual meeting of brains), or its objective (centered on external appearance of agreement)?
- The theory of contract determines extremely subjective approach to contract, while consensus is an only basis for contractual liability. The upshot is that, if there is no proper concurrence of wills, there might be no contract. It's generally agreed that unjustified adherence to this theory would create results both wrong & economically disastrous.

- The declaration theory, define that only important consideration is the external presence of parties' wills. The true basis of contract is to be available in the concurring declarations of both the parties, not in what they actually think or want to do. This extremely objective approach has also generally been seen unacceptable in practice unless it is justified.

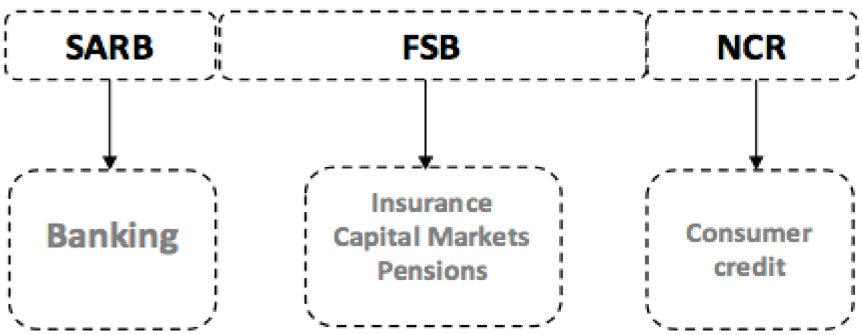
CHAPTER-2

FINANCIAL MARKET

OVERVIEW OF FINANICAL MARKETS

The regulatory system in South Africa in the 1980s regarded the financial sector mechanism – banks, insurance and capital markets as separate entities. An institutional approach was in place which was characterized by lack of coordination among regulators of these specific components. In 1987, the De Kock Commission pushed the practice of deregulation and gave a shift towards the functional approach of regulating definite activities. The process of deregulation, with more dependence on market forces started to add momentum in the 1990s. After South Africa's political seclusion ended in the mid-1990s, the country quickly got accustomed to international standards and consumer protection issues moved more to centre point Following the 1993 Melamet Commission, South Africa intended to move towards a single regulator approach to get lined up with development in European countries whose financial systems are comparable. However, the regulatory system has remained functional and partly integrated to the present day.

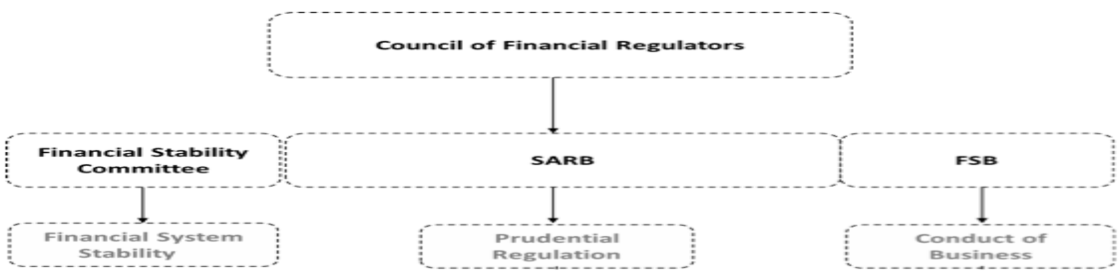
The South African Reserve Bank (SARB) and the Financial Services Board (FSB) are two main regulatory establishments of South Africa. The Banking Supervision Department of the SARB supervises the deposit-taking banking segment the while the FSB regulates the non-banking financial institutions. Moreover, seeking the fairness in accessing consumer credit, consumer protection and competitiveness, is taken care by a regulatory body which is National Credit Regulator in credit industry. At present it does not have any overarching coordinating authority.



In 2008, the World Bank and the IMF conducted a Financial Sector Assessment Program (FSAP) where they held a joint assessment of South Africa's financial system. South Africa needed reform so as to prioritize and reinforce, both the prudential and the market conduct supervision and its regulatory powers.

In order to tackle the shortcomings recognized by the IMF, the National Treasury Policy Document was issued by the Government in February 2011 that specifies proposals for intensifying the regulatory system. The driving force was the implementation of the twin-peak model. It was identified that after the crisis there was a global move to the twin peak model from the single regulator model. In order to ensure that lucidity, consumer protection and market integrity get enough priority, the most favorable was the twin peaks approach. It was assumed that shifting to a twin peaks system would lead to the least amount of disturbance to both market participants and the regulators.

Coordination, market conduct and prudential regulation of business are the three pillars on which twin model will be held. It will resolve conflicts by acting as an official channel for that predictably arise from sorting out prudential and market conduct regulation. In order to synchronize financial stability issues and to alleviate risks, a committee was formed which was named as Financial Stability Oversight Committee, which consisted of the Financial Services Board(FSB), South African Reserve Bank(SARB) and National Treasury. The Financial Service Board (FSB) will control the conduct of business while the South African Reserve Bank (SARB) will be accountable for prudential regulation. In three years, South Africa seeks to intend into the system.



- **South Africa's banking sector** is at par with those of industrialized countries. Foreign banks are providing wide-ranging electronic banking services network of automatic teller machines (ATMs) and internet banking facilities. The South African banking system comprises of a central bank, a number of small banks, a few financially strong banks and investment institutions. The Banking Act of South Africa is mainly based on legislation in the United Kingdom, Australia and Canada. SARB is the central bank of Republic of South Africa. The main purpose of the bank is to maintain price stability and achieve balance and sustainability in economic growth of South Africa. With other institutions, it also plays an essential role in ensuring financial stability. Protecting the value of South Africa's currency is the primary function of the Reserve Bank.

- The **Financial Services Board** (FSB) is the government of South Africa financial regulatory agency in charge for South Africa's non-banking financial services industry. It is an self-governing body that manages and controls the financial services industry in the public interest.

- The **Financial Services Board** (FSB) operates the working of financial markets and institutions which includes insurers, broking operaters and fund managers apart from banks, which is regulated by South African Reserve Bank. It undertakes the responsibility that the regulated bodies comply with the legislation as well as capital adequacy norms so as to encourage financial soundness and so protecting the investing community. It is responsible for all non-bank financial Mediators

- **National Credit Regulator (NCR):** NCR was established in the National Credit Act 34 of 2005 as the regulator. It is accountable for the regulation of the credit industry of South Africa. Its tasks are research, carrying out education, registration of industry applicants, policy development, investigating complaints and enforcing of the Act in proper way, registration of debt counselors, credit bureau and credit providers. It is active to promote Financial Inclusion Policy and Alliance member. The financial markets can be divided in the following ways:

- **Equity Market**

It is a market where the shares of companies and related instruments like equity derivatives are traded publicly. The Johannesburg Securities Exchange (JSE) is a formalized exchange in South Africa where shares, listed on this exchange are traded. A company must apply to list and certain listing qualifying criteria must be done which is to be met before its listing

- **Money Market**

It consists of investments in short term debt and short-term loan instruments. These instruments do not trade through an exchange, but by OTC (over-the-counter)

- **Bond Market**

It consists of long-term loans. The Bond Exchange of South Africa (BESA) is the exchange through which trading of instruments (bonds) is done.

- **Derivative Market**

A derivative market is one which derives its value from an underlying instrument. This market gives the investor the opportunity to evade against the risk of dramatic price fluctuations. Numerous instruments like derivatives trade in this market on an OTC basis, except for futures and options which trade on the South African Futures Exchange (SAFEX)

- **Foreign Exchange Market**

Foreign currencies can be bought and sold through this market; it is regulated in South Africa by the South African Reserve Bank who acts in a supervisory capacity. No formalized exchange exists and currencies are traded on an OTC basis directly between authorized dealers.

- **Insurance & Reinsurance:**

The insurance industry of South Africa is vastly developed and complicated. Therefore both the short-term and long-term insurance industries are very systematic. Lloyd's of London has a strong existence in South African market and also other international reinsurers have their offices in South Africa as a result strong competition has developed in the local market and also the strong influence of insurance intermediary and broker.

- The short-term industry is under regulation of the STIA which takes care for risk-based insurance of assets, bodily integrity and liability.
- The long-term industry is under regulation of the LTIA which takes care for life and investment products.

CHAPTER-3

WTO

AND

OTHER TRADE UNIONS

AND

IT’S IMPECT ON

COMMERCE AND

INDUSTRY

➢ WORLD TRADE ORGANIZATION AND TRADE UNIONS OF SOUTH AFRICA

The work of World trade organization is mainly dealing with rules about the trade, agreement and negotiation in helping importers, exports & producers conduct their business. The organization implemented rule of trade among the countries worldwide. It is an organization for trade opening and forum for governments to negotiate trade related agreements and also work for handling of trade dispute between countries.

The World Trade Organization is currently the host to new negotiations in Doha. The Organization helps to lower the trade barriers and help to support the opening the market in some situations by supporting rules according to written in World Trade Organization agreements and regulate market.

The main characteristic of World Trade Organization is without partialities and nation should not discriminate among their partner .The organization should encourage the trade by lowering the barriers of trade, Also Organization transparent in their work for encourage consistency in trade, and investment for giving consumer maximum benefits of competition by lowering down the price, It restricts unfair practices by regulation of trade, The organization gives stage for developing nations for transaction in to the world economy. World Trade Organization not only protects the business environment but also work for health of planet, humans and animals.

The major judgments of the organization is taken by the government employee which are, ambassador and delegates, it could not coordinate without its Secretariat to the activities which have staff around 600 and statisticians, communications experts, economists, lawyers to guide World Trade Organization members on a on a daily basis to make sure the negotiation progress easily according to the rules of international trade are correctly applied and forced.

The agreements of World Trade Organization cover all the academic property right, goods and services. They include every country's commitment to lower society tariffs and other trade barriers and keep open services markets. These agreements are not lasting they are renegotiated from regularly and new agreements added to the package.

World Trade Organization agreements require governments for making trade policies transparent for laws in force and measures. World Trade Organization councils and committees have to ensure that these requirements are being followed and agreements are being properly implemented. The member of World Trade Organization must experience regular observation of their trade policies and practices and review containing reports by the country worried and the World Trade Organization Secretariat. In to the dispute settlement the judgment is taken by the specifically appointed independent experts who identify the agreements and individual nations' commitments.

The World Trade Organization organizes lots of practical support missions in developing countries yearly to develop skills and infrastructure. It also holds so many courses each year in Geneva for government officials.

The World Trade Organization maintains regular discussion with non-governmental organizations, general public, the media and other international organizations, parliamentarians on various aspects of the World Trade Organization and the ongoing Doha negotiations, for enhancing mutual aid and increasing awareness of World Trade Organization activities.

South African popular movement analyze and activate participating in World Trade Organization and other institutions such as the IMF and the World Bank always are facing problem about the government of South African government inventiveness. It is important institution and progressive organizations are more fully informed on sources and causes and government inventiveness should be mention.

South African officials' own assessments of this country's skills and capacities, it is extremely doubtful for South Africa to follow a 'broad-based' agenda. They have been stating for years that they could not cope with and do not want a new and complex multi-dimensional on all sides.

The South African government had been for the ‘broad-based agenda’ in advance that South Africa promoted before Doha now covers some nineteen areas and is even more difficult than the Uruguay surrounding which took eight years to complete.

Trade unions are voluntary organization of workers for promoting and defend their interest. We can say that the trade union is an organization of employees formed on a permanent basis for securing diverse range of settlement. Trade union is an association of wage earners for the purpose of maintaining and improving the conditions of their working lives.
Unions engage in three broad categories of activities:

- Political activities
- Traditional wage setting activities
- Maintaining and influencing relationships between their members and employers

Trade unions have created positive effect on members’ wages, even though it seems that this increase has resulted in part from changes in the composition of union membership. Unions had a disparity character, with union premiums for workers at the lower end of the wage distribution being greater than those for workers at the higher end of the wage distribution.

➢ **CONGRESS OF SOUTH AFRICAN TRADE UNIONS**

It encompasses 1.8 million workers grouped into 19 associated with trade unions. And have total 33 trade unions in the Congress of South African Trade Unions.

NACTU considers that workers are workers irrespective of color, creed and ethnic origin and share the same exploitation by employers. Apartheid employers have used discrimination as a strategy to divide the working class and fall off its struggles

This Trade Union thinks in non-racialism, worker control, paid-up connection between union people and international worker harmony. They are looking for protection and further the interests of all workers. It established based on the slogan of working class "**an injury to one is an injury to all**".

Their primary objective is to fight for worker rights by economic justice and standard of living.

And the secondary objectives are as follows

- To create unity in union by encouraging all workers.
- To unite progressive and democratic trade union.
- To encourage industrial unions by forming broadly based industrial unions in all industries where none exist.
- To support member by encouraging co-operation among associates co-ordination of joint activities.

➢ FEDERATION OF UNIONS OF SOUTH AFRICA (FEDUSA)

South Africa is the second-largest federation, include 520 000 members organized into 27 members. Its major associate union is the Public Service Association have 200 000 members. It was set up in 1997 by integrating with the Federation of South African Labor Unions and the Federation of Civil Servants. It is political and democratic by its uniqueness.

FEDUSA's basically form for tougher, self-reliant in party, non racial and stable trade organization. At global level this union has constant good relations and therefore is currently associated to the International Trade Union Confederation (ITUC).

It mainly dealt with its real authorization, place of work matters and problems that affect its members. For this reason FEDUSA's area of concern is on its capacity and energy on national and international representation to affect real influence in policy and implementation.

➢ NATIONAL COUNCIL OF TRADE UNIONS (NACTU)

The National Council of Trade Unions (NACTU) is South Africa's third-largest federation composing 20 associate unions linking to 400 000 member.

Their main motive is to build a united worker , to develop effective principle in society ,to enforcement workers' right and law to advance economic well being, the implementation of worker' right and protection of interest. To carry out and co-ordinate research in all matters affecting workers and promote industrial democracy.

Recently South Africa is in news for the violent and illegal strikes in September 2012 that go beyond their level in Johannesburg. When some 3,000 workers at South Africa's platinum mine decided they weren't contented with their current union. So they went on strike for higher remuneration without union consent and facing off police.

President Jacob Zuma has spoken about the Congress the economic hit the country has been subject to due to the on-going stop the progress of production. Strikes in the country have spread like wildfire, sparking violence, and shortages of goods. A one-day strike may impact about 30 percent to 40 percent of the economy. The strikes spread to other major centers in the country, quickly the arising a number of industrially isolated unions, starting in Durban and Pietermaritzburg. So it was born a national, even though fall apart, trade union movement. The militancy shown by the trade union movement in support of union recognition and higher wages soon translated into political mobilization against apartheid structures. Mining accounts for over 60 percent of South Africa's export income, with trade in gold, platinum, and coal higher than any other. While the miners' strikes have been taking place over the previous six weeks, stop the progress of production in some plants entirely, with other operations managing to resolve their disputes with only minor decreases in productivity. The strikes spread to other mining companies and affect the transport industry

And that result in to the three week of the work stoppage around 12000 workers is fired. And so COSATU push President Jacob Zuma to ban labour broker and arrange the short term contract to hire workers o the permanent basis. The labor federation has criticized the government for not doing enough to cut a jobless rate of 24 percent and control costs as inflation erodes wage gains.

CHAPTER- 4

NATURAL RESOURCES

➢ OVERVIEW OF NATURAL RESOURCES

The South African natural resources mining industry is chiefly acknowledged as the most important sector and in spite of the fact that it is the sixth largest provider to total Gross Domestic Product (GDP) at currently; and is still regarded as a foundation stone of the economy and the chief employer.

The mining industry is a deep-rooted and ingenious sector of South Africa's economy and has a high degree of technical proficiency as well as the ability to assemble capital for new development.

The immensity of the known mineral resources and reserves were revealed by means of conservative exploration methods, still significant potential is expected for the unearthing of other top-notch deposits in areas still to be thoroughly explored with contemporary exploration technology.

South Africa is a foremost producer and provider of a range of minerals and produces approximately 53 different minerals from 1548 mines and quarries as well as exports to approximately 80 countries.

As a chief mining country, South Africa's strengths comprise a soaring level of technical expertise and research and development activities.

South Africa's Mineral Resources can be classified into:

➢ PRECIOUS METALS AND MINERALS:

South Africa is the world's largest producer of platinum-group metals (PGMs) and the fifth largest producer of gold. The country is also a major producer of diamonds, while silver is produced as a by-product from gold, lead-zinc, copper and PGM mines.

- Diamond
- Gold
- Platinum Group Metals
- Silver

- **<u>ENERGY MINERALS:</u>**

South Africa is well endowed with both coal and uranium reserves and is ranked amongst the top ten in the world, but has relatively small known reserves of oil and gas. South Africa is the 7th and 11th largest world producer of coal and uranium, respectively.

- Coal
- Oil and Natural Gas
- Uranium

- **<u>NON- FERROUS METALS AND MINERALS:</u>**

South Africa's non-ferrous minerals resources are rated amongst the top 10 countries in the world. The country is well endowed with titanium and zirconium resources, which is economically mineralized in heavy mineral sands in Kwan-Zulu Natal as well as the Eastern and Western Cape.

- Bauxite
- Antimony
- Nickel and Cobalt
- Copper
- Zinc and Lead
- Titanium and Zirconium

- **<u>FERROUS METALS AND MINERALS:</u>**

South Africa is the world's largest producer of chromium and vanadium ores and a leading supplier of their alloys. It is also a major producer of iron and manganese ores, an important supplier of manganese alloys and a small producer of ferrosilicon and silicon metal.

- Chromium
- Iron Ore
- Manganese
- Vanadium

- **INDUSTRIAL MINERALS:**

Industrial minerals are generally high volume, low value commodities that will usually bear minimum costs of underground exploitation since most occur near surface. As a result, most industrial minerals require less complicated mining techniques and, therefore, present opportunities for small-scale mining development.

CHAPTER- 5
SWOT ANALYSIS

5.1 STRENGTHS:

- Natural Resources
- Political Stability
- International Dimension
- The level of corruption is low
- Inflation is Well Under Control
- Strategic Location
- Modern Infrastructure
- Government Commitment to Investment Facilitation

5.2 WEAKNESSES

- Coastal Area
- Inadequate Technology
- HIV-AIDs
- High Taxation Level
- High Unemployment
- Electricity Problem
- Personal Safety
- Lack of Capital Management
- Crime in Big Cities
- High Education Cost

5.3 OPPORTUNITIES

- Online selling
- Large young Labor force
- Transshipment point
- Renewable Source of Energy

- Act as an Test Field For Technology
- Tourism
- Huge Infrastructure Opportunities

5.4 THREATS

- Racism
- Terrorist Threat
- Health care
- South African miner threats pressure
- Climate 'threat to African food security
- South African Cell phone Banking Faces Threat from New Law

PART-2

MICRO ENVIRONMENT

CHAPTER- 1

INTRODUCTION

OF

SOUTH AFRICA

➢ INTRODUCTION

South Africa is the 25th largest country in the world by area and the 24th densely inhabited country with over 51 million people.

South Africa is a multi-ethnic nation and has assorted cultures and languages. Eleven official languages are documented in the constitution. Out of these two languages are of European origin: English and Afrikaans, a language that originated mainly from Dutch and is spoken by the mass of white and Colored South Africans.

South Africa is ranked as an upper-middle income economy by the World Bank. It has the biggest economy in Africa and the 28th-largest in the planet. By PPP, South Africa has the 5th highest per capita income in Africa. It is painstaking a newly industrialized country. Nevertheless, about a quarter of the population is unemployed and lives on less than US $1.25 a day.

➢ SOUTH AFRICA'S CURRENT STATUS

- **Capital** : Pretoria (executive)
  Bloemfontein (judicial)
  Cape Town (legislative)

- **Ethnic groups**: 79.6% Black
  9.0% Colored
  8.9% White
  2.5% Asian

- **Area** : **Total** 1,221,037 km2 (25th)

  471,443 sq mi

- **GDP (PPP)** : **Total** $555.134 billion (2011)

  Per capita $10,973

- **GDP (nominal)** **Total** $408.074 billion (2011)

  Per capita $8,066

- **Currency** : South African Rand (ZAR)

➢ PROVINCES OF SOUTH AFRICA

The provinces are in twirl alienated into 52 districts: 8 metropolitan and 44 district municipalities. The district municipalities are additionally subdivided into 226 local municipalities. The urban municipalities, which administer the biggest urban agglomerations, execute the functions of both district and local municipalities.

Each province is governed by a unicameral legislature that is designated every five years by party-list relative depiction. The legislature elects a Premier as head of administration, and the prime minister elects an Executive Council as a provincial cabinet.

➢ GEOGRAPHY

The core of South Africa is a vast, flat, and meagerly inhabited scrubland, the Karoo, which is drier towards the northwest along the Namib Desert. In disparity, the eastern coastline is verdant and well-watered, which produces a climate analogous to the tropics.

➢ CLIMATE

Due to this speckled topography and oceanic sway, a great variety of climatic zones exist. The climatic zones vary from the intense desert of the southern Namib in the outermost northwest to the lush subtropical climate in the east down the Mozambique border and the Indian Ocean. Winters in South Africa come about between June and August.

➢ ECONOMY

South Africa has a diversed economy with a soaring rate of poverty and low GDP per capita. Unemployment is high and South Africa is ranked in the top 10 countries in the world for income discrimination, measured by the Gini coefficient.

South Africa is a land of around 50 million people of varied genesis, cultures, languages, and religions. The very last census was apprehended in 2011. Although the population of South Africa has amplified in the precedent decade, the nation had an annual population growth rate of −0.412% in 2012. South Africa is an abode to an anticipated 5 million prohibited immigrants, including some 3 million Zimbabweans.

➢ RELIGION

According to the 2001 national census, Christians accounted for 79.8% of the population. This includes Zion Christian- 11.1%, Pentecostal- 8.2%, Roman Catholic- 7.1%, Methodist- 6.8%, Dutch Reformed- 6.7%, Anglican- 3.8%.

Members of other Christian churches accounted for another 36% of the population. Muslims accounted for 1.5% of the population, Hindus 1.2%, traditional African religion 0.3% and Judaism 0.2%. 15.1% had no religious affiliation, 0.6% was other and 1.4% was indefinite.

➢ LANGUAGES OF SOUTH AFRICA

South Africa has eleven official languages: Afrikaans, English, Ndebele, Northern Sotho, Sotho, Swazi, Tswana, Tsonga, Venda, Xhosa, and Zulu. In this context it is third only to Bolivia and India in number.

In spite of the fact that English is acknowledged as the language of commerce and science, it was spoken by only 8.2% of South Africans in 2001, a trivial turn down from the comparable figure in 1996 i.e. 8.6%.

➢ EDUCATION

South Africa has a 3 layer system of education initiating with principal school, then high school and tertiary education in the form of universities and universities of technology. Learners have twelve years of official schooling, from grade 1 to 12. Grade R is a pre-primary underpinning year. Primary schools last for the initial seven years of schooling. High School education spans for five years. The Senior Certificate examination takes place at the conclusion of grade 12 and is obligatory for tertiary studies at a South African university

In 2004 South Africa initiated reforming its higher education system by merging small universities into superior institutions, and renaming all higher education institutions "university" in order to equalize these imbalances.

Public expenditure on education was at 5.4% of the 2002–05 GDP.

CHAPTER-2

ANALYSIS

OF

INDUSTRIES

2.1 FMCG INDUSTRY

❖ **OVER VIEW OF INDUSTRY**

➢ **GENERAL INFORMATION ABOUT THE FMCG INDUSTRY IN SOUTH AFRICA:**

The FMCG sector-mainly the food retailers-have been relatively lagging behind to capitalize on Africa's economic recovery. With of course a few exceptions; Metro Cash and Carry has been in Malawi for over 30 years with PTC in that country. Shoprite has fared very well in Africa over the past fifteen years and that success continues even thought the strong rand has been dampening growth from the rest of Africa when translated back into the country's currency. Massmart also has done good in the remaining part of the country despite being kind of beyond the generally accepted realm of FMCG retailers, mostly in general merchandise.

The growth is being driven by the realization that there are very big profits to be achieved in the remaining part of the country, since margins are drastically higher there than in South Africa. This is mostly due to the total lack of any organized and well defined competition in most countries in which these companies operate.

- **<u>MAJOR PLAYERS AND OVERALL PRODUCTS/SERVICES OFFERED IN THE INDUSTRY:</u>**

Clover	Tiger Brands	Tongat heulett
➢ Milk ➢ Cheese ➢ Custard ➢ Thick milk ➢ Ice cream ➢ Condensed milk ➢ Milk powders ➢ Ice tea ➢ Butter ➢ Cream ➢ Yogurt ➢ Bottled water	➢ Baby Products ➢ Packaged Food ➢ Beverages ➢ Candy & Sweets ➢ Dairy ➢ Grains ➢ Pet Food ➢ Perishables ➢ Sea-food Products ➢ Toiletries ➢ Other Brands and Subsidiaries	➢ Animal Feeds ➢ Retail Sugars ➢ Specialty Sugars ➢ Industrial Sugars ➢ Industrial Sweeteners

Table 2 Major players In FMCG In SA

- **<u>LEGAL ISSUES IN SOUTH AFRICA:</u>**

Appropriate planning including tax planning is very vital in terms of rolling out operations into South Africa, and government invested significant time in setting up tax structure correctly at the outset, including detailed transfer pricing analysis, to ensure SA have a tax- efficient tax structure.

  - **Introduction about legal issues:**

South Africa's legal system is similar to Ireland's in many respects. The country's common law is based on a combination of the English and Dutch models. It is a highly regulated society, and person can expect major amounts of paperwork in fulfillment efforts. However all official documents for this and application forms are in English language and this makes task much easier. Definite key areas of legislation differ substantially from the Irish business environment, such as Broad-Based Black Economic Empowerment and exchange controls. Careful planning for these and other aspects well in advance will smooth your journey into South Africa.

- **B-BBEE - Broad Based Black Economic Empowerment**

A person cannot do business in South Africa for any length of time without encountering Broad Based Black Economic Empowerment (B-BBEE which is also referred as Black Economic Empowerment or BEE). More than a piece of legislation to be complied with, it is the key instrument in the Government's strategy to redress the inequalities of the past and to drive a far-reaching change in South African society. In a business context its role is to enhance the participation of the black majority in South Africa's economy. B-BBEE has been a key driver of recent corporate activity like mergers and acquisitions in the FMCG industry.

In practical terms, what B-BBEE means for an Irish company looking to do business over a prolonged period in South Africa is this: whether working through a partner or establishing a representative office there will need to be significant black participation at all levels of the company in order to meet the terms with the B-BBEE Act No 53 of 2003.

Companies must get certification and codes of good practice which are typically measured on a scorecard against seven criteria:

- Ownership
- Management
- Employment Equity
- Skills Development

- Preferential Procurement
- Enterprise Development
- Socio-Economic Development.

There are nine pieces of legislation around this initiative which can be obtained from the Department of Trade and Industry's web portal at bee.thedti.gov.za/. The site includes the legal requirements of B-BBEE, provides help in understanding BEE scorecards, and houses a national registry of company BEE profiles. Irish businesses can also source BEE-compliant companies for networking purposes through this portal of B-BBEE.

Affectionating for all Government work needs that company is rated as a B- BBEE compliant or having majority black ownership

- Achieving the correct national ratios in projects is a key performance metric
- The Code of Practice seats a lot of importance on employing black females
- Complying with B-BBEE is a pass/fail measure in many business opportunities.

- **Setting up a company**

According to the World Bank, setting up a business in South Africa takes on average 25 days. South Africa's Government has removed almost all investment approval processes in recent years to focus on data collection and monitoring via registration and reporting processes. Except in banking and the media there is no limit on the amount of foreign ownership in firms. South Africa's Companies Act sets out comprehensive regulations and requirements for demeanor of affairs and liquidation of all entities that function in South Africa.

Different unit structures come across different legal requirements. In general, you should consider the following key areas:

- Legal status and limited liability

The legal status of the entity determines the level of liability and associated risks for the entity.

- Registration requirement and penalties

Penalties are enforced on companies which fail to register with the Companies and Intellectual Property Commission ('CIPC'). Investors should comply with applicable registration requirements within the specified timeframes to avoid unnecessary penalties

- Financing alternatives

Different types of entity are permissible different forms of finance (debt only or equity and debt both). This has a huge impact on the flexibility of the funding and total of expenses (like Interest expense) for the entity

- Requirement of audit

Depending on the type of entity, the entity may have to be audited on an annual basis

- Annual returns

Depending on the type of unit, annual returns may need to be submitted to the Companies and Intellectual Property Commission (CIPC). The annual fee varies for different types of entities

- **PRESENT TRADE POLICIES IN TERMS OF IMPORT EXPORT**

  - **Regulations for importers**

    - South Africa is a member of the World Trade Organisation (WTO) and follows the Harmonised System of import classification and there is free exchange of trade between South Africa and the four countries comprising the Southern African Customs Union: Botswana, Lesotho, Namibia, and Swaziland. There is substantially free trade between South Africa and the EU.
    - Traders are in order to exchange control approval which administered by the South African Reserve Bank
    - Bonded warehouses are also available at various points of entry
    - South African banks accommodate all international transactions and are situated throughout the country
    - Most goods may be imported into South Africa without restrictions but the Department of Trade and Industry is empowered to prohibit, regulate or ration imports
    - Import permits are required only for specific categories of goods and must be obtained from the Director of Export and Import, prior to the date of shipment
    - Failure in producing a required permit could be result in the imposition of penalties.

GENERAL INFORMATION ABOUT THE FMCG INDUSTRY IN INDIA:

Indian FMCG sector has important characteristics can be listed as sturdy MNC presence, well established distribution network, severe competition between the organised and unorganised players and low operational cost. Easy accessibility of important raw materials, cheaper labor costs and existence across the entire value chain gives India a competitive advantage.

Products which have a swift income and relatively low cost are known as Fast Moving Consumer Goods (FMCG). FMCG items are those which generally get replaced within a year. Examples of FMCG commonly comprise a wide range of repeatedly purchased consumer products such as soap, cosmetics, shaving products; toiletries oral care products and detergents as well as other non-durables such as batteries, paper products, glassware, bulbs, and plastic goods. FMCG also include pharmaceuticals, packaged food products consumer electronics etc.

Diffusion level and per capita use in many product categories is very low compared to world average standards representing the unexploited market potential. Mushrooming Indian population, chiefly the middle class and the rural segments, presents the huge untapped chance to FMCG players. Growth is also likely to come from consumer 'upgrading' in the matured product categories like processed and packaged food, mouth wash etc. A separate feature of the FMCG industry is the presence of international players through their subsidiaries (HLL, P&G, Nestle), which ensures ground-breaking product launches in the market from their parent's portfolio.

- **MAJOR SEGMENTS OF THE FMCG INDUSTRY:**

  - **Household Care**

The detergents segment is rising at an annual growth rate of 10 to 11 per cent during the last five years. The local and unorganized players account for a chief share of the total volume of the detergent market. The first choice is given to detergents in urban area in comparison to bars. Household care segment is featured by severe competition and high level of penetration. With fast urbanization, appearance of small packeted size and sachets, the demand for the household care products is thriving. In washing powder segment, HUL is the leader with ~38 per cent of market share. Other prominent players are Henkel, Nirma and Proctor & Gamble.

- **Personal Care**

Personal care segment includes personal wash products, oral care products, cosmetics etc. The Indian skin care and cosmetics market is valued at $274 million and is dominated by HUL Gillette India,Colgate Palmolive and Godrej. The coconut oil market accounts for 70% share in the hair oil market. The hair care market can be segmented into hair oils, shampoos, hair colorants & conditioners, and hair gels. In the branded coconut hair oil market Marico and Dabur are very important players. Sachet accounts for 40 % of the total shampoo sale. Also the market is dominated by HUL with around 47% market share; P&G occupies second position with market share of around 23%.

Personal wash can be further segregated into three segments that is Premium, Economy and Popular. Here also, HUL is the leader with market share of 54%; Godrej occupies second position with market share of 10 %. Swelling disposable incomes of the Indian consumers expansion in rural demand and promotion to the premium products are the sole drivers for future demand growth in major FMCG categories.

The skin care market is at a primary stage in India. With the change in life styles, increase in disposable incomes, greater product choice and ease of use, people are becoming more alert about personal grooming. The major players in this segment are Hindustan Unilever with a market share of 54%, followed by CavinKare (12%) and Godrej(3%)

The oral care market can be segmented into toothpaste - 60 %; toothpowder - 23 %; toothbrushes -17 %. This segment is dominated by Colgate-Palmolive with market share of 49%, while HUL comes on second position (30%) In toothpowders market, Colgate and Dabur are the major players.

- **Food and Beverages**

This segment comprises of the food processing , health beverage industry, bread and chocolates, biscuits & confectionery, Mineral Water and ice creams. The three categories of packaged foods that are largely consumed are namely, packed tea, biscuits and soft drinks. India’s hot beverage market is a tea leading market. The majority share of tea market is dominated mainly by unorganized players. Prominent branded tea players are HUL and Tata Tea. Prominent players in food segment are: HUL, ITC,Godreh,Nestle,Amul

❖ CASE STUDY:

➢ INTRODUCTION OF TIGER BRANDS (SOUTH AFRICA):

Tiger Brands has been built through the development of its own brands and the acquisition of other leading brands, businesses and companies. Over the years, solid revenue and profit growth has been achieved and shareholder value enhanced through the sale and unbundling of non-core assets.

Top-line growth has been driven through brand building – the renovation and innovation of the group's leading brands – as well as the extension of these brands into adjacent categories. Profitability has been enhanced through continuous improvement programmes across the group's businesses and judicious price, volume and margin management. In recent years, the group has expanded its footprint further into the rest of the African continent through strategic acquisitions. In addition, the emphasis on selling the group's South African brands through effective distribution networks across Africa has delivered significant growth in export revenues.

Tiger Brands holds meaningful minority shareholding interests in Chilean-based FMCG Company, Empresas Carozzi, and JSE listed fishing company, Oceana Group Limited, UAC Foods Limited and National Foods Holdings Limited, the latter two FMCG companies operating in Nigeria and Zimbabwe, respectively. These companies are accounted for as associate companies in the group's results.

Tiger Brands prides itself on being a world-class manufacturer and marketer in the FMCG categories in which it operates. The group continually invests in capital assets and research and development to ensure that its facilities maintain world-class standards in manufacturing efficiency, quality assurance and sustainability. The group's brand strategy is underpinned by investment in consumer and shopper research which is used to obtain comprehensive consumer insight in the various FMCG markets in which the group operates

- **MARKET PRICE OF TIGER BRANDS:**

Ask Price	29689
Bid Price	29559
Last Price	29690
Change	0.99
Last Traded Time	09:18:34
Open Price	29700
High Price	29797
Low Price	29555
PE	24574
EY	174067
DY	57448
Previous Close	29400

Share Price: 295.59

0.99 increase: 32967volume

- **OPERATION DIVISION:**

Every key operational division is made up by different business categories, each housing the brands that are owned within the Tiger Brands stable.

- **Grains Division**
  - Milling
  - Baking
  - Breakfast

- **Consumer Brands Division**
  - Groceries
  - Home, Personal and Baby Care
  - Perishables
  - Snack, Treats and Beverages

- **Tiger Brands International Division**

The Tiger Brands International Division, made up of companies we fully- or partly-own, as well as our export operation.

  - Carozzi (Chile)
  - Chococam (Cameroon)
  - Deli Foods (Nigeria)
  - EATBI (Ethiopia)
  - Haco Tiger Brands (Kenya)
  - National Foods (Zimbabwe)
  - UAC Foods (Nigeria)
  - Dangote Flour Mills (Nigeria)

- **Export operation includes:**

  - Langeberg & Ashton Foods (SA)
  - Davita Trading (SA)

- **BUSINESS OPERATIONS:**

  - **Grains (39%):**

    - Milling and Baking – Golden Cloud, Albany, Ace
    - Breakfast & Beverages – Mabela, Morvite, King Korn, Taystee Wheat, Oats Easy, Ace Instant Jungle Oats , Jungle Energy Crunch
    - Rice – Aunt Caroline Surprise, Tastic, Crestar

- **Consumer Brand (45%):**

  - Groceries – Koo, Fatty's & Moni's Black Cat, All Gold, Crosse & Blackwell
  - HPC B (Home, Personal Care and Baby) – Purity, Ingram's Camphor Cream, Jeyes Perfect Touch, Doom, Elizabeth Anne's, Dolly Virden Status, Protein Feed, Airoma , Lemon Lite Kair, Peaceful Sleep
  - Value Added Meat Products(VAMP) - Renown Mielie-Kip , Enterprise
  - Snack, Treats and Beverages – Oros, Maynards, Energade, Jungle Energy Bar, Wilsons , Beacon, Mallows, Allsorts, Hall's, Smoothie, Jelly Tots

- **Exports and International (16%):**

  - Langeberg & Ashton Foods – Gold Reef, Silver leaf
  - Haco Tiger Brands (Kenya) – Ace, BIC, Miadi, Motions, TCB, Bloo, Jeyes, So Soft
  - Chococam (Cameroon) – Arina, Mambo, Martinal, Big Gum, Kola, Tartina, Tutoux, Start
  - UAC Foods (Nigeria) – Gala, Supreme, Swan
  - Deli Foods (Nigeria) – Deli, Orange Star, Igloo
  - Davita (South Africa) – Jolly Jus, Davita, Benny
  - EAT BI (Ethiopia) – Peacock, Crown, Miracle, Florida, Solar, Micky

- **CORPORATE STRATEGY:**

  - **SELLING**

    - Merchandising force remodeled for greater efficiency
    - Customer-centric structures enhanced
    - Increased trade and brand investment
    - Focus on price points
    - Joint venture business planning with key customers
    - Revenue diversification initiatives

  - **MARKETING:**

    - Renovation of core brands
    - Enhanced focus on innovation
    - Contemporary marketing campaigns
    - Value focused messaging
    - Consumer and shopper insights

  - **SUPPLY CHAIN**

    - Review of manufacturing architecture
    - Logistics review
    - Operating efficiencies
    - Increased manufacturing capacity
    - New manufacturing capability/process technology
    - Focused technology agreements

  - **STRUCTURE/PEOPLE**

    - Restructured business units
    - Resource optimisation
    - Shared services cost synergies
    - Strengthened leadership capacity

➢ **INTRODUCTION OF WAGH BAKRI (INDIA):**

WaghBakri Company is a family owned tea business amongst conglomerates and mega corps that tower the International business scenario all over the world. WaghBakri house is one of the biggest tea producers and sellers in India at present. The group is making leading strides in tea exports and ships in bulk and retail consumer packing to countries all over the globe. Its outstanding performance is credited to excellence in management and a spirit that results into a quantum jump in annual growth in face of stifling competition and cut throat scenario that dominates the tea industry today

- **Plant operation**

The company produces products ranging from 1rs. 4gm. packs to 5 kg packs. It manufactures on an average 6 lacs packs daily In 1 single month the company produces 2.5 crores tea packs of various range Mainly all machines in the factory are hi-tech excluding few hand operated machinery. About 8 lacs tea packs in raw material form is stored in company's go down.

❖ FINDINGS:

There are a number of opportunities and possibilities to enter the market of SA: acquisitions, distribution model, joint ventures and the green field strategy

➢ OPPORTUNITY 1:

Identification of Gap in Product offerings between Waghbakri and Tiger Brands:

PRODUCTS	**WAGHBAKRI**	**TIGER BRANDS**	**POTENTIAL of WAGHBAKRI**
Baby Products	No	Yes	No
Packaged Food	No	Yes	No
Beverages	No	Yes	No
Candy & Sweets	No	Yes	No
Dairy	No	Yes	No
Grains	No	Yes	No
Pet Food	No	Yes	No
Perishables	No	Yes	No
Sea-food Products	No	Yes	No
Toiletries	No	Yes	No
Tea Products	Yes	No	**Yes**

Table 3 Gap Analysis between Waghbakri and Tiger Brands

- **Interpretation:**

Here in this Gap Analysis we can see that Tiger Brands are offering multiple brands. They are into several product lines; their business is diversified into many different products. But, as we see, in their products offerings they are lacking with the product line into **Tea**.

There is huge market in South Africa with several leading brands like JOKO Tea, Glen Tea, Liption which are into business of Tea.

Market is segmented into several segments

- Black Tea
  - Black Standard Tea
    - Loose Black Standard Tea
    - Tea Bags Black Standard
  - Black Speciality Tea
    - Loose Black Speciality Tea
    - Tea Bags Black Speciality
- Fruit/Herbal Tea
- Green Tea
- Instant Tea
- Other Tea

That clearly shows that WaghBakri has great potential in South Africa by joining hands with Tiger Brands by collaboration through Strategic Alliances.

- **<u>OPPORTUNITY 2:</u>**

- **Identification of feasibility to go for a self start based**

To start any business in a new location is not easy. Before that, the organization must see the whole cost of manufacturing, raw material and labour cost, legal issues of that country etc.

Let us see positive and negative part of establishing a business in South Africa

- **Positive Part:**

TOPIC	RANK
Ease of Doing Business	39
Starting a Business	6
Dealing with Construction Permits	1
Getting Electricity	31
Registering Property	10
Getting Credit	1
Protecting Investors	1
Paying Taxes	4
Trading Across Borders	10
Enforcing Contracts	13
Resolving Insolvency	9

Table 4 The World Bank Group has given ranking to Country South Africa

As per these ranking given by The World Bank Group we can see that among 185 countries South Africa stands on 39th position, which is good. To start a business in SA is quite easy, construction permits are easily documented, credit and investor protection are secured, Tax payment mode is easier, and Insolvency resolving is easy.

- South Africa compares well to other emerging markets on affordability and availability of capital, financial market superiority, trade tax rates and infrastructure
- In a survey of 2010 SA was found to have the 2nd most refined financial market and the 2nd lowest effective business tax rate out of 14 surveyed countries. The country was ranked 4th for ease of accessing capital, 4th for cost of capital, 6th for its transport infrastructure (better than that of China, Mexico, India, Brazil and Poland) and 7th for FDI (foreign direct investment) as a % of GDP- in 2008 it was over 3% of the GDP
- South African workers are more productive in nature than workers in Russia, Colombia, Brazil, China and India.

- **Barriers:**
  - There are assured problems like Electricity, Enforcing contracts and property registrations in ranking of The World Bank Group.
  - SA seems poor on the availability and cost of labour, education system and the use of technology and innovation in products and services.
  - For availability of manual labour South Africa ranked last and SA is also the only country of the 14 whose labour force got smaller in 2008 (by over 3%, compared to India, where the workforce increased by almost 3%).
  - The cost of manual labour is ranked 5th out of 11 countries more expensive than India, Brazil and China.
  - South African factory workers are also more paid than those of Brazil, India, China, Poland and Mexico.

- South Africa is declining behind other up-and-coming markets such as India and China owing to several factors:
  - The country is comparatively small
  - Without the benefit of a huge domestic customer base; it has had for decades an unusually low rate of saving and investment, partly because of political uncertainties.

- An insufficient education system results in an sharp shortage of skilled manpower
- A strong and impulsive currency prevent investors and makes its exports less competitive
- The infrastructure though much more better than in the rest of Africa suffers from severe blockages including power scarcity and urgently needs upgrading
- Cost of the transportation, communications and general living is much higher

There are many loopholes to start up business in South Africa, but there are many players in this market who are operating and WAGHBAKRI is having Good Turnover which can manage all these negative points and can start up business in there to grab the whole South African market.

- **OPPORTUNITY 3:**

  - **Identification of the opportunity to become a supplier**

There are number of players who are supplier of Tea products in South Africa. They are LAM KIE YUEN TEA Company Limited, GRAND CHAINLY Enterprises Co Ltd, ISODAEN TEA Manufacture Co Ltd, MARUZEN TEA Co Ltd and many more.

Indian suppliers who supplies in SA are VISHESH ENTERPRISES, S.J.DISTRIBUTORS PVT LTD, GRENERA NUTRIENTS PVT LTD, H B EXPORTERS

Distribution channel is really very strong in South Africa. One of the best recommended strategies to enter in the South African market is distribution model because of its low overhead costs and broad product coverage. For this company must establish relationship with local distributors, who sell products in defined region. The prices are normally pre-arranged in SA. It is important to pick the right partner. The distributor must have sufficient storage capacity and a good distribution network which covers the whole country.

WaghBakri can become great supplier of Tea end products to proper distributors. Wagh Bakri has great share in the Tea market and cost of manufacturing is also lesser in India. Thus by production in Bulk will decrease the cost and then WaghBakri can become great supplier of Tea Products to South Africa.

To stay as alone player in South Africa competing with leading brands it’s better to enter in market by becoming a supplier and then start up new business.

2.2 BANKING INDUSTRY

❖ OVERVIEW OF INDUSTRY

➢ SOUTH AFRICAN BANKING INDUSTRY

South Africa’s banking system is deep-rooted and well developed. The banking system is cutthroat and equivalent with banking system of other countries as well. So Africa’s banking system is different from banking system of other Developed countries. South Africa has come out as full-grown banking sector with the introduction of Private sector’s indebtness and first-rate Regulatory and Legal Framework in later phase of 2004.

South Africa’s banks are accessible all over the country and working for 24*7. They are offering Single window operation to the customers. They are also providing international services through presence of their international branches.

Investment and merchant banking are the most spirited leader in industry and the country’s big FOUR banks are:

- ABSA bank
- First National Bank
- Standard Bank
- Ned bank

Investec bank is also chief bank in South Africa which is now sponsoring Cricket Tournaments played in South Africa

So inclusive information about different banks of South Africa and Regulatory Board is as follows:

- **STANDARD BANK OF SOUTH AFRICA:**

It is established in the year 1860 and now has a 150 years long history behind it.

The rest of the banks have started entering in the banking sector in early 1990s. They are currently operating in 18 different countries on African continent as well as in other emerging markets in rest of the world.

Their three main pillars for the business are:

  - Personal & Business banking,
  - Corporate & Investment Banking and
  - Wealthy-Liberty.

It is rated with Fitch Ratings which has given them BBB+ rating, Moody's has given them rating of A3 and Standards and Poor's (S&P) has given them rating of BBB+.

  - **STRATEGY OF STANDARD BANK OF SOUTH AFRICA:**

Main focus is on delivering superior value to the customers in whichever country the bank is working.

They are differentiated only by their passion about their strategy which remains same throughout the world.

- **FIRST NATIONAL BANK OF SOUTH AFRICA:**

It is one of the BIG FOUR banks of the South Africa and is a division of First Rand Limited which is a large financial services conglomerate and is trading on the Johannesburg Exchange of Securities. (JSE)

The other groups of First Rand Group are:

  - Rand Merchant Bank
  - Wesbank

FNB is claiming to be oldest bank of South Africa because its origin was back in 1838 and called as Eastern Province Bank later bought out by Oriental Bank Corporation in 1874.

FNB is listed as “Locally Controlled Bank” by the South African Reserve Bank and it is valued at US$91 billion with subsidiaries in seven sub-Saharan countries and Australia and India.

- **BOND EXCHANGE OF SOUTH AFRICA:**

Earlier it is registered as the Bond Market Association of South Africa found in 1996 and it is offering Three-days rolling settlement and implements a bond automated trading settlement system.

It complies with all groups of 30 recommendations on clearing and settlement.

- **SOUTH AFRICAN RESERVE BANK:**

Every country used to have Reserve Bank and South Africa is not out of that thing. So, in 1985 a department for bank supervision was created in the Reserve Bank to monitor the foreign activities of South African banking institutions.

Responsibilities of Reserve Bank:

- To formulate and implement monetary policy;
- To issue banknotes and coin;
- To Supervise the banking sector;
- To ensure the effective functioning of the national payment system;
- To manage official gold and foreign-exchange reserves;
- To act as banker to the government;
- To administer the country's remaining exchange controls;
- To act as lender of the last resort in exceptional circumstances.

  For the purpose of discharging, the role of Reserve bank is:

- To make sure that the South African banking and financial structure as a whole is sound, meet the necessities of the community and keeps abreast of international developments;
- To assist the South African government, as well as other member of the economic community of southern Africa, with data pertinent to the formulation and implementation of macroeconomic policy; and
- To inform the South African community and all stakeholders abroad about monetary policy and the South African economic situation.

- **FINANCIAL SERVICE BOARD:**

The Financial Services Board is a sole autonomous institution established by statute to oversee South Africa's non-banking financial services industry in the public interest.

The Financial Services Board's mission is to promote sound and efficient financial institutions and services together with mechanisms for investor protection in the market South Africa supervises

Responsibilities of FSB are as follows:

- In Capital Markets
- In Collective Investment Schemes
- In Financial Services Provider
- In Insurers
- In Re-insurers, short and long-term
- In Lloyd's correspondents
- In Other Credit Agents
- In Nominee Companies
- In Retirement Funds
- In Friendly Societies.

FSB is having membership of International Organization of Securities Commissions (IOSCO) and is a signatory of the IOSCO multilateral MoUs.

It is also having long standing close relations with Committee of Insurance, Securities and Non-Banking Financial Authorities (CISNA) part of the SADC directorate.

- **NATIONAL CREDIT REGULATOR (NCR):**

National Credit Regulator (NCR) (known in South Africa) as the NCR and was established as the regulator under the National Credit Act 34 of 2005 (the Act). The NCR is responsible for the regulation of the South African credit industry.

The National Credit Regulator responsibilities are:

- To Register credit providers, credit bureau and debt counselors, and monitor the conduct of these parties;
- To Educate and create awareness of the protection which the Act offers;
- To Research the credit market and monitor access to credit and the cost of credit to identify factors that may undermine access to credit, competitiveness and end user safety;
- To Advise government on policy and legislation;
- To Receive and investigate complaints and ensure that consumer rights are protected, and
- To Enforce the Act and take action against contravening institutions.

- **Objectives:**

To promote a fair and non-discriminatory marketplace for access to consumer credit and for that purpose to provide for the general regulation of consumer credit and improved standards of consumer information;

- To promote black economic empowerment and ownership within the consumer credit industry;
- To prohibit certain unfair credit and credit-marketing practices;
- To promote responsible credit granting and use and for that purpose to prohibit reckless credit granting;
- To provide for debt re-organization in cases of over-indebtedness;
- To regulate credit information;

- To provide for registration of credit bureau, praise providers and debt counseling services;
- To establish national norms and standards relating to consumer credit;
- To promote a consistent enforcement framework relating to consumer credit;
- To establish the National Credit Regulator and the National Consumer Tribunal;
- To repeal the Usury Act, 1968, and the Credit Agreements Act, 1980; and to provide for related incidental matters.

❖ CASE STUDIES

➢ STANDARD BANK OF SOUTH AFRICA:

Established in 1862, the group has gone from strength to strength in the global arena and has become a recognised and respected provider of financial services. Standard Bank now has a presence in 30 countries universal, providing access to a universal network that meets the needs of a diverse client base.

Reasons behind off shoring:

There are many reasons why you should consider using offshore monetary services, include:

- The security and confidentiality which the premier offshore jurisdictions offer
- Interest on your savings and investment accounts may be paid gross
- Holding assets offshore may have some tax planning advantages
- There may be inheritance tax reimbursement, depending upon your country of residence
- The offshore islands have sophisticated worldwide communication links, facilitating effortlessness of access

- **Home products and services offerings:**

  - **Mortgage lending**
  - The provision of home loans to individual customers.

  - **Installment sale and finance leases**
  - The provision of installment finance in the consumer market, mainly vehicles, and finance of vehicles and equipment in the business market.

- **Card products**
  - The provision of credit and debit card facilities to individuals and businesses.

- **Transactional and lending products**
  - It includes deposit accepting activities, electronic banking and cheque accounts and other lending products utilizing various contact channels, such as ATMs, internet, telephone banking and branches.

- **Bancassurance**
  - The provision of short- to long-term insurance products and financial planning services to clients.

Corporate and investment banking

- Standard Bank's Corporate & Investment Banking business unit serves a wide range of client requirements around the world for banking, finance, trading, investing and risk managing and advisory services. Having developed in line with globalizing capital markets and the growing sophistication in financing requirements in up-and-coming markets, the division has built a deep understanding of the market dynamics in countries with rapidly developing economies.

- **BANK OF BARODA (INDIA):**

- **Products of bank of baroda**

  - **Wholesale Banking**

Bank has identified the new business segments as a step toward becoming Multi Specialist Bank.

- Wholesale (Large & Mid Corporates)
- Urban Retail
- Small & Medium Enterprises
- Rural/Agri Business

  - **Advantages:**

- Single point contact to cater to all the banking requirements of the Corporates.
- Expeditious decision making and shorter turnaround time.
- Availability of product specialist who can customize existing products as per the Corporate's specific requirements & can also develop new products.
- Existence of Core Banking Solution facilities & World-class infrastructure.
- The Corporate accounts will be served at these branches by the Client Service Team (CST) of competent credit officers. The team will include of:
  - ✓ Relationship Manager
  - ✓ Relationship Officer
  - ✓ Product Specialist
  - ✓ Credit officer (dedicated from Corporate Office)

The followings are the areas in which consumer Service Team can help the Large & Mid Corporate:

- Trade Finance products
- Cash Management Products
- Treasury Products
- Bridge Loans
- Syndicated Loans
- Infrastructure Loans
- Cross Currency/Interest Rate Swaps
- Foreign Currency Loans and many more depending upon the needs of the Corporates.

- **Rural banking services:**

Rural India contributes a major chunk to the economy every year, to give a stronghold on finance and to enable economic independence. Bank of Baroda has unique offerings that extend credit facilities to small and marginal farmers, agricultural labourers and cottage industry entrepreneurs.
With the aim of developing rural economy through promotion of agriculture, trade, commerce, industry and extending credit facilities particularly to small and minor farmers, agricultural labourers and small entrepreneurs, Bank of Baroda, over the years, has reached out to larger part of rural India.

- **Wealth management:**

Pensioners are our valuable and worthy customers. The Bank is committed to provide best of the customer service to them. They value their role in the nation building. As Senior Citizens of the country, they recognize their valuable contribution.
The details required for availing Pension Payment Facility from Bank of Baroda are as under:

- Before commencement of pension – Pensioners should have a Savings Bank Account preferably Joint account with Spouse (E or S) with our bank.

- The same has to be intimated to PPO issuing authorities for sending the PPO to the paying branch through the respective Link Branch for crediting the pension amount.

- **Deposits Products and services:**

Fixed deposits are categorized into deposits with a term period of less than 48 weeks, 48 weeks and frequent deposit. These deposit plans offer suitable solutions to both working individuals as well as senior citizens.

Current and saving deposits are best for individuals who wish to take advantage of multiple benefits within the same plan and even be eligible to opt for overdrafts.

- Fixed
- Current
- Savings
- BarodaFirst Wealth Pack
- Retail Loans

- **Baroda Internet Banking:**

"Baroda Connect" is an internet banking facility introduced as an alternative delivery channel for rendering effective customer service on 24 X 7basis. It offers unique customized services to both Retail & Corporate customers.

Under VIEW facility customer can:

- View Account summary of all deposit and loan accounts
- View all multiple Account information online with a single user id
- Get Account statements

- **Demat:**

India’s premier bank provides you the platform to BUY, SELL & TRANSFER your securities through just 2 Step Process:

To get their Demat services you will have to open the following accounts:

- Savings Bank \ Current Account with Bank of Baroda
- Demat Account with Bank of Baroda DP

- **Taxation:**

Important common taxation aspects are covered here under.

- Basic Tax Framework
- Chapter Xii-A
- Residential Status And Taxation
- Euro Issues
- Residential Status - Practical Considerations
- Tax Treaties
- Income Tax Benefits

COMPARISION BETWEEN STANDARD BANK OF SOUTH AFRICA AND BANK OF BARODA:

	SOUTH AFRICA	INDIA
Major Players	Absa bank, Ned bank, Standard bank of south africa First national bank	Bank of baroda, State bank of india, Bank of india, Indian bank
Products Offered by Standard Bank and Bank of Baroda:	Funeral Plan, Bancassurance, Range of credit cards, Offshore banking, One stop banking	Deposits, Savings account to NRIs as well as Indian people, Term deposits, Internet banking
Market Shares (%) of	It is the largest player in	Bank of Baroda is

Standard Bank and Bank of Baroda:	south Africa with maximum market share because it is operating since 150 years.	nationalized bank which is having market share after State Bank of India in public sector banks.
Technological Advancement used by Standard Bank and Bank of Baroda:	Due to technological enrichment Standard bank is offering offshore services. As well as net banking and collaboration with British Airways and make Debit Card.	Though there is advancement in technology, Bank of Baroda is offering net banking, ATMs as well as Wealth management plans to its customers.

Table 5 COMPARISION BETWEEN STANDARD BANK OF SOUTH AFRICA AND BANK OF BARODA

❖ Findings

There are 4 major players in South Africa:

- ABSA bank,
- Standard bank of south Africa
- Ned Bank
- First National Bank

Whereas major players of India are:

- State Bank of India
- Bank of Baroda
- Punjab National Bank

Products offered by Standard Bank are:

- Funeral Plan
- Bancassurance
- Net Banking
- Offshore banking

Products offered by Bank of Baroda are:

- Wealth Management
- Insurance
- Deposits

Market Share of Standard Bank:

- Standard Bank is the largest bank of South Africa which is operating since 150 years.

  Market share of Bank of Baroda:
- BOB is having market share in public sector after the State Bank of India.

  Technologies used by Standard Bank:

- Standard bank has used technology in maximum ways to get more number of customers by offering more number of services to South African people as well as foreign people.

  Technologies used by Bank of Baroda:

- BOB is trying to use and optimize technology to reach more number of people by providing services like Net Banking and ATM facilities.

2.3 PAPER AND PULP INDUSTRY

❖ OVERVIEW OF INDUSTRY

➢ South Africa's Paper and Pulp Industry

The paper packaging industry in South Africa is said to have been started in 1780, when a Cape Town woman, used paper to wrap fruit and send it to the Dutch East Indies. By the turn of the nineteenth century, there were scores of cardboard box makers in Cape Town, and on the Reef. In 1910 the newly formed Government of the Union of South Africa set up a commission to investigate the extent and nature of manufacturing in South Africa. The packaging industry grew and diversified along with the growth of the South African economy. In the post World War 11 years, in particular, the industry expanded rapidly, with new factories opening almost every year in the 1950s. During the 1970s and '80s, the packaging industry became increasingly concentrated, and now dominated by a few large companies. The manufacture of other converted paper products, such as tissue products and printed articles, followed a similar history.

South Africa is the nation, which is only African producer of pulp and paper after Swaziland. South Africa produces approx. 370,000 tons of mechanical wood pulp, 1,400,000 tons of chemical wood pulp, 315,000 tons of newsprint, 960,000 tons of printing and writing paper and more than million tons of other paper and paperboard each year. South Africa imports $US 400 mn of paper and paperboard each year. The major pulp and paper companies operating in South Africa are Sappi and Mondi. Margins in South Africa have traditionally been 6% higher than overseas making it a very lucrative $US 2.5 bn market. As a result Mondi is reconsidering major investments following the downturn in the international pulp price. The company planned to spend R500 mn including R 268 million on upgrading the Kraft Piet Retief Linerboard plant and the Merebank mill.

In 2009, the forest and forest product sectors value-add was R23 billion, equating to 1.4% of South Africa's gross domestic product (GDP). A total of

207,967 people are employed in the sectors value chain. Pulp and paper sector's direct contribution to South Africa's balance of payments (BoP) in 2010 was an impressive R4.5 bn.

Major Grades of Paper are printing, writing, packaging, personal products, etc. others are

- **<u>Paper Production & Consumption in South Africa 2011</u>**

	Grade	Example
Printing & Writing	Standard Newsprint	Daily newspaper
	Mechanical Printing Grades	Directory paper; yellow pages
	Book & Writing Papers	Copy paper; forms; high quality stationery
Packaging	Kraft Papers	Brown paper bags; cement bags
	Corrugating Medium	Corrugated boxes; beer boxes; boxes for appliances
Personal Products	Boxboard	Show boxes; cosmetic boxes
	Sanitary & Specialty Papers	Diapers; towels; tissue

(All values in metric tonnes)

	Paper Production	Paper Import	Paper Export	Paper Consumption
Newsprint	316,725	13,900	55,512	275,113
Printing/writing	473,759	562,060	173,265	862,554
Corrugated materials/containerboard	993,235	87,211	302,025	778,420
Other wrapping papers	89,169		0	89,169
Tissue	203,480	58,119	11,247	250,352
Other paper	98,411	65,008	43,984	119,435

Board	27,876			27,876
Total	2,202,655	786,298	586,034	2,402,919

Table 6 Paper Production & Consumption in South Africa 2011

- **Major Players of the industry are:**
  - Mondi Group
  - Sappi
  - Nampak
  - Mpact
  - South African Paper Mills
- **Major Products offered by the Industry are:**
  - Containerboard
  - Kraft Paper
  - Corrugated Packaging
  - Industrial Bags
  - Extrusion Coatings
  - Release Liner
  - Consumer Goods Packaging
  - Advanced Films & Components
  - Office Paper
  - Professional Printing Paper
  - Tissue Paper
  - Coated and Uncoated Paper
- **Present trade with quantity and amount of paper firms in South Africa**
  - **Mondi Group**

Revenue: 5,739 million EUR

Profit: 357 million EUR

Production: 5 million MTPA

Employees: 23,400 Approx.

- **Sappi**

Revenue: 6,347 million USD

Profit: 104 million USD

Production: 5.4 million MTPA

Employees: 15,100 Approx.

- **Mpact**

Revenue: R 6,821million

Profit: R313 million

Production: 0.9 million MTPA

Employees: 3,700 Approx.

- **<u>WTO – General Trade Implication for Paper Industry of South Africa</u>**

Achieving free and fair trade in forest and paper products a statement by leading global forest and paper industries in Geneva, Switzerland July 2003. These industry representatives are united in their belief that accelerated trade liberalization of forest and paper products, mainly through the WTO, provide a means of expanding output, economic and employment growth and easing poverty.WTO members should move with the greatest possible speed towards the goal of eliminating all tariffs on forest and paper industry products, whether by ambitious formula approach to eliminate tariff, expansion of current zero to do zero deals, or a combination of these mentioned approaches, taking accounts of established WTO provisions in respect of developing countries.

- **Barriers Applicable to Paper Industry of South Africa**
  - Water Licenses
  - Skill development & Technology transfer
  - Investment
  - Demand of raw materials exceeds supply

- **Trade Policies in Paper Industry of South Africa**

South Africa supplies less than 2% of international demand, though physical volumes have grown substantially over the last decade. Although South Africa is in a position is not among the dominant producers, consumers or exporters in the world pulp, paper and board industry, South African companies have evidently established themselves as significant players in the international market. This principle recognizes that raw material exports from a region or country could be beneficial and thus value can be added to them locally.

There are different policies for:

- Tariffs
- Nontariff Measures
- Antidumping Measures
- Government Procurement
- Property Right Protection

- **<u>Technological Advancement Taking Place into the Paper Industry of South Africa</u>**

A large number of innovations in technology, process and management in the pulp and paper industry that can contribute to more environmentally kind pulping and bleaching methods, better use of recycled paper and fillers and recycling of in house water. They made a distinction between available and emerging technologies. Emerging technologies are stock preparation (pulping), the use of recycled paper and paper production proper.

- **<u>Demand Drivers for Paper Industry</u>**
    - Increase supply of raw materials (fiber)
    - Ease supply constraints for downstream processing activities
    - Increment in downstream processing activities
    - Ease supply constraints for self-governing saw millers

➢ India’s Paper and Pulp Industry

Indian Paper Industry is a booming industry and is expected to grow in the coming years. The consumption of paper cannot be ignored and this awareness is bound to bring about changes in the paper industry for the better. The Indian Paper Industry accounts for about 1.6% of the world’s production of paper and paperboard. The expected turnover of the industry is around Rs 25,000 crore (USD 5.95 billion) approximately and its contribution to the exchequer is around Rs. 2918 crore (USD 0.69 billion). In 2009-10, the country produced around 9.2 million tonnes of paper, growing at an average 7-8% compared with 2% growth rate in developed countries. The paper industry growth is forecast at 8.4% annual growth rate, touching around 11 million tonnes in 2011-12and 15-16 million tonnes by 2015.In 2009, the annual operating capacity was 9.2 million tonnes and annual production was 7.4 million tonnes, and with currently undertaken expansions, another 1.5 million tonnes is expected to be added by 2012. Per capita consumption increased from 8.4 kg during 2008-09 to 9.2 kg in 2009-10, with a growth of 10.6%.

- **Estimated paper demand**

Paper demand statistics	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
Per capita consumption (Kg)	7	7.3	7.8	8.3	9.18	9.4	10
Growth (%) in per capita consumption		4.20 %	6.80 %	6.40 %	10.60%	3.20 %	6.30 %
Indian population (mn)	1,096	1,114	1,131	1,147	1,164	1,182	1,199
Growth (%)		1.60 %	1.50 %	1.40 %	1.40 %	1.50 %	1.50 %
Total paper demand	7.7	8.1	8.8	9.5	10.2	10.2	12

(mn MT)							
Growth (%)		5.80 %	7.80 %	8.10 %	8.10 %	8.10 %	8.10 %

Table 7 Estimated paper demand

- **Major Players in the Industry**

    - Ballarpur Industries Limited (BILT)
    - Hindustan Paper Corporation (HPC)
    - ITC
    - Tamil Nadu News Print Limited (TNPL)
    - JK Paper
- **Major Products offered by the Industry**
    - Writing
    - Printing
    - Stationery
    - Kraft paper
    - Recycled board and virgin board
    - Tissue paper
    - Fine art paper
    - Newsprint paper

- **Present Trade with Quantity And Amount of Paper Firms in India**
    - **Ballarpur Industries Limited (BILT)**

      Revenue: Rs. 4747.8 Crore

      Profit: Rs. 800.9 Crore

      Production: 886,230 MTPA

      Employees: 3,000 Approx.

    - **Hindustan Paper Corporation (HPC)**

Revenue: Rs. 1041.38 Crore

Profit: Rs. 88.31 Crore

Production: 282,712MTPA

Employees: 2,000 Approx.

- **ITC**

  Revenue: Rs. 3,667 Crores

  Profit: Rs. 819 Crores

  Production: 558,884 MTPA

  Employees: 3,500 Approx.

- **Barriers to Paper Industry in India**
  - Enhancing Industry's competitiveness for facing worldwide competition.
  - Economies of scale.
  - Defragmentation of industry
  - Modernizations of mills
  - Building new capacity
  - Meeting additional demand of paper
  - Productivity improvement
  - Creation of raw material base
  - Environmental up gradation, green technology
  - Setting mechanism to collect, sort, grad and utilize the recyclable waste paper

- **Present Trade Policies in Terms Import-Export in Paper Industry of India**

India imports about two million tonnes of pulp (soft wood and hardwood) and waste paper (sack waste for unbleached grades, envelopes and magazine waste) for newsprint. Major exports are following grades of papers: A4 copiers, wood-free which is from bamboo and agro waste by small mills, MG varieties which is come from small agro based mills, coated duplex which are mostly recycled fiber and large quantity of converted products like books, stationery items, magazines, children's comic books and comics which is exported to Middle East, South-East countries, Eastern Europe and US.

Since 1992, the govt. has taken further steps to improve the situation of the paper and pulp sector. Govt. include excise rebate to small units, customs duty on the import of paper grade pulp and wood chips, remove statutory control over production, distribution and price of white printing paper and provision of infrastructural through increased allocation of coal and wagons. Import duty on paper and pulp in 1991-92 was 140%, it has since gradually been reduced from 65% to 40% and further to 20% in 1995. Yet, customs duty on inputs and intermediates has not been brought down on comparable scale. Total import of wood pulp for the production of newsprint and newsprint products are allowed on more flexible scale.

- **Technological Advancement Taking Place into the Paper Industry of India**

Now Indian mills are increasing their capacity for putting up the chemical recovery system. Rigorous environmental laws, increasing energy cost, chemicals and other utilities and increasing demand of high brightness paper are forcing the paper industry to adopt improved pulp washing systems and modifications in bleaching practices. Large sized mills, bamboo based, wood and bagasse are producing pulp with conventional Kraft process and are well equipped with chemical recovery system while the small and medium size paper mills based on agro-residues are following soda process without chemical recovery.

- **<u>Growth Drivers of India's Paper and Pulp Industry</u>**
    - Economic growth
    - Targeted growth of 12% for manufacturing sector
    - Increasing literacy rate
    - Increasing govt. spending on education
    - Population growth
    - Changing demographics
    - Higher urbanization (2.5% growth)
    - Higher proportion of young adults
    - Increasing living standards
    - Demand for high quality magazines
    - Lifestyle changes & media growth

➢ Industry Comparison of India and South Africa

	INDIA	SOUTH AFRICA
Per capita consumption	9.2 kg	86 kg
Total production	11 Million MTPA	4.5 Million MTPA
Total Turnover of the Industry	Rs. 25,000 Crores	R 2,600 Crores
Major Players	BILT, Hindustan Paper Corporation, ITC, TNPL, JK Industry.	Mondi Group, Sappi Group, NAPMAC, Mpact
Products Offered by the firms	Writing and printing paper, Paperboard, Speciality paper, Newsprint paper	Containerboard, Kraft Paper, Packaging paper, Industrial Bags, Coatings, Release Liner, Consumer Goods Packaging, Advanced Films &Components, Office and Professional Printing Paper
Present Market Shares (%)	BILT 17%, Hindustan Paper Corporation 8% ITC 16%, TNPL 9% JK INDUSTRY 7%	
Technological Advancement	Fiber line	A sectoral analysis of wood, paper and pulp, R & D, Fiber quality
Barriers	Enhancing Industry's	Water licenses, Skill

	competitiveness to face worldwide competition, Economies of scale, De-fragmentation of industry, Modernization of mill Building new capacity, Meeting additional demand of paper, Productivity improvement, Creation of raw material base, Environmental up gradation, green technology, Setting mechanism to collect, sort, grad and utilize the recyclable waste paper	development and technology transfer, Investment finance, Land tenure, Demand of raw material exceeds supply
Requirements of Resources	Fibers, wood, technological resources, Pulp	Fibers, wood, technological resources, Pulp

Table 8 Industry Comparison of India and South Africa

➢ Comparison between BILT and MONDI

	Ballarpur Industries Limited (BILT)	Mondi Group
Location	India	South Africa
Revenue	Rs. 4747.8 Crore	5,739 million EUR
Profit	Rs. 800.9 Crore	357 million EUR
Production	886,230 MTPA	5 million MTPA
Business Market	India, Malaysia	Europe, Russia, South Africa and emerging markets (approx. across 30 countries)
Buying business in other countries	Malaysia	Austria, UK, France, Russia, Slovakia, Poland, Hungary, Denmark, Netherlands, Bulgaria, Italy, and Mexico
Subsidiaries	Ballarpur International Graphic Paper Holdings B.V. BILT Graphic Paper Products Limited Sabah Forest Industries Largest pulp and paper company of Malaysia BILT Tree Tech Limited	Austria's Neusiedler AG and Frantschach AG Cofinec in Poland Russia's Syktyvkar mill And in many more countries
Divisions	For Indian country only	Europe & International and South Africa (two divisions separately)

Strategically views	Integrity Imagination Individual	Leading market positions High-quality, low-cost asset base Focus on performance
Key Products	Coated woodfree Art Paper C1S Art Paper C2S Art Board C1S Black Centered Board LWC SBS Board Uncoated Woodfree Hi-Brights Creamwove Business Stationery Bonds Copy paper Premium Copy Power Specialty and Fine Cartridge Ledger Industrial Grades	1. Containerboard Appearance Kraft Semi Chem Recycled 2. Kraft Paper Sack Kraft Paper Market Pulp Specialty Kraft Paper 3. Corrugated Packaging Eco Line Easy Line Smart Line Packaging Types Applications Technologies 4. Industrial Bags

Key Products (Cntd.)	Ivory Boards Posters	Pasted Open Mouth Bags Pasted Valve Bags Pinch Bottom Bags Refuse Bag Protector Bags Terra Bag FIBCs / Big Bags Features Filling Equipment Industrial Bags production video Eurosac presents Russell the Spruce 5. Extrusion Coatings Technical Coatings Consumer Coatings 6. Release Liner Building / Roofing Envelopes Fiber Composites Graphic Arts

		Hygiene Labels Medical Tapes 7. Consumer Goods Packaging Stand Up Pouches Reclosable Bags (FlexZiBox) Non-Reclosable Bags Paper-based Bags Microwaveable Packaging Labels Special Product Features Printed Laminate and Barrier Materials Rollstock Printed Mono Film Rollstock Biodegradable Films - Sustainex 8. Advanced Films & Components

Key Products (Cntd.)		Diaper components Femcare components Label film Laminating film Tube Laminating Films Surface protection films (temporary) Surface protection films (permanent) Transport and pallet protection Industrial films for form-fill-seal (FFS) applications 9. Office Paper Multifunctional papers Color laser papers Creative Papers ColorLok Green Range 10. Professional Printing Paper Digital printing

		Pre-print Offset printing Green Range
Market Positions	53% of the coated wood-free paper market An impressive 80% of the bond paper market 35% of the hi-bright Maplitho market	No. 1 in office paper and UFP in Europe No. 1 in corrugated packaging in emerging Europe No. 1 in Kraft paper in Europe No. 1 in industrial bags in Europe

Table 9 Comparison between BILT and MONDI

❖ FINDINGS

➢ Findings from South African Paper Industry

- The pulp and paper manufacturing industry is an important contributor for South African economy. 1970 onwards, annual growth rate has surpassed the international average, contributing R 3,526 million per annum to South Africa's economy. Major part from this is invested in local resources, innovation and local human power. In 2009, forest and forest product sectors value add was R23 bn, equating to around 1.5% of South Africa's GDP. A total of 2 lacs people are employed in the sectors value chain.
- The overall industry turnover is reached to R 26,000 million in 2011. Per capita consumption is 86 kg per year and total production is 4.5 million MTPA per annum. Major grades offered by the industry are for printing, writing, newspaper, packaging, tissue papers, etc.
- Major players of the industry are Mondi, Sappi, Mpact, Nampak, South African Paper Mills, etc. But Mondi and Sappi have major of the industry stack.
- Major products offered by the industry are containerboard, Kraft paper, corrugated packaging, industrial bags, coatings, release liner, consumer goods packaging, advanced films &components, office paper, professional printing paper, etc.
- Imports have continued to increase fairly strongly at around 3.5% per annum since 2006. Packaging and Tissue papers' import is increasing. It shows that there is significant growth in consumption of packaging and tissue paper.
- Pulp exports are growing strongly in recent years, with most other grades decline as exports.

➢ **Findings from Indian paper Industry**

- The INR 25,000 crores Indian paper industry is of about 1.6% of the world's paper and paperboard production though the country is having stack of about 16% in the global population.
- 11 million MT of paper production is done in each year. Growth rate is of about 8.4% annually.
- Paperboard accounts for around 47% of the total market size, writing and printing paper having 29.6%, newsprint having 19.5% and specialty paper having 3.6% stack.
- Per capita consumption is 9.2 kg.
- Major players in the industry are BILT, ITC, HPC, TNPL, etc.
- Writing and printing paper, paperboard, specialty paper, newsprint paper are the major products offered by the industry.
- Improving industrial competitiveness to face global competition, economies of scale, de-fragmentation of industry, modernization of mills, building new capacities, meeting incremental demand of paper, productivity/quality improvement, creation of robust raw material base, environmental up gradation and green technologies, setting mechanism for collection, sorting, grading and utilization of recyclable waste paper are the main barriers to the industry.
- India's per capita usage of paper has become doubled in the last decade and this growth is expected to continue.
- Moreover, India is the 15th largest paper consumer in the world, which amounted around 11.49 million tonnes per annum in FY2012. It is one of the quickest growing markets in the world, with approximations proposing a market size increase to 20 million MTPA by 2020.

- **<u>Identification of the Opportunity to Get Supplies from the Foreign Market for Indian Company to Get Cost Advantages</u>**

- Major issue for India's pulp and paper sector is very high cost of production, which is caused by less availability and high cost of raw materials.
- Energy cost has increased on account of inadequate availability of coal thereby increasing imports. No availability of good-quality fiber, plant size that is uneconomical, technologic obsolescence and environmental compliances are a big challenge.
- Paper mills of India have remarkable opportunity to improve their profit margin by increasing their investments in automation systems and enterprise solutions, and integrating them to achieve collaborative production management.
- Mondi's great quality, satisfactory invested assets and its focus on very low cost production continue to be major competitive advantages.
- By having technology from company like Mondi, Indian mills can reduce their cost of production.
- It appears that in South Africa there is increasing pressure for the collection of recycled materials, specifically to drive the reduction of costs and therefore remain economical. Recycling rate is continues to improve, with some grades increasingly exported. Over a million metric tonnes of paper was collected for recycling with a value of approximately R640 million.
- So Indian paper industry should use the technology, which is used by the South African industry for the recycling of paper.

Gap Analysis between MONDI and BILT

- BILT caters primarily to the writing and printing paper segment. They have also their presence in specialty paper and the tissue paper business.
- While Mondi group is an international paper and packaging group specialist in containerboard, corrugated packaging solutions, Kraft paper, industrial bags, coatings, release liners, films, consumer bags & pouches as well as office, pre-print and offset paper.

So, BILT can import other than writing and printing papers from Mondi group to cater Indian market.

Gap Analysis between Indian and South African Paper Industry

- India's major import is Pulp (softwood and hardwood). India imports about two million tonnes of pulp and waste paper (sack waste for unbleached grades, envelopes waste and magazine waste) for newsprint.
- While South Africa's main export is Pulp and it is growing strongly.

So, here India can import pulp from the South Africa, where which is easily available.

2.4 PHARMACEUTICAL INDUSTRY

- **OVERVIEW OF INDUSTRY**

- **SOUTH AFRICAN PHARMA INDUSTRY**

The South African pharmaceutical market is likely to almost double in the next six years due to profitable government contracts for HIV/AIDS and tuberculosis medications, according to the latest report from market analysts GBI Research.

The new report predicts that the South African pharmaceutical industry will grow from a value of US$3.8 billion in 2011 to $7 billion in 2018, hiking at a Compound Annual Growth Rate (CAGR) of 9.2 percent. South Africa Pharmaceutical industry to Grow 22% by 2013

- **South African Pharmaceutical Industry Based On:**
  - Pharmaceutical market
  - Healthcare
  - Patented drug market
  - Generic drug market
  - OTC drug market
  - Medical Devices
  - Macroeconomic Forecasts

We have done an extensive research and prudent analysis of the South African pharmaceutical industry in order to understand the factors that will continue to serve as growth driver for the pharma market in South Africa over the forecast period (2010-2013). We have found that several factors such as growing healthcare spending and burden of diseases (HIV/AIDS, TB, Diabetes, etc.) have boosted the usage of high-priced drugs in the country. Likewise, there will be high demand for primary health care level drugs like generics, antibiotics and OTC drugs in upcoming years owing to the fact that a number of drugs will lose their patents.

- **TOP PHARMACUTICAL COMPANIES IN SOUTH AFRICA:**

dti moots **Litha healthcare**

Adcock **EirGen**

- **COMPLIANCE WITH WTO NORMS**
    - The present TRIPS agreement allows members to exclude from patentability diagnostic, therapeutic and surgical methods used for the treatment of humans and animals.
    - The 57th Session of the UN Commission on Human Rights adopted Resolution 2001/33, related to "Access to Medication in the Context of Pandemics such as HIV/AIDS", which was approved by the overwhelming majority of its Members.
    - In the Resolution "Scaling Up the Response to HIV/AIDS", the World Health Assembly recalls "efforts to make drugs available at lower prices for those in need.
    - The World Health Assembly notes that "the impact of international trade agreements on access to, or local manufacturing of, essential drugs and on the development of new drugs needs to be further evaluated.

- **LEGAL ASPECTS:**
  - Pharmaceuticals are a crucial component. This is reflected in various aspects of South Africa's legislation and forms the baseline for sometimes even opposing views/approaches adopted by various stakeholders including the local manufacturing industry and civil society organizations.
  - Patent rights play an important role in this process. We must remember that the purpose of patents is to disseminate knowledge and encourage innovation and creativity. Pharmaceutical companies often find problems in enforcing patent protection in developing countries (particularly in Asia). The threat of the South African and Brazilian governments around the HIV/AIDS treatments is another case in point.
  - There are so many regulations and requirements for a new pharmaceutical to conform with. For companies developing new drugs (original preparations) the patent system is a way to "guarantee" a return on investments, or "Return on Innovation", as we prefer to call it. During the term of the patent, the company must be able to recover a reasonable return on what they invested in the innovation process.

- **EXIM POLICES**

BRICS - Brazil, Russia, India, China and South Africa

BRICS refers to the economic alliance that includes Russia, China, Brazil, India, and South Africa. It is believed South Africa's ascendance to the BRICS group of major emerging economies (on 13 April 2011) is a boost to the country's brand as a serious economic player and puts South Africa on the centre stage of worldwide change, fairly than on the sideline.

Table-India's export import

Year	India's Export	India's Import	Total Trade
2006	1557.41	222.24	1779.72
2007	2299.52	347.21	2646.73
2008	2457.48	542.92	3000.40
2009	1890.63	411.19	2301.82
2010	3409.82	606.84	4016.66
2010	2478	409	2887
2011	4837	582	5419

Table 10 Table-India's export import

(In US $ million *)

- **INVESTMENT PATTERN**
  - South Africa is 1 of the locations of alternative for the research and development activities of multinational pharmaceutical companies, due to its relatively strong intellectual property environment, first-world medical infrastructure and exposure to third-world diseases.
  - From the conference and exhibition at Durban's International Convention Centre, it was concluded that an urgent need was identified for investment in the promotion of generic manufacturing.
  - Developments at the industrial processing zones, tax incentives and exchange control reforms aim to create an investor-friendly environment. Businesses prefer few regulatory burdens, particularly if small and medium enterprises are also to be encouraged.

➢ OVERVIEW OF INDIAN PHARMA INDUSTRY

The Indian pharmacy industry has gained significant traction in the last few years. It is currently on a sky-scraping growth path and rapidly integrating with the worldwide industry. This integration is opening up remarkable new opportunities for Indian Pharmacy across all segments including generics, development and research of New Chemical Entities (NCE) and Contract Research and Manufacturing Services (CRAMS). Indian companies are now well positioned to explore these opportunities as they adopt effective and efficient business models that are spread across one or more of each of these segments.

For Indian Pharmacy, generics have always been the mainstay of the industry. Indian companies are now shifting focus and foraying into new under-served and emerging markets in Latin America, South Africa, Russia and other CIS nations and Japan. Semi-regulated markets offer tremendous potential due to the continuously improving economic, demographic and regulatory factors. Almost all these generics markets are now set to report double-digit growth. Currently, India has captured only 10 percent of the global generics industry. Hence, Indian Pharmacy is aggressively pursuing its growth strategy through acquisitions, marketing and distribution alliances, increased focus on building niche therapeutic portfolios and Para IV filings.

Pharmaceutical Industry in India is one of the largest and most advanced among the developing countries. It is ranked fourth in volume terms and 11th in value terms internationally. It provides employment to millions and ensures that essential drugs at affordable prices are available to the vast population of India. Indian Pharmaceutical Industry has attain broad ranging capabilities in the complex field of drug manufacture and technology. Almost every type of drug is now made indigenously From straightforward pain killers to refined antibiotics and complex cardiac compounds. The Indian Pharma industry is expected to witness robust growth, with an growing middle-class population, improvement in medical infrastructure and the establishment of IP rights.

India's top PHARMA companies

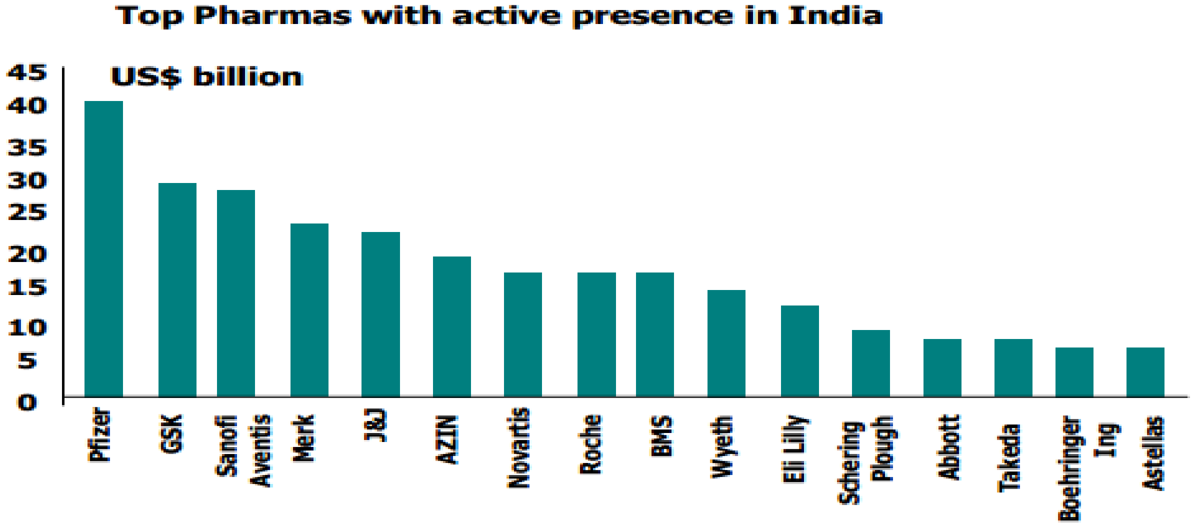


Figure 1 India's top PHARMA companies

- **COMPLIANCE WITH WTO NORMS FOR PHARMACEUTICAL INDUSTRY**

India being a member of WTO, has amended its patent law of 1970 under the TRIPS Agreement and has recognized the product patent from 1st January 2005 onwards.

The Patent Act of 1970 significantly reduced the monopoly power enjoyed by the foreign firms and created a favorable environment for the Indian pharmaceutical companies. Taking advantage of the flexible provision of the Patent Act of 1970, the Indian companies started imitating the patented products of the foreign MNCs, mastered the technique of imitation and in turn could even come out with better process technology for the same product (Chaudhuri, 2005).We thus find that the growth of the pharmaceutical sector in India has its root in the liberal Patent act of 1970. Today the Indian pharmaceutical companies are the largest producer in the global generic market and ranks fourth in term of value in the global pharmaceutical market. It has registered a sales turnover of US $ 8.0 billion in 2004 and is growing at an annual rate of 8 %. The country can supply drug at a very low price in the international market and is an important source of supplier of essential drugs to World Health Organization (WHO) and other underdeveloped countries .The comparative advantage of the industry we observe today is therefore an outcome of the absence of the product patent in the country for more than three decades.

- **LEGAL ASPECTS**

TRIPS Agreement regarding pharmaceutical industry, India has the subsequent obligations:

  - To identify in principle all kind of inventions in the area of pharmaceutical and agricultural chemical products in accordance with Article 27 of the Agreement.
  - To make available a system by which applications can be filed for new inventions as understood in Article 27 in these areas from 1-1-1995.
  - To relate the test of patentability as lay down in the Agreement irrespective of the law of the country on the date of filing, at the time when patent is granted or rejected.
  - To make available patent protection for a period of 20 years, from the date of filing once the parties decide to grant the patent.
  - In the terms of product patent application in these areas, grant exclusive marketing rights for five years or until patent is granted or rejected, whichever period is shorter.

Conceding of elite marketing rights is subject matter to three conditions:

  - Product patent for the development has been granted by another member country;
  - Market agreement is obtained in such other member country.

- Market agreement from the country/member granting exclusive marketing right is granted.

- **Recent regulatory initiatives:**
    - Move to begin an integrated regulatory system through the constitution of a National Drug Authority so that quality regulation and price control is performed by the same agency
    - Establishment of pharma covigilance centres at national, regional and zonal level to monitor adverse drug reactions
    - Move to get nearly 374 bulk drugs under price control and regulate trade margins
    - Capability strengthening to monitor clinical trials, which including the setting up of the Clinical Trials Registry of India (CTRI)

- **INDIAN PHARMACEUTICAL INDUSTRY: EXIM POLICIES & ORDERS**

The import and export of pharmaceutical drugs and pharmaceuticals are regulated through EXIM Policy. India is now internationally consider as one of the leading global players in pharmaceuticals. Europe occupy the maximum share of Indian pharma exports followed by North America and Asia. The pharma EXIM policy initiative taken by the Government recently have led to quantitative and qualitative improvements in the Research & Development activities of the industry. The National Pharmaceutical Policy (NPP)'s objective is to ensure availability of lifesaving drugs at reasonable prices.

- Customs Duty
- SIC Codes
- HS Codes

- **INVESTMENT PATTERN**
    - Since 2001 when 100% FDI was first allowed in the pharmaceutical sector, just 10% has gone to green-field projects.
    - A number of countries have benefitted because of FDI and hence India should look for more avenues to expand its foreign relations with respect to the pharma and biotech industries.
    - Investors from abroad like to initiate newer ventures in India because the country is less expensive- right from the finances that are needed to invest to kick start a project to efficient manpower, inexpensive and proficient labour, renowned scientists & research personnel. In whole, India is a centre for contract biotech, research, clinical data management and clinical trials.
    - Mergers & Acquisitions that will take situate in Brownfield sector will be scanned by the Competition Commission of India, and 100 percent FDIs will take place in the Greenfield sector.

❖ CASE STUDIES

➢ ASPEN PHARMACEUTICALS

Aspen is a supplier of branded and generic pharmaceuticals in more than 150 countries across the world and of consumer and nutritional products in selected territories. Aspen is a leading generics manufacturer in the Southern hemisphere and is Africa's largest pharmaceutical manufacturer, and is ranked 9th largest.

- **PRODUCT PORTFOLIO**

Anesthetics	Analgesics	Anti-retroviral
Blood and haemopoetic	Cardio vascular system	Central Nervous system
Ear, nose and throat	Endocrine system	Gastro-intestinal tract
Infant milk formulations	Musculo-skeletal agents	NS Aids
Oncology	Oral hygiene	Respiratory system
Urinary tract system		

Table 11 PRODUCT PORTFOLIO

- **ASPEN – A GLOBAL LEADER IN GENERIC ARVs**

Aspen remains committed to fighting HIV/AIDS by manufacturing quality generic ARVs which comply with all the chemical, bio-equivalence and physical specifications expected of good medicine. . The ARV portfolio has received significant attention with Aspen's ongoing commitment to assisting in finding a meaningful solution in the fight against HIV/Aids. Aspen's basket is presently comprised of more than ten ARVs with additional products being launched periodically in line with regulatory approvals being secured.

- **MARKET SHARE**

Market share is an indicator of the relative participation of Aspen in a market. IMS provides an independent measure of private market share which enables Aspen to assess its share of measured markets, comparative size and increase or decline in market share**.**

2012	2011
South Africa: 16% (Ranked 1st) Australia: 4% (Ranked 7th) Brazil: 0.3% (Ranked 64th) Mexico: 0.3% (Ranked 51st) Venezuela: 0.2% (Ranked 69th)	South Africa: 17% (Ranked 1st) Australia: 4% (Ranked 7th) Brazil: 0.3% (Ranked 54th) Mexico: 0.3% (Ranked 50th) Venezuela: 0.2% (Ranked 69th)

- **FINANCIAL HIGHLIGHTS OF COMPANY'S PERFORMANCE**

Aspen raised revenue by 23% to R15,3 billion and grew operating profit from continuing operations by 25% to R3,9 billion in the year ended 30 June 2012.

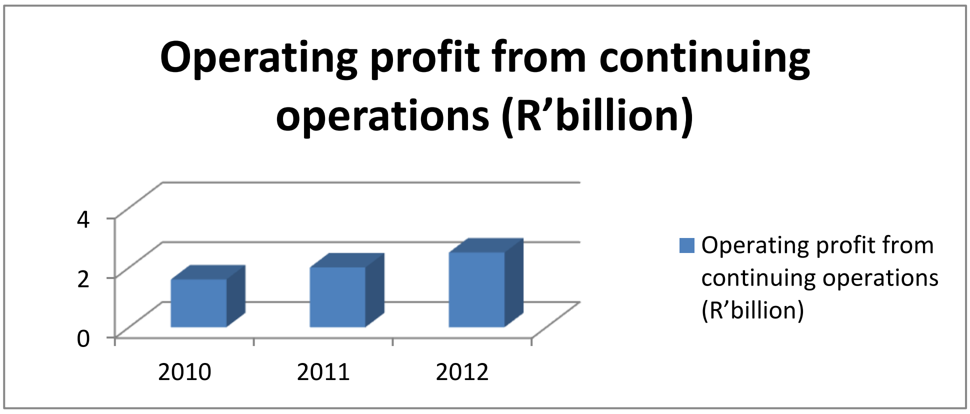


Figure 2 Operating profit from continuing operations

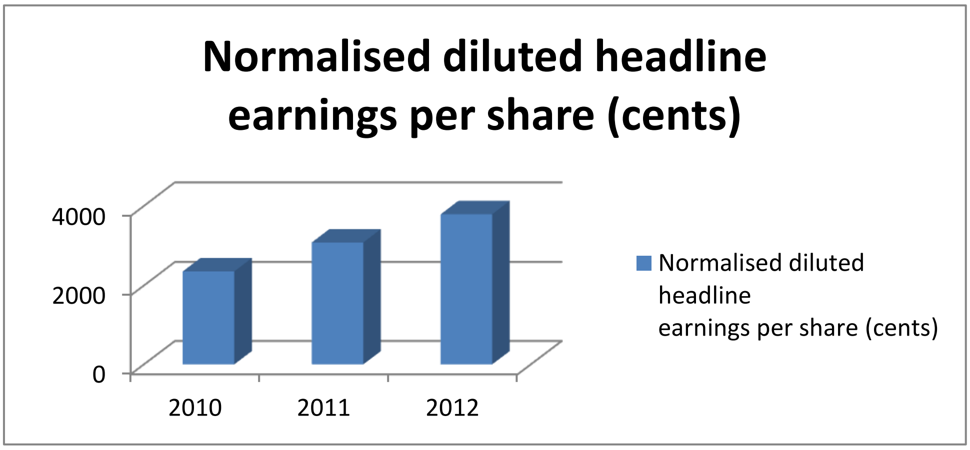


Figure 3 Normalised diluted headline

➢ LUPIN PHARMACEUTICALS

Lupin Pharmaceuticals, Inc. is the U.S. owned subsidiary of Lupin Ltd., which is amongst the top 5 pharmaceutical companies in India. Through our sales and marketing head office in Baltimore, MD, Lupin Pharmaceuticals, Inc. is committed to deliver high-quality, branded and generic medications reliable by healthcare professionals and patients across geographies.

The company strives to bring important new products to market every year. We look forward for our products to come from:

- In-house product development;
- Licensing and acquisitions;
- Marketing alliances.

- **PRODUCT PORTFOLIO**

The Company's extensive product basket comprise formulations from Cephalosporins, CVS, CNS, Anti-Asthma, Anti-TB, Diabetology, Dermatology, GI, and other therapy segments have been trusted by its patients and doctors across geographies.

Product	**Therapeutic segment**	**Ranking**
TONACT	CVS	3
GLUCONORM	Anti Diabetic	4
RABLET	Gastro Intestinal	2
RCINEX	Anti-TB	1
RAMISTAR	CVS	2
AKT	ANTI-TB	1
CLOPITAB	CVS	3
L-CIN	Levofloxacin	1
Telekast	Anti-Asthma	3
Budamate	Anti-Asthma	3

Table 12 PRODUCT PORTFOLIO

- **MANUFACTURING CAPABILITES**

Lupin is ranked 9th amongst global generic companies. The company today operates a globally integrated network of 11 manufacturing facilities spread across India and Japan.

  - Successful US FDA inspection at 11 manufacturing facilities
  - Asia's only US FDA approved fermentation plant for rifampicin.
  - WHO certified finished products manufacturing facility for tuberculosis products?

- **MARKET SHARE**

Therapeutic Segment	**Lupin**	**Market**
CVS	16%	21%
Anti-TB	10%	5%
Anti-Asthma	28%	14%
Antibiotics+Cephalosporins	1%	14%
Anti-Diabetic	31%	14%
Gastro Intestinal (GI)	22%	17%
CNS	20%	17%
Gynaecology	86%	14%

Table 13 MARKET SHARE

- **FINANCIAL HIGHLIGHTS**

In South Africa, Lupin recorded growth of 38% in revenues to `1,829 million from Pharma Dynamics subsidiary in South Africa. Pharma Dynamics remains the quickly growing Top 10 generic company in the market with a clear leadership in the cardiovascular segment. Pharma Dynamics is currently ranked 6th amongst the generic pharmaceutical companies in South Africa.

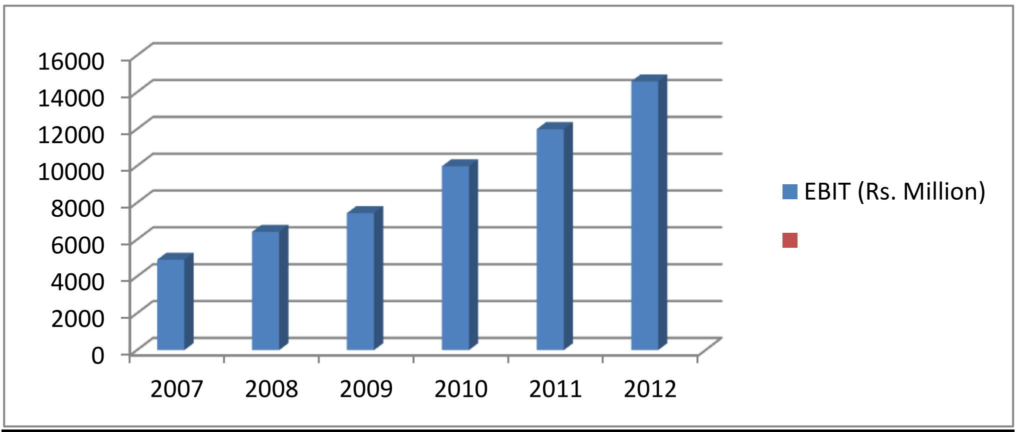


Figure 4 EBIT CHART

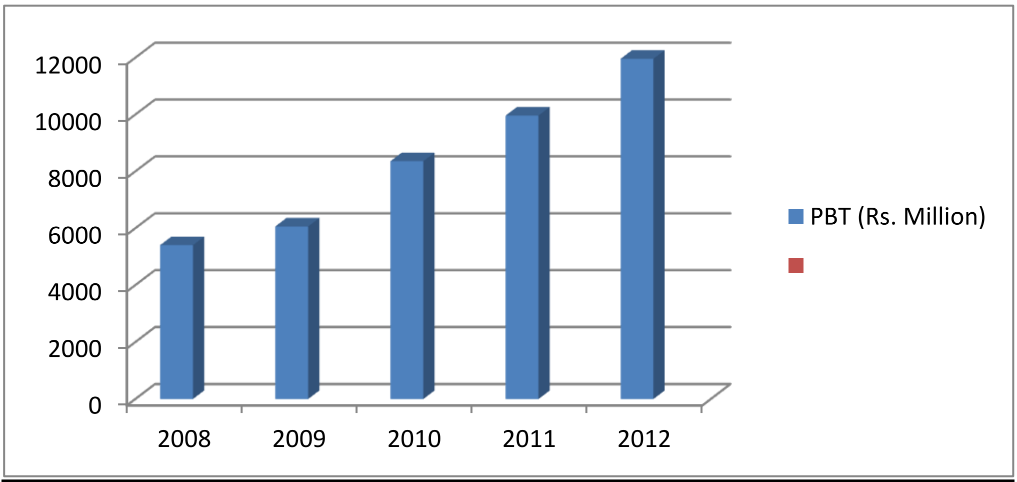


Figure 5 PBT CHART

❖ FINDINGS

➢ GAP ANALYSIS IN PHARMA INDUSTRY

Pharmaceutical industry is at a boom in the global market. The South African pharmaceutical market is expected to almost double in the next six years due to profitable government contracts for HIV/AIDS and tuberculosis medications. (source market analysts GBI Research). South African pharmaceutical industry will grow from a value of US$3.8 billion in 2011 to $7 billion in 2018, hiking at a Compound Annual Growth Rate (CAGR) of 9.2 percent. South Africa Pharmaceutical industry will Grow 22% by 2013. Thus there is high potential for the Indian company to do business with south Africa for the pharmaceutical industry.

The Indian Pharmaceutical Market is expected to touch US $ 74 billion in sales by 2020 from US $ 11 billion in 2012. The pharmaceutical market as grown at 15.7% during 2011, with major growth drivers being in the area of the anti-diabetics, derma and vitamins. India tops the world in exporting generic medicines worth US $ 11 billion. India provides best- in-class treatment at affordable prices as compared to countries like USA and UK.

India will see the largest number of merger and Acquisition in pharmaceutical and health care sector in the coming years.

India and South Africa belong to BRICS nation, thus they have a strong tie up to develop the business relation, and thus a high potential for the same.

Comparing the Pharma industry in South Africa and India, one can evaluate various gaps in the product offerings, technological grounds or through R & D. Hence, we can say that there is a high potential and a positive idea to carry out trade practices, joint venture, or M & A with South Africa.

Country	South Africa	India
Growth Value	3.8 US $ billion	74 US $ billion
CAGR	9.2%	14.5%

Market Growth	22%	15.7%

Doing business with South Africa with products potential

During our study we found out that, South Africa has a huge demand for the medications relating to HIV/AIDS and tuberculosis. 2010 figures indicate that over 5-million residents have the virus and 40% of deaths in 2010 were HIV/AIDS related. Government receive worldwide support for antiretroviral (ARV) supply and other initiatives to help people living with the disease from organisation such as worldwide Fund, the President's Emergency Plan For AIDS Relief (PEPFAR) and the EU. The result is worthwhile government contracts awarded to companies that provide appropriate treatments for the HIV/AIDS pandemic, Tuberculosis and other diseases.

- **The opportunities related to doing a business in south Africa are as follow.**

  - **Opportunity.1:- Collaboration for research and development in SA due to strong intellectual property environment**

    - Innovative Medicines South Africa (IMSA) is a pharmaceutical industry association which represents research-based pharmaceutical companies that originate, develop and market medicines.
    - As an innovation-based industry body, IMSA endorses the value of recognising the symbiotic relationship between patented and off-patented medicines to advance healthcare for all in South Africa.
    - South Africa is 1 of the locations of alternative for the research and development activities of multinational pharmaceutical companies, due to its relatively strong intellectual property environment, first-world medical infrastructure and exposure to third-world diseases.

- From the conference and exhibition at Durban's International Convention Centre, it was concluded that an urgent need was identified for investment in the promotion of generic manufacturing.
- Developments at the industrial processing zones, tax incentives and exchange control reforms aim to create an investor-friendly environment. Businesses prefer few regulatory burdens, particularly if small and medium enterprises are also to be encouraged.

- **Opportunity 2:- Feasibility to go for a self start**

  - Lupin can merge, joint venture or acquire any pharmaceuticals company in South Africa because the cost of manufacturing medicines for HIV and Tuberculosis is very low in India for Lupin Pharma. And therefore it can use the same technology and system in South Africa which it is using in India to manufacture the drugs in India.

  - Lupin can also self start its organization in South Africa because there is not any legal restrictions or barriers for a foreign company to start a business in South Africa.

  - The following table shows most of the companies are self starter in SA.

Name of company	Type of company
Aspen Pharma	Self Starter
PharmaPlan	Importer & Distributer
Litha Healthcare	Self Starter
Adcock Ingram	Self Starter
Janssen Pharmaceutica (Pty)	Self Starter

Table 14 self starter in SA.

- With the help of above table we can say that Lupin Pharma has good opportunity to set up the business in South Africa because many companies are self starters in SA.

- South Africa is developing country and therefore people in South Africa will prefer the low cost products and Lupin has the technology to manufacture the cost at low cost which will also avail the opportunity to start business in South Africa.

- **Opportunity 3:- Joining hands with South Africa to manufacture medicines for HIV and Tuberculosis**

  - Lupin pharmaceutical has a scope for joining hands with South Africa through joint venture, merger and acquisition because of the cost of manufacturing medicines for HIV and Tuberculosis and generic product is very low in India. Affordability of treatment is a big pull factor as treatment in India cost just 10-20% of what it cost abroad. And there is a remarkable growth of 12% in India for the pharmaceutical Sector.
  - After our study, we found out that research and development costs for new drugs require huge investments and involve relatively great risk. As of late, governments, advocacy groups and even drug manufacturers are making HIV medications more affordable for those who can't afford them. South African governments are embroiled in legal battles with American drug companies in an effort to get affordable drugs to their people. While manufacturers say patents on all HIV medications and with that claim offer unaffordable drugs, companies in different countries offer generic versions for far less. To outwit the debate, African officials are ready to announce a national emergency, concrete the way to receive unauthorized generics from other, manufacturers of HIV medications.

- There's another reason that South African countries should make experiment with developing a drugs industry because the least-developed nations have until 2016 before they are bound by the international agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement), which orders patent protection for new drugs, as South Africa's HIV/AIDS epidemic requires a quarter of all antiretroviral used worldwide.
- South Africa is developing country where they requires HIV/AIDS and Tuberculosis drugs more because the number of patients having HIV/AIDS and Tuberculosis are large. So there is a opportunity for the lupin Pharmaceuticals to increase its turnover by joining hands with south Africa.

Thus to meet up the demand for the same Indian pharmaceutical Industry can develop a business in South Africa.

Considering the two leading companies of the pharma industry in the two countries following results were found.

Therapeutic Segment	**Lupin growth**	**PharmaMarket growth**
CVS	16%	21%
Anti-TB	10%	5%
Anti-Asthma	28%	14%
Antibiotics+Cephalosporins	1%	14%
Anti-Diabetic	31%	14%
Gastro Intestinal (GI)	22%	17%
CNS	20%	17%
Gynaecology	86%	14%

Segment	Aspen’s Share of the market	Aspen’s ranking

Total private sector	16%	1st
- Branded	9%	4th
- Generics	31%	1st
- OTC	13%	2nd

We also found out that, there is a high demand and consumption for the generic products in South Africa, and it can b found out from the following table.

Market share is an indicator of the relative participation of Aspen in a market. IMS provides an independent measure of private market share which enables Aspen to assess its share of relative size ,growth and measured markets, or declines in market share**.**

2012	**2011**
South Africa: 16% (Ranked 1st) Australia: 4% (Ranked 7th) Brazil: 0.3% (Ranked 64th) Mexico: 0.3% (Ranked 51st) Venezuela: 0.2% (Ranked 69th)	South Africa: 17% (Ranked 1st) Australia: 4% (Ranked 7th) Brazil: 0.3% (Ranked 54th) Mexico: 0.3% (Ranked 50th) Venezuela: 0.2% (Ranked 69th)

There is a sky-scraping demand in South Africa for the generic products, and thus the Indian pharma Industry can enter into business with South Africa, where by, the Products are manufactured in Indian Territory, and than Exported to the South Africa.

- **Mode of Entry**

Indian companies can enter in South Africa through

  - Joint Venture
  - Merger and Acquistion
  - Supplying the medications through Exports

Considering the Lupin Pharmaceuticals, it strives to bring important new products to market each year. Therefore they expect products to come from

  - Licensing and acquisitions;
  - Marketing alliances.

Thus Lupin Pharma Should try to enter the market of South Africa from the above modes of entry, and establish a strong business relationship.

- **PHARMACEUTICAL INDUSTRY-India**
  - The Indian phama sector has good opportunity to grow.
  - In the interest of safety, efficacy and affordable medicine to the general population every country in the world regulates pharmaceutical industry in their respective countries.
  - 10th largest market by 2015.
  - India stands 14th in 2005.

- **BARRIERS TO INDIAN PHARMACEUTICAL COMPANIES**

  - Multiple Approvals by Various Drugs Regulatory Authorities.
  - Each and every country has their own regulatory authority & they require registering the product to them if one wants to do business in that particular country.
  - Drug Registration Fees.

- **PHARMACEUTICAL INDUSTRY-South Africa**
  - The South African pharma Industry is having a great potential to expand an industry.

- The Pharma industry in South Africa has huge potential to export their products worldwide.
- Ranked 1st in 2012.
- It will grow to 7 billion dollars in 2018.
- The pharmaceutical industry is expected to grow 22% by 2013.

Thus we, can conclude that, pharmaceutical industry has a growth opportunity, and Indian Companies has try to capture the global market, through its strengths.

2.5 MINING INDUSTRY

❖ OVERVIEW OF INDUSTRY

➢ MINING INDUSTRY OF SOUTH AFRICA

South Africa is one of the worlds and Africa's most important mining countries in terms of the quantity and variety of reserves produced. It has the world's largest reserves of manganese, gold, vanadium, chrome, and PGM's. South Africa is the most important producer for nearly all of Africa's metals and minerals production except from uranium (Niger), diamonds (Botswana and the DRC), and phosphates (Morocco), copper and cobalt (Zambia and the DRC).

The country's mineral industry can be broken down into five broad categories – Vanadium, Gold, Vanadium, Chrome, and PGM's. Combined, these produced a sales revenue (2000) of ZAR51.6 billion (approx. US$ 7.4 billion), signifying 6.5% of the country's GDP. PGM sales exceeded those of gold for the first time in 2000, based on the flow in PGM prices as well as efforts to improve PGM production from South Africa in the light of variable supplies from Russia. Sales of primary mineral products accounted for nearly 35% of South Africa’s total export revenue during 2000, with gold's contribution decreasing further to 12.4 %. As a result of an increase in secondary and tertiary industries as well as a regular decline in gold production, mining's involvement to South Africa's GDP has declined over the past 10 years (in 1991, mining's contribution to GDP was 8.4%) . However, this may be equalize by an increase in the downstream or beneficiated minerals industry, identified by the Government as a growth sector in South Africa.

- **Structure of the Mining Industry**

The mining industry in South Africa has seen considerable reformation and transforms since the early 90's with "big six" mining houses, being rationalized and extending their global presence. These companies traditionally controlled gold, platinum, chrome, coal and base metal production in South Africa. The start of a new independent establishment and mounting costs from gold mining activities resulted in several changes in the industry.

The phasing out of the concept of mining houses has opened the door for consulting engineers serving the mining industry to be involved in projects which were previously the preserve of the mine owners themselves. The clear trend now is to outsource much of the engineering function, which means that mining houses no longer have to carry the overhead of permanent engineering staff when they are not engaged in projects. There is also a move within government towards accommodating small mining companies, creating opportunities for junior operations to start up.

- **Minerals Legislation**

The long awaited White Paper on Minerals and Mining Policy was released in 1998. The fundamental objective of the White Paper was the proposed change in ownership of mineral rights. Unlike most countries in the world, private individuals own most of South Africa's mineral rights. Currently, two thirds of South Africa's mineral privileges are privately owned, with the leftovers vested in the State. This law has effectively prohibited minerals development occurring in the country via two processes.

The owner of the mineral rights denies allowing access to the property, as he owns these rights. Often farms are heavily sub divided, thus making it almost impossible to locate the rightful owners. Southern Era's legal battle over the rights to the property on which the diamondiferous Marsfontein pipe is located is a classic example.

- **Concerns over the Security of Tenure:**

    - **Transition Period**

All holders of old order rights will be given chance to apply for the new prospecting or mining rights. These will put back the old order rights concerned.

- **Operating Mines**

Existing prospecting and mining procedures will continue to cooperate unrestricted and will be permitted to be granted the new form of prospecting or mining privileges.

- **Security of Tenure**

The draft Bill guarantees security of term for prospecting and mining operations. This concept has two aspects, the first one is the State's guarantee to the investor to honour his/her commitments and the second is the investors undertaking to obey with the law. Therefore, in the new indulgence the investor must ensure his/her own security of tenure by complying with the provisions of the law. The concept is summarized in the use it or lose it principle.

- **Acid Mine Drainage and Its Impacts on Future Mining**

According to the United States Environmental Protection Agency, Acid Mine Drainage (AMD) is currently one of the world's biggest environmental threats, second only to climate change. The toxic effects of exposure to the water (from uranium and other heavy metals) include cancers, birth defects, kidney failure and mental disorders.

Because of the acidic (and toxic) nature of the water, this water cannot be used either for animal or human consumption, or for agricultural purposes.

- **Mine Environmental Policy and Research**

According to the rights preserved in South Africa's Constitution, everyone has the right:

- To an atmosphere that is not unsafe to their health or well-being; and
- To have the atmosphere sheltered, for the benefit of present and future generations, through realistic legislative and other measures that:

  - To avoid pollution and ecological deprivation;
  - To promote preservation; and
  - To make safe cost-effectively sustainable development and utilize of natural resources while promoting reasonable economic and social development.

- **International Obligations and Commitments**

The DMR has a number of obligations, both nationally and internationally. These include:

- Developing policy options, strategies and programmes for the implementation of international agreements, conventions and partnerships - such as sustainable development, waste management and biodiversity.
- NEPAD and the African Mining Partnership. The DMR, in combination with Egypt, Congo and Zimbabwe, are responsible for the development of Project, Sustainable Development.

  Global Mining interview, which is a type 2 Partnership in terms of the outcomes of WSSD.

- **General information of Mining Industry South Africa**

Mining in South Africa directly contributed to the establishment of the Johannesburg Stock Exchange in the late 19th century, and today it still accounts for a third of its market capitalization.

The discovery of the first diamond on the banks of the Orange River in 1867 was the spark that ignited the explosion of mining in South Africa. In 1970, gold mining in South Africa peaked, contributing 68 per cent of global production for that year. By 2001, mining in South Africa had produced a total of 51 per cent of global platinum group metals ever mined.

Today, South Africa is the world's largest producer of chrome, manganese, platinum, vanadium, and vermiculite. South Africa is the world's second largest producer of ilmenite, palladium, rutile, and zirconium. This shows that mining in South Africa still contributes significantly to the country's economy, and demonstrates the importance of South Africa on a global mineral production scale.

It is estimated that South Africa holds 80% of the world's known manganese reserves as well as 72% of the world's known chromite ore reserves. In 2005 South Africa was found to be the ninth-largest producer of aluminium, the largest producer of alumino-silicates, chrome ore and ferro-chromium. South Africa was also found to be the second-largest producer of manganese ore and the ninth-largest producer of nickel in the same year.'

- **International Obligations and Commitments**

The DMR has a number of obligations, both nationally and internationally. These include:

  - Developing policy options, strategies and programmes for the implementation of international agreements, conventions and partnerships - such as sustainable development (in line with the

World Summit on Sustainable Development or WSSD), waste management and biodiversity.

- NEPAD and the African Mining Partnership. The DMR, in conjunction with Egypt, Congo and Zimbabwe, are responsible for the development of Project 3.2: Sustainable Development.
- Global Mining Dialogue, which is a type 2 Partnership in terms of the outcomes of WSSD.

- **Structure of the Mining Industry**

Mining has been an important part of the South African economy for many years and South Africans have developed considerable skill in the design and construction of mining-related structures. The phasing out of the concept of mining houses has opened the door for consulting engineers serving the mining industry to be involved in projects which were previously the preserve of the mine owners themselves. The clear trend now is to outsource much of the engineering function, which means that mining houses no longer have to carry the overhead of permanent engineering staff when they are not engaged in projects.

The entry of foreign investment into South Africa has been slow since the country's first democratic elections in 1994. This has been due to a variety of reasons including the minerals legislation, uncertainty over the economic situation and the high crime rate.

The major mining houses are the principal members of the Chamber of Mines of South Africa. Other Chamber of Mines members included the majority of remaining gold and coal mines and a number of producers of other mineral commodities. The Chamber of Mines was responsible for a variety of advisory and service functions and represents about 85% of the mining interests in South Africa.

- **South Africa in India and Gujarat**

South Africa is targeting increased investments from India in the mining and pharmaceutical sectors with various incentives. This, it hopes, will lead to both job creation in Africa's biggest economy and build local technological capabilities. With the Preferential Trade Agreement between India and the South Africa Customs Union on the negotiating table, such investments from Indian business houses will also be guarded by the Foreign Investment Promotion and Protection Agreement (FIPA).

South Africa is a consumption centre which imports a majority of its medicines from India. However, the country is talking to Indian companies to set up manufacturing centres.

Bilateral trade between the two countries is expected to touch the $15-billion mark in 2011-12, marking a 50 per cent growth over the $10-billion initial target announced during Mr Zuma's India visit. India would seek to collaborate with the South African government in underground coal gasification technologies and to develop projects in India through suitable joint ventures (JVs).

The South African government’s facilitation would be sought through either government-to-government agreements or technology and project JVs between companies, particularly for gasification of coal below depths of 300 m, the official said.

It was pointed out that with 350-billion tons of potential coal reserves, only one-third was mineable and not one coal gasification project had been successfully implemented in India, while China had over 40 coal gasification plans running and had even moved to the next stage of converting coal to diesel.

Johannesburg is in Gauteng province which is really the engine of South Africa and we have had very close ties with India, especially with Bangalore, since relations first opened up after the democratic elections in 1994. Gujarat is fairly new to South Africa, and we are forming early partnerships because we now know how in the case of Bangalore they promised to become the world's biggest software developers and they did.

- **Mineral Legislation**

Unlike most countries in the world, private individuals own most of South Africa's mineral right. Currently, two thirds of South Africa's mineral rights are privately owned, with the remainder vested in the State. The owner of the mineral rights (usually farmers) refuses to allow access to the property, as he owns these rights. Often farms are heavily sub divided, thus making it virtually impossible to locate the rightful owners.

Concerns over the Security of Tenure:

  - **Transition Period**

All holders of old order rights will be given opportunity to apply for the new prospecting or mining rights. These will replace the old order rights concerned.

  - **Operating Mines**

Existing prospecting and mining operations will continue to cooperate unhindered and will be entitled to be granted the new form of prospecting or mining rights.

  - **Security of Tenure**

The draft Bill guarantees security of tenure for prospecting and mining operations. This concept has two aspects, the first one is the State's guarantee to the investor to honor his/her commitments and the second is the investors undertaking to comply with the law. Therefore, in the new dispensation the investor must ensure his/her own security of tenure by complying with the provisions of the law. The concept is encapsulated in the use it or lose it principle.

- **Present Trade Government Policy**

    - The DME will develop and apply the necessary policies and measures to ensure the mining industry’s compliance with the national policy on environmental management and other relevant policies such as the national water policy.
    - Decision-making will be risk-averse and cautious, Where there is uncertainty, action is required to be taken to limit the risk, including consideration of the "no go" option.
    - The polluter-pays principle will be applied in the regulation and enforcement of environmental management.
    - A consistent standard of environmental impact management will be applied and maintained irrespective of the scale of the mining operation.
    - Ensure public participation in the decision-making process
    - Mining companies will be required to comply with the local Development Objectives.
    - Clear guidelines on the process and sequence of events for implementation of environmental management procedures and decision-making will be provided.
    - The principles of Integrated Environmental Management (IEM) will be applied to environmental management in the mining industry.
    - The building of capacity to effectively implement environmental management measures, monitor occurrences of pollution; and monitor compliance with the requirements of the national environmental management policy
    - The principle of multiple land use will be adhered to in planning decisions, and contending options will be assessed and prioritized on economic, social and environmental grounds.
    - The mining industry will be required to reduce pollution and encouraged to promote a culture of waste minimization and creative recycling and re-use of waste products.

- Problem areas in environmental management will be identified pro-actively with a view to the co-ordination of research there anent.

- **Technology Advancement**

The life cycle of mining begins with exploration, continues through production, and ends with closure and postmining land use. New technologies can benefit the mining industry and consumers in all stages of this life cycle. This report does not include downstream processing, such as smelting of mineral concentrates or refining of metals. The discussion is limited to the technologies that affect steps leading to the sale of the first commercial product after extraction.

- **Exploration**

Modern mineral exploration has been driven largely by technology. Many mineral discoveries since the 1950s can be attributed to geophysical and geochemical technologies developed by both industry and government.

- **Research Opportunities in Environmental Technologies**

There are various identified technologies that would benefit major components of the mining industry in the areas of exploration, mining, and processing. Environmental risks and benefits of some of the technologies discussed were also addressed there.

- **Research Opportunities and Technology Areas**

The mining of coal, base and precious metals, and industrial minerals raises several environmental issues. Some are common to all mining sectors; others are specific to one sector or even to one commodity within a sector.

- **Technologies in Exploration, Mining and Processing**

The mining industries are constantly undergoing incremental or evolutionary changes as uses are found for new technologies developed for other applications. Progress towards these revolutionary changes will produce concrete developments for industry. These revolutionary changes can result from basic research, applied research, or technology development.

- **Industrial Operation and Availability**

Mining as an industry has negative implication and is often seen as purely exploitative. Increased awareness of environmental and social issues has resulted in opposition to mining in many countries. The risk can also extend to lost opportunities as mining companies can sometimes be forced to abandon projects owing to pressure from communities and/or environmentalists.

Although the availability of infrastructure would prove advantageous to mining companies, it does not appear to be a critical factor in deciding whether or not to establish operations in a particular country, as relatively poor infrastructure is to be anticipated throughout most of the African continent. Mining companies seek countries with stable exchange rates during the construction phase of a mine as it is common for expensive imported capital equipment to be used in projects.

➢ INDAIN MINING INDUSTRY

- **Mining Industry of India Objectives**

The focus of the country study is to prepare on overview of the mining (including processing of ore) and mineral industry and its impacts on sustainable development.

In broader terms, the study would cover the following:

- Contribution of mining towards economic development both at national and regional level;
- Contribution of mining to social development at national and local levels;
- Environmental impact of mining which would cover, among others, land use, management of waste, loss of biological diversity, etc; and
- Conflicts and the mechanism available for resolution of disputes. More specifically, the report covers the following:

- **The Indian Mineral Sector**

India produces as many as 84 minerals comprising 4 fuel, 11 metallic, 49 nonmetallic industrial and 20 minor minerals. Their aggregate production in 1999-2000 was about 550 million tonnes, contributed by over 3,100 mines (reporting mines) producing coal, lignite, limestone, iron ore, bauxite, copper, lead, zinc etc. The distribution of the value of mineral production shows that fuel minerals accounted for about 82% (of which solid fuels 44% and liquid /gaseous fuels is 38%), metallic minerals about 8%, non-metallic minerals 4% and the balance 6% is contributed by minor minerals.

- **Current Status of Mining Industry in India**

Current Status of Mining Industry in India is undertaken in this report which includes the following:

- Mineral Resources
- Mineral Production

- Mineral Processing and Mineral based Industry
- Bauxite
- Chromite
- Copper Ore
- Diamond
- Granite
- Iron Ore
- Lead and Zinc Ore
- Limestone

❖ COMPANY ANALYSIS

➢ COAL INDIA

Coal India Limited (CIL) as an organized state owned coal mining corporate came into being in November 1975 with the government taking over private coal mines. With a modest production of 79 Million Tonnes (MTs) at the year of its inception CIL today is the **single largest coal producer in the world**. Operating through 81 mining areas CIL is an apex body with 7 wholly owned coal producing subsidiaries and 1 mine planning and consultancy company spread over 8 provincial states of India. CIL also fully owns a mining company in Mozambique christened as 'Coal India Africana Limitada'. CIL also manages 200 other establishments like workshops, hospitals etc. Further, it also owns 26 technical & management training institutes and 102 Vocational Training Institutes Centres. Indian Institute of Coal Management (IICM) as a state-of-the-art Management Training 'Centre of Excellence' - the largest Corporate Training Institute in India - operates under CIL and conducts multi disciplinary management development programmes.

➢ BHP BILLITON'S ENERGY COAL SOUTH AFRICA

We are a leading global resources company. Our purpose is to create long-term shareholder value through the discovery, acquisition, development and marketing of natural resources.

We are among the world's largest producers of major commodities, including aluminium, copper, energy coal, iron ore, manganese, metallurgical coal, nickel, silver and uranium along with substantial interests in oil and gas.

We are a global organisation and with over 100 locations throughout the world, our success is underpinned by the 100,000 employees and contractors that work at BHP Billiton.

We have an unrivalled portfolio of high quality growth opportunities that will ensure we continue to meet the changing needs of our customers and the resources demand of emerging economies at every stage of their growth.

We have a proven record of delivering superior shareholder returns. We do this through the disciplined execution of our unchanged strategy of owning and operating large, long-life, low-cost, expandable, upstream assets diversified by commodity, geography and market.

Our assets are operated under a simple and scalable organisational structure supported by standardised and controlled processes allowing our people to focus on what is important. Our Charter, which defines our values, purpose and how we measure success, together with our Code of Business Conduct, are the foundation documents of our Company.

We are committed to the health and safety of our people, the environment and the communities in which we operate. The long term nature of our operations allow us to establish long lasting relationships with our host communities where we work together to make a positive contribution to the lives of people who live near our operations and to society more generally. Our ability to grow our organisation safely and in an environmentally responsible way is essential.

As a globally significant producer, exporter and consumer of energy, we are committed to managing the risks of climate change. We actively seek to reduce water usage and carbon emissions across our business, monitoring and reporting on these annually in our Sustainability Report.

- **<u>Anglo American Thermal Coal</u>**

Our long and storied history dates back to 1917 and the drive and determination of one man, Sir Ernest Oppenheimer. He saw the opportunity to capitalise on a region that was beginning to explode on to the global mining scene. Since then we have grown into a leading global mining company. We have a long history of technological development, making us exceptionally placed to deliver value from a portfolio of world class opportunities. Our strong South African heritage forms the roots for our global business, now operating in the Americas, Australia, southern Africa and Europe.

It is perhaps appropriate that we underwent one of our most significant restructuring processes on the eve of the new millennium a new millennium, a new Anglo American.

On 24 May 1999, Anglo American merged with Luxembourg-based Minorco to form Anglo American plc. Minorco, which had hitherto been responsible for our international assets, combined with Anglo American Corporation the company responsible for the South African interests of the Group to become Anglo American plc, with our primary listing in London and secondary listings in Johannesburg, Switzerland, Botswana and Namibia.

Entering the new millennium as a FTSE 100 listed company with a market capitalisation of $21.6 billion confirmed Anglo American as a leading global mining company. The objectives were clear: to simplify our portfolio and structure, and focus on mining businesses that leverage our core skills.

Our investment on a business level, however, has also been mirrored by our commitment on a social scale and Anglo American has been in the vanguard of several initiatives that have changed the way global mining is viewed within the industry and by the population at large.

Our work in the area of HIV/AIDS has been ongoing since we supported the first HIV testing campaign with the Chamber of Mines in South Africa in 1986. Since then, our commitment to effectively managing the impact of HIV/AIDS on operations and to make a positive contribution towards minimising the social, economic and developmental consequences of the epidemic is unsurpassed. It continued in 2008 when our workplace treatment programme for those infected with the virus was extended to include the dependants of employees.

Elsewhere, our Socio-Economic Assessment Toolbox (SEAT), launched in 2003, has been intrinsic to Anglo American's community engagement plans, ensuring all our programmes meet the requirements of the International Council on Mining & Metals sustainability principle 9 i.e. to contribute to the social, economic and institutional development of the communities in which we operate.

Having been updated in 2007, SEAT has evolved to ensure we are not simply conforming to requirements, but setting new benchmarks in this essential area.

It is this attitude that will define much of our business as we move forward and look to develop the $17 billion in projects already under way or at the approved stage.

We have acquired a very defined sense of responsibility and purpose and recognise business has to be an integral part of addressing the big challenges facing society.

❖ <u>FINDINGS</u>

From our basic analysis we have seen various through opportunities which can help in having better future and growth in further succession, of which overview are as under.

- **Opportunity 1:- Coal Import and Export Possibilities**

CIL is reserves 90% coal of the mining in country but it fails to meet country's coal requirement so it can import coal from the Anglo American company from South Africa to meet the requirement of the coal. CIL produces over 400 Million Tonnes of Coal annually. Coal production ending Financial Year 2011 was 431.32 Million Tonnes (MTs). Therefore there may be full possibilities for importing and exporting coals as per requirement.

- **Opportunity 2:- Diamond processing hub for Anglo American Diamonds**

Anglo American controls South African gold mines as well as diamond mines, and almost half the capitalization of the Johannesburg Stock Exchange represents companies owned or controlled by Anglo American. South Africa now produces only 15% of the world's diamonds, not enough on its own to provide much leverage over world markets. The richest diamond mines in southern Africa are new fields in Botswana. De Beers holds 50% of these through its subsidiary Debswana (De Beers Botswana Mining Company), and all the diamond production is marketed through the System. Debswana's production is larger than that of all the South African mines put together.

Thus even though South Africa is longer the dominant diamond producer, De Beers still controls 80% of world diamond trading. The bottom line is that the diamond market will have to reflect general world supply and general world demand more than it has in the past.

Surat Diamond Industry

Experts said the diamond hub in Surat has been processing 30%, Rs 15,000 crore, of the large-sized diamonds of its total annual production of Rs 50,000 crore. A recent study by KPMG on the global gems and jewellery industry too has pointed out that the market share of Israel and Belgium in cutting and polishing of big-sized stones is expected to decline from 17.2% to 5% in 2010. The reason being is declining output, rising labour cost and the inability of the industry to retain manpower in the face of competition from the emerging centres like India.

- **Opportunity 3:- Diamond Import & Export Possibilities**

From our analysis we come to know that the Surat Diamond Industry is leading industry in cutting and polishing the rough diamonds and South Africa is leading country in producing the diamond. Anglo American is leading diamond company in SA there is a big possibilities for importing diamond from Anglo American company for making, cutting and polishing the diamond.

2.6 TOURISM INDUSTRY

❖ OVERVIEW OF INDUSRY

➢ INTRODUCTION SOUTH AAFRICAN INDUSRTY

South Africa is one of the world's top destinations for travelers to discover everything they're looking for. With over 21 National Parks, eight World Heritage Sites, 3,500 kilometers of pristine coastline, a extraordinary climate and awesome adventures ranging from shark-diving to surfing, historic trails. Their main target is to increase the contribution of tourism to GDP.

Principles followed by the South African tourism Government.

- Tourism will be driven by the private sector and Government will promote for the same.
- Main stakeholder's tourism development is dependent on and the establishment of cooperation's and closes partnerships among themselves.
- It can be used as development tool for the empowerment of previously neglected communities and should particularly focus on the empowerment of women in such communities.

- **Main Players In Tourism Sector Are Sasta And Tacsa**

  - SASTA is a non-profit association representing the private sector. Under it they also represent Tour Operators, Accommodation Suppliers, Destination Management Companies Tourism Brokers, Adventure Tourism Providers, Tourism Services providers, Business Tourism Providers etc.
  - TBCSA was established in February 1996 by leading tourism businesses in South Africa. Its focus is to engage with all stakeholders in developing macro strategies that create an enabling environment for tourism development. TBCSA is the umbrella organization representing the tourism business sector involved in tourism. Its main aim is to engage with all stakeholders in

developing macro strategies that create an enabling environment for tourism development.

- **PRODUCTS**

  - Kruger National Park famous for (leopard, elephant, lion, rhino, and elephant) is a must see for wildlife enthusiasts.
  - Scenic attractions in Cape Town. Its Table Mountain is popular for its flat-topped range and offers a view of the Atlantic Ocean.
  - Bungee jumping in Garden Route, Western Cape.
  - Scuba diving in KwaZulu-Natal.
  - Garden Route is a coastal corridor on the western coast of South Africa, where ancient forests, wetlands, rivers, dunes, stretches of beach, lakes & mountain scenery all merge to form a landscape of restorative beauty.
  - Limpopo offers a superb scenic landscape, a fascinating cultural heritage, an abundance of wildlife species. It’s a land of legends and.
  - Mpumalanga also Know as "Paradise Country", only few regions in the world can match the extraordinary beauty of the Lowveld and escarpment.

• Legal Aspects Of South Africa Tourism

There are different - different legal system that is been followed in South Africa, including Contract law, International law, Business law etc.

- **Contract law**

Central to all commercial activities is contract law. Purpose of a contract is to specify the respective rights and obligations of the parties to an agreement and outline specific procedures that must be taken place. So that possibility of disputes arising between the parties is reduced. In context of international business, with its natural risks and complexity, contracts assume an important role.

- **International law**

Buyers and sellers are sometimes also subject to international law that may be defined as that body of rules which regulates relationships between countries or other International legal people. There is neither an 'international parliament' which is been formally formed to create international law; nor an 'international police force' to regulate it. The principal sources or say major sources of international law are treaties and conventions.

- **<u>Legal Aspects Barriers</u>**

There are various issues related to the tourism industry that Government still dealing with and they are

- Need to define the relative roles of the private local and foreign tourism partners in development decisions on the continents.
- Second major challenge is need to develop human resources, basically indigenous personnel, for both the major reasons of delivering quality services for tourists, as well as enhancing general skills of the local workforce. Achieving these objectives will encourage sound utilization of local suppliers and thus enhance not only their productivity but also intersectional linkages.
- Thirdly Inadequate and insufficient tourism products Provincial and national tourism bodies are charged highly with marketing tourism to both domestic and international markets. This therefore needs to be done in more organized and professional manner as this sector is highly competitive and require intense marketing.
- Than Excessive or unnecessary regulation that is not at all important to be followed in contrary there should be avoidance of

this excessive rule. So that the work can be done in a more free manner, Which will be more helpful.

- **Economic**

Tourism has grown rapidly and is now a very important sector of the south Africa economy. It's enjoying the longest sustained period of economic growth on record with 3 consecutive years of GDP growth of roughly 5%per annum and 36 quarters of positive growth. There is been a rapid growth in fixed investment by the R420 billion infrastructure investment plans and also increase in fixed investment activity by the private players.

- **Investment Pattern**

The mission is to improve service delivery by: improving government's strategic focus; and making better efficient and effective utilization of available resources through systematic monitoring and evaluation. All the government institutions are concerned with a particular outcome will participate in forums to develop delivery agreement, thereby ensuring delivery for specific outcome. The NDT is the leading department for the development and growth of a sector strategy to support employment growth.

➢ GUJARAT

- **Major players of Gujarat tourism**

Here in Gujarat, Gujarat Government is the major player and as there are no such private players in this particular sector. They are the only one who is promoting this tourism sector with their innovative camping to spread awareness across the country as well as world. BT still if we look to the travelling facilities than there are private players who are providing this travelling facility to the tourist and in the hotel industry also there are many private players including from expensive hotels to cheapest rate of hotels.

➢ COMPARISON BETWEEN GUJARAT TOURISM INDUSTRY AND SOUTH AFRICA TOURSIM INDUSRTY

The tourism industry of South africa is vast and dynamic in nature while tourism industry of Gujarat is weaker comparatively.

It is obvious that South Africa is a country and having more historic and beautiful places to visit while Gujarat is a state of India and have limited places to visit.

The places of south Africa has a global appeal to attract the tourists from all over the world while Gujarat has limited places and it has failed to attract more number of tourists from all over the world in comparison with south Africa.

The tourism industry of South Africa welcomes the new ideas and it is open for private players and that has been the biggest reason for the growth of the industry. The tourism industry of Gujarat has been run by the government of Gujarat mostly and the private players are not allowed.

Both the industries share some similarities as both of them having historic places and heritage sights.

M K Gandhi (better known as Mahatma Gandhi) has been the known figure for both the countries and it has been the reason to attract the international tourists for both the industries.

South Africa has some wild life sanctuaries while Gujarat also having gir national park and some other attractions for the wild life lovers.

Both South African and Gujarat tourism industry have the potential to grow significantly and both are on its way to growth with the modern times.

South African tourism industry has been more successful, dynamic and technologically advanced in comparison with Gujarat.

❖ CASE STUDIES

➢ TOUR OPERATOR FROM SOUTH AFRICA-KUONI PRIVATE SAFARI

Kuoni Private Safaris started in Cape Town in February 2003 and continues to grow in strength, making a optimistic mark on inbound tourism in Southern Africa.As an exclusively owned subsidiary of KUONI TRAVEL LTD in Switzerland, they have the advantage of being a member of this internationally established professional organization, while retaining the personal contact with a small company.

Services include:

- Sightseeing - Special Interest Tours are available for group and individual travellers alike.
- Professional meet and greet services are available at international and domestic airports
- Airport Transfers: Transfers among airports and hotels
- Cruise ship ground handling is also available: from pre & post tours, shore excursions, vehicle hiring, accommodation, special language tour guides to special arrangements requested by clients.
- Conference and congress support services - planning and assisting with location, budgets, set up, correspondence, ground handling, pre- and post tours, transport.
- MICE - we create and tailor-make the ideal corporate or business incentive or event.
- Let Kuoni Private Safari, a leading tour operator in South Africa, push you into the heart of the culturally and naturally rich continent of Africa on a professionally organized holiday.

Kuoni Private Safaris is a one-stop solution for all your needs at the destination of choice - whether it is South Africa, Zambia, Botswana, Namibia, Lesotho, Swaziland, Zimbabwe, Mozambique, Malawi or Madagascar.

They cautiously select diverse, attractive holiday destinations and put jointly creative, custom-designed tour packages with easy to follow itineraries to suit any budget.

Their services include a range of sightseeing and special interest excursions; train travel, African safaris; regional and domestic flights; fly-drive packages; cruise-ship ground handling; transfers for the individual traveler; professional Meet & Greet services; airport transfers; vehicle hire; conference and congress support services; meetings, incentives and special event organization as well as accommodation and city-breaks for the individual traveler.

Kuoni offers

Day tours	Scheduled coach tours
Group tours	Luxury tours
Golf tours	Adventure travel
Self-drive tours	Incentive travel
Tailor made tour	Guided tours

look forward to the best value for money travel arrangements when you get in touch with Private Safaris tour operators in South Africa

THOMAS COOK GROUP- TOUR OPERATOR GUJARAT

Thomas Cook Ltd. is one of the largest integrated travel and travel related financial services company in the country offering a broad spectrum of services that include Foreign Exchange, Corporate Travel, Leisure Travel, and Insurance. The Company launched its Indian operations in 1881 and is celebrating its 132 years of world-class service in India. Thomas Cook (India) operates in the following areas of business, that is:

- Leisure Travel
- MICE
- Corporate Travel Management
- Foreign Exchange
- Insurance
- E-Business

In May 2012, Thomas Cook Group plc, UK (the erstwhile parent) sold off its investment in Thomas Cook (India) Limited (TCIL) to Fairbridge Capital) Limited. Fairbridge made an open offer to the non-promoters and post August 14, 2012, TCIL is part of Fairfax Group, Canada.

Fairbridge is a wholly-owned step-down subsidiary of Fairfax Financial Holdings Limited (Fairfax), a Toronto-based financial services holding company with a global presence in insurance and reinsurance and a portfolio of assets in excess of US$30 billion invested globally. Fairfax has almost 20 insurance subsidiaries and joint ventures globally, including several market most important companies such as Odyssey Re (USA), Crum & Forster (USA), First Capital (Singapore), Fairfax Brasil, Gulf Insurance (Kuwait) and ICICI Lombard (India).

TCIL presently operates in over 101 cities across over 253 locations (with 27 airport counters). The company has abroad operations in Sri Lanka which is a branch of TCIL and Mauritius which is a subsidiary of Thomas Cook (India). TCIL is supported by a strong partner network of 131 Gold Circle Partners and 169 Preferred Sales Agents in over 100 cities pan India. The Company employs over 2,802 resources and is listed on the Bombay Stock Exchange and the National Stock Exchange.

Thomas Cook (India) Ltd has been honored with the “Favorite Specialist Tour Operator" award at the Condé Nast Traveller Readers' Travel Awards 2011 & 2012 and was also conferred with the CNBC AWAAZ - “Best company providing foreign exchange” in India for the third year in a row. In addition, Thomas Cook (India) Ltd has been awarded the ‘Best Corporate Travel Management Company’ by World Travel Brands 2012, the ‘Most Trusted Tour Operator Brand’ by the Times Travel Honours 2011 and also recognized as a “Superbrand” 2011-2012 by consumers for excellence in travel services.

CRISIL has reaffirmed Thomas Cook (India) Limited with the ‘CRISIL A1+ and AA- rating. The Brand Trust Report™, India study 2012, has ranked Thomas Cook (India) Ltd as The most Trusted Brand in Services. Travel Corporation (India) Ltd. (TCI) a 100% subsidiary of Thomas Cook (India) Ltd. was awarded the prestigious National Tourism Award (2010-2011) for ‘Outstanding Performance’ as an ‘Inbound Tour Operator’.

➢ COMPARISON BETWEEN KUONI PRIVATE SAFARI AND THOMAS COOK GROUP

- Kuoni private safari is one of the leading tour operator of south Africa and running successfully since it is established.
- Thomas cook group is one of the oldest tour operator and a very known name to the tourism industry for all across the globe.
- Kuoni private safari targets the places of south Africa and other countries of Africa.
- Thomas cook group operates from Gujarat and the Gujarat unit offers tour packages for different countries including south Africa and other African countries as well.
- Kuoni private safari offers very good services to it tourists such as restaurants, shipping, etc while Thomas cook group also serves well.
- The satisfaction level of the tourists travelling by kuoni private safari is very high and that has been the reason for their growth since it's established.
- Thomas cook group severs well all over the world and its Gujarat unit also has a higher level of customer satisfaction.
- Kuoni private safari doesn't have any tour packages for Gujarat and not even for India while the Thomas cook has the tour package for south Africa and other African countries.

❖ FINDINGS

From the data gathered and compared about the tourism industries and Gujarat and from the comparison of tour operators Kuoni private safari and Thomas cook we can find out - In south Africa kuoni private safari have presence in all south African Countries like Zimbabwe, Kenya, Uganda, congo etc.

But kuoni private safari have not tour package for India and also no presence in Asian continents. As the kuoni private safari is one of the leading tout operator from south Africa it must look to expand and have its presence in India as there is a huge scope for global tourists and the tourists from south Africa as well.

On other side Thomas cook have wide presence in all global countries like usa, India England, Australia etc. It have good business in Gujarat and growing well in future according to current tourism statistics. Thomas cook have tour package for south Africa as well. To increase tourist arrival ration both country have to do joint venture or taking franchises of Tour Company.

So kuoni travel safari should have merger with any Gujarat tour company or Thomas cook for Indian presence and fast penetration Thomas cook should increase offices and lucrative tour packages for attracting tourist to go south Africa.

Kuoni private safari should open branches in Gujarat or take franchises of any local tour operator to increase tourist customer. Kuoni private safari and Thomas cook group both are well established and good enough companies to have joint venture that can be helpful to both of them and it will result positively for the tourism industry of both the countries as well.

Both Gujarat and South Africa are having some most attractive historic places and world heritage sights that are potentially great prospects to attract global tourists.

As Gujarat conducts global investor’s summit every year, a special team can execute this idea and delegates from both the industries can give a better shape to the entire idea.

2.7 TELECOMMUNICATION INDUSTRY

❖ INDUSTRY OVERVIEW

➢ SOUTH AFRICAN TELECOM INDUSTRY

South Africa's telecom industry is the most developed and advanced in Africa. The growth in telecom services has been primarily driven by the mobile sector, and South Africa's mobile penetration rate grew to 105 percent in 2010, a total of 51.6 million subscribers. The fixed-line market was monopolized by Telkom, formerly owned by State incumbent who had a 50 percent share in mobile operator Vodacom which was re-allocated in early 2009, but in August 2006 Neotel, owned by a group consisting of Tata Communications also joined, Nexus Connexion, Comunitel and Two Consortium.

South Africa - Telecom Industry Snapshot (2010)

Segment	Subscribers(millions)	Penetration
Mobile	51.6 million	105%
Internet	6.80 million	13.8%
Fixed	3.70 million	11.0%

- **Mobile Market**

South Africa has a lively mobile market that has seen fast advancements since competition was introduced to the sector in the 1990s. With market penetration of about 100% in 2010, the network operators - MTN, Telkom SA, Vodacom and Cell C - are forced to find new creative ways of differentiating themselves from the competitors to get and retain more customers.

- **Market Size**

At the end of June 2005, the total number of mobile subscribers in South Africa was 25.18 million, with a equivalent penetration rate of 56.7%. Pre-paid customers were approximately 85% of the total subscriber base.

The number of mobile subscribers in South Africa increased, that is at the end of 2003 it was 17.17 million which reached to 51 million at the end of 2010. This growth is likely to increase over 67.6 million approximately by the end of 2014. Moreover, the number of 3G subscribers which accounted only for 5% of the subscribers in 2005 is expected to have more than 42% of the total subscribers.

- **Ownership and Market Concentration**

The government is one of the largest customers in the IT market. South Africa's mobile market **has three major operators** – MTN, Cell C and Vodacom, with Vodacom holding more than 43% of the market share, Virgin Mobile (MVNO, uses Cell C) is 10%.

- **Policy and Legal Framework**

South Africa had no major policy review of telecommunications since the mid-nineties when it boarded on a major consultative process which resulted in a White Paper on Telecommunications and the resultant Telecommunications Act of 1996.

- **Regulatory Framework**

    - **Telecommunications Act**

Before its amendment in 2001, section 5 of the Telecommunications Act made ways for the establishment of the South African Telecommunications Regulatory Authority (Satra). It was South Africa's first telecommunications regulator.

- **Competition Act, 89 of 1998**

The Competition Act, which regulates competition generally in South Africa, creates three institutions for the regulation of competition. These are: the Competition Tribunal, the Competition Appeal Court and the Competition Commission.

- **Independent Communications Authority of South Africa Act (ICASA Act)**

"ICASA" is an acronym for the "Independent Communications Authority of South Africa. This is an institution that was established in July 2000, as a merger between Telecommunications Regulators Association of Southern Africa (telecoms regulator) and Independent Broadcasting Authority(broadcasting regulator). ICASA regulates the electronic communications, broadcasting and postal industries in the public interest.

- **International Telecommunications Union (ITU) and the African Green Paper**

The African Green Paper was developed by the ITU as a guide to African countries in the regulation of their telecommunications sectors. It is designed to be a thought-provoking reference document suggesting an appropriate approach and offering a number of potential options for defining and bringing about, as harmoniously as possible, restructuring and accelerated development of the telecommunications sector in Africa. The African Green Paper was developed by the African Information and Telecommunications Policy Study Group (AITPSG), which was created at the African Telecommunications Development Conference hosted by the ITU in Harare in 1990.

- **World Trade Organization (WTO) Norms**

The WTO is the international body responsible for the administration of the General Agreement on Trade in Services (Gats), which includes an Annex on Telecommunications and a Protocol regarding basic telecommunications services. This Protocol is known as the Fourth Protocol to the Gats. The WTO provides a global forum for trade negotiations and dispute resolution. The WTO also monitors national trade policies and provides technical assistance and training for developing countries concerning the implementation of their WTO commitments, including required regulatory reforms. South Africa is a member of the WTO and is a party to the Gats.

- **EXIM Policy**

South African imports and export registered double-digit growth in 2011. Indeed, China is the largest trading partner of South Africa. The share of China in South Africa's imports has increased from 10% in 2006 to over 13% in 2011, reflecting the increasing attractiveness of Chinese products in the country.

- **Investment Pattern**
  - **Sole proprietorship**

It is a business owned by single person. The owner operates it by him or herself and may employ others. The owner has unlimited and total personal liability of the debts incurred by the business.

  - **Partnership**

It is a form of business in which two or more people come together for a common goal of making profit. Each partner has unlimited and total personal liability of the debts incurred by the partnership. There are three classifications of partnerships: limited partnerships, limited by liability partnerships and general partnerships.

- **Corporation**

It is a business corporation for-profit, unlimited liability entity or limited liability that has a separate legal personality from its members. It is owned by numerous shareholders and is managed by board of directors. Corporate models have also been functioned to the state sector in the form of Government-owned corporations. It may be privately held or publicly traded.

- **<u>Recent Mergers and Acquisitions</u>**

In the beginning of 2011 Cell C sold its 50% stake in Virgin Mobile which resulted in increase in stake of Virgin Group from 50% to 55%, and Calico Investments of the Bahamas (Calico) acquired the remaining 45%. Calico plans to develop a strategic relationship with Virgin and will invest extra capital to fund growth. Cell C is to continue as Virgin Mobile's network partner.

Under the Red Bull brand, Cell C launched mobile services in February 2011 with two post-paid services. The Red Bull offerings were like, access to the Red Bull Mobile portal with several features, invites and tickets to Red Bull Mobile users for events like Red Bull Racing.

Cross-border mergers and acquisitions (M&As) in Africa fell whereas the decline in greenfield investments was more muted. M&A sales and purchases declined by 76% and 67% respectively, mainly due to large projects being delayed or cancelled, like the deal between South Africa's MTN and India's Bharti Airtel, and the transaction between mining firms Anglo American (United Kingdom) and Xstrata (Switzerland).

- **<u>Foreign Direct Investment in 2010- 2011</u>**

The 2011 World Investment Report published by the United Nations Conference on Trade and Development (UNCTAD) stated that globally Foreign Direct Investment (FDI) has not improved to pre-2008 levels. Countries in the South seem to be growing well, captivating close to half of global FDI outflows and coming out with new high levels of outflows themselves, accounting for 29% of global FDI outflows, most of which is heading to other Southern countries.

- **Resource Requirements**

    - Mobile Communications

South Africa is one of the rapid growing mobile communications markets in the world. In 2009, there were more than 46.4 million mobile users in South Africa which ranked the country 26th in terms of subscriber numbers. In recent years, South Africa has seen tremendous growth in the cell phone industry. The major operators are MTN, Vodacom, Virgin Mobile and Cell C.

    - Fixed-Line Telephony

In 2009, South Africa ranked 34th in the world for fixed-line telephony, with more than 4.3 million fixed-line connections. Fixed-line telephony was dominated by Telkom, which is majority-owned by the Department of Communications and is listed on the JSE. In 2006, Telkom's monopoly in running fixed-line services came to an end, when Neotel came into action.

    - Internet

Since 2000, African Internet usage has trebled to over 12 million. South Africa is dominant Internet centre, with over a quarter of Africa's users. Johannesburg based companies are the main users of the Internet industry. Nine of the twelve major Internet service providers which are listed by the Internet Service Providers Association are from Johannesburg. The Johannesburg Internet Exchange is the bigger of two national hubs that connect Internet service providers to one network.

    - Broadband

The National Broadband Policy addresses the accessibility, affordability and availability of broadband; the building of an information society; and promoting the usage and uptake of broadband.

- <u>Local connectivity</u>

When several international data cables arrived to the country's shores, focus shifted to improving connectivity within the South Africa, by developing city-wide and national fibre-optic cable networks.

- <u>Undersea cables and connectivity</u>

There is a shake-up in local internet access because of an increase in the number of undersea data cables which links South Africa to the rest of the world and also due to market liberalization.. Where mobile phones are used tremendously, data costs are being cut down by the increasing number of undersea cables which connects Sub-Saharan Africa to the rest of the world. At the end of 2011, undersea cable capacity to South Africa was 2.69 Terabits a second (Tbps), and it rose to 11.9 Tbps by the end of 2012.

➢ TELECOMMUNICATION INDUSTRY OF INDIA

Though the Indian telecom industry is one of the rapid growing industries in the world, the present telecom penetration is extremely low when it was compared to global standards. India's telecom penetration of 36.98% in Financial Year 2009 is amid the lowest in the world. Indian telecom sector is over 165 years old. In India, Telecommunications came in 1851, when Government laid the first operational land lines near Kolkata which is now Calcutta. Telephone services were officially introduced in India much later in 1881.

The evolution of the telecom industry can be divided into three separate phases.

- I Phase - Pre-Liberalization Era (1980-89)
- II Phase – Post-Liberalization Era (1990-99)
- III Phase - Post 2000

- **Current Structure of the Indian Telecom Industry**

The third largest telecommunication network in the world is India's telecommunication network when infrastructure is talked about. Its customer base and lowest tariffs in the world has brought India to this position which is enabled by the very tough competition in the market. The major sectors of Indian telecommunication industry are internet, broadcasting and telephony.

Presently, both public and private sector players are actively catering to the fast growing telecommunication demands in India.

- **Market Share**

The subscriber base of both the public and the private players has increased rapidly post-liberalization. The subscriber base of telecom industry increased from around 18.68 mn during Financial Year 1998 to 429.72 mn during Financial Year 2009 and a important proportion of this growth has originated from the private sector. The private players registered a total growth of around 339.30 mn in subscriber base during Financial Year 1098-2009.

- **Major Players**
  - Bharti Airtel
  - Reliance Communications
  - Vodafone
  - Idea Cellular
  - BSNL

- **Policy and Legal Framework**
  - **National Telecom Policy (NTP), 1994**

National Telecom Policy (NTP), 1994 recognised that the required resources for achieving the targets set under the policy would not be available from government sources and concluded that investment and involvement from private sector were required to bridge the resource gap.

NTP 1994 provided for opening up of the telecom sector in basic services as well as value added services like cellular mobile telephone services (CMTS), radio paging, VSAT services, etc. It allowed participation of private companies in the telecom field except national long distance (NLD) and international long distance (ILD) services.

  - **Establishment of TRAI**

The entry of private players brought independent regulation in the sector; so in 1997 the TRAI was formed to regulate telecom services, for revision or fixation of tariffs and also to fulfill the promises made when India joined the World Trade Organization in 1995. The formation of TRAI was a positive step as it separated the regulatory function from operation and policy-making which was under the observation of the DoT.

- **New Telecom Policy (NTP), 1999**

The most significant instrument and milestone of telecom reforms in India is NTP 1999. This Policy laid down a clear roadmap for future reforms and contemplated opening up of all segments of telecom sector for private sector participation. It evidently recognized the need for intensifying the regulatory regime and reforming the departmental telecom services into a public sector corporation so as to part the policy and licensing functions of the government from being an operator.

- **Important regulations and their effect on the Indian telecom industry**

  - **Unified Access Service License Regime (UASL)**

In the Indian telecom industry, Unified licensing noticed the end of the license regime. It helped in lining up convergent services and technologies. Players are now allowed to offer both fixed-line and mobile services under a single license after paying an added entry fee.

  - **Access Deficit Charges (ADC)**

ADC makes it compulsory for a service provider in long-distance telephone calls to share a percent of the revenue earned from the caller's end with the receiver's service provider.

  - **Universal Service Obligation (USO)**

The USO policy was laid with NTP '99 to broaden the reach of telephony services in rural India. All telecom operators have to contribute 5% of their incomes to this fund.

  - **Interconnection Usage Charges Regime (2003)**

Interconnection is very significant for the service users and providers. A variety of mobiles and access networks - fixed, international long distance networks and national long distance network have to interconnect with each other to make local, international and national calls possible.

- **Tariff Regulation**

TRAI has the rights to fix tariffs for telecom services under Section 11(2) of TRAI Act of 1997 as amended in 2000. The tariff regulation for telecommunication services in India was initiated with the notification of Telecommunication Tariff Order, 1999 (TTO 1999).

- **<u>World Trade Organization (WTO) Norms</u>**

The telecommunications sector has both the production and distribution of telecommunications equipment and the delivery of telecommunication services. So it is subject to international agreements relating to both services and goods. Direct investments in the telecommunications sector are basically subject to three types of international agreements – regional agreements, multilateral agreements and bilateral agreements. Foreign Direct Investment decisions will also be affected by host countries trade policies towards products imports and so to these countries' promises in GATT. This paper consists only the primary elements of all these agreements – GATS and the real Telecommunications Agreement, known as the Fourth Protocol on Basic Telecommunications.

- **<u>EXIM Policy</u>**

The exponential growth seen by the telecom sector in the past ten years has led to the development of the telecom products manufacturing and other supporting industries. With the arrival of next-generation technologies, operators are looking to roll out 3G and broadband wireless access service, the demand for telecom equipment has increased rapidly.

- **<u>Investment Pattern</u>**

  - **Foreign Direct Investment (FDI)**

One of the significant sources of the large financial investment required for the growth of telecom penetration has been FDI. In 2005, the government permitted 74% foreign investment in telecom companies from the earlier limit of 49% which resulted in unprecedented entry of foreign investment in the sector.

Key overseas M&A by Indian firms			
Year	Target company	Acquirer company	Deal value (US$ million)
2010	Zain Africa BV	Bharti Airtel Ltd	10,700.0
2010	Warid Telecom, Bangladesh	Bharti Airtel Ltd	300.0
2003	FLAG Telecom Group Ltd	Reliance Gateway Net Pvt Ltd	194.8
2005	Teleglobe International Holdings Ltd.	TCL	177.0
2010	Telecom Seychelles	Bharti Airtel Ltd	62.0
2000	Astratel Nusantara PT	CDC Capital Partners	30.0

Table 15 Key Overseas M &A

- **<u>Resource Requirements</u>**

The Indian telecom achievement story is built around the wireless segment.

- **Mobile network**

A mobile network in a circle has mobile switching centers (MSCs), each of which is associated to base station controllers (BSCs), with each BSC being connected to a base transceiver station (BTS). The BTSs are installed in an adjacent way, so as to ease the handing over of signals from one BTS to another like a chain. The radius of each BTS varies from 500 meters to 8-10 km. It depends upon topography, subscriber usage, spectrum availability and frequency band of operation. The workings of mobile networks include the infrastructure, electronic, the backhaul and the civil infrastructure.

- **Towers and in-building solutions**

Telecom towers are broadly classified as rooftop and ground-based towers. Ground-based towers (GBT) are 200 to 400 in numbers, 35 feet high and are frequently used in semi-urban and rural areas due to easy availability of real estate. In recent years, the growth of mobile communications has made the availability of radio coverage within shopping malls, mass transit systems, airports, office buildings, stadiums etc. and has become an essential requirement.

- **Telecom infrastructure in India**

In the beginning, operators used their tower infrastructure for competitive advantage. However, in the past few years, the leading operators have decided to share their infrastructure. Today, there are an predicted 425,455 telecom towers in India, implying a subscriber-per-tower ratio of 1,460. Presently, occupancy level for the industry is at 1.55.36.

  - **Energy requirements**

Presently, telecom towers intake an average of 5-6 kilo watt of energy joined with an average of 8 hours of diesel generator running time because of power outages. On an average, 27 million units of electricity is consumed per day.

❖ CASE STUDY

➢ MTN South Africa

MTN South Africa was commenced in 1994 after it got a license to roll out its GSM network. MTN South Africa is part of MTN Group, a multi-national telecommunications that is widespread over 152 million subscribers across its company with operations in 21 countries in the Middle East and Africa.

- **Market Share**

MTN is listed on the Johannesburg Stock Exchange (JSE) under the share code “MTN” and enjoys about 37% of market share in South Africa.

- **Acquisitions**

  - iTalk
  - Verizon SA

- **MTN Services**

  - **Communication :** i-Mail , VoiceMail, VoiceMail Lite, VoiceMail Xpress, Enhanced VoiceMail
  - **Calling Services:** Big Bonus, **Conference Calling,** International Calling, Roaming, Call Barring, Call Holding and Waiting, Call Divert, Balance Enquiry and CarryOver.
  - **Messaging Services :** SMS, MMS, International MMS, Email2SMS, SMS2Email
  - **Banking :** ATM TopUp, Me2U, Mobile Banking

RELIANCE COMMUNICATION

- **Introduction**

Reliance Communication was ‘A dream come true’ for Late Sh. Dhirubhai Ambani.**’** He dreamt of a digital India — an India where the common man would have access to affordable means of communication and information. Dhirubhai single-handedly built India’s largest private sector company virtually from scratch.

- **Market Share**

Market Share of Reliance Communication is 22% in Indian Telecom Industry and its major competition is with Bharti Airtel. It achieved 20% market share in Indian tablet market.

- **Acquisition**
    - FLAG Telecom
    - Yipes ethernet service
    - Digicable
    - Vanco

- **Reliance services**
    - **3G Service :** Video Calling ,Video Portal ,Mobile TV ,R World ,R Pilot, 3G Mobile Broadband,3G Handsets
    - **CDMA** : Top-up Voucher ,Special Tariff Voucher ,Plan Voucher ,Simply Reliance Plan ,Simply Unlimited STV
    - **GSM:** Top-up Voucher,
      Special Tariff voucher

Comparison of South African Company with Domestic Company

- Market Share of MTN is 37% in South Africa but RCom has 22% in India. So MTN grabs more market share but Reliance covers more number of people that is 130 million as compared to 20 million done by MTN.
- MTN changed the core infrastructure, replacing 98% of the monolithic network, moving from classic transmission using microwave or time-division multiplexing to Internet Protocol fibre-based transmission whereas RCom Reliance Communications owns and operates the world's largest next generation IP enabled connectivity infrastructure which covers large area.
- MTN has invested considerably in submarine cables to improve broadband capacity and give its customers high speed internet. MTN is the only largest investor in the West Africa Cable System (WACS) and Eastern Africa Submarine Cable System (EASSy) whereas RCom is in debt and has to clear it out and invest in hydro projects.
- MTN South Africa is following certain Environment policies so that it uses minimum carbon footprint. It has embarked on a widespread greening initiative that reduces its energy intake and it has come up with tri-generation plant, solar powered base stations and off-grid wind for the society. MTN’s tremendous growth and socially responsible approach has brought them goodwill. Its holistic community development program addresses Educational, Health, Arts and Culture and Entrepreneurial Development needs. RCom has concentrated on their sustenance, survival, and expansion on the support and goodwill of the society at large. While they believe that their primary duty or obligation as corporate entities is to their shareholders - from customers, vendors and employees to business partners, eco-system, local communities, and society. They took care of projects like CSC – an e Governance

project and Reliance Developer Program and contributed in education and brought up hospitals.

- MTN's business strategy includes expanding geographic scope, improving customer care services, building more customer call centers, increasing Profit Margins in South Africa and providing added value services and products. RCom includes full range of managed service offerings, converging solutions, launching of new data center, advertising actively etc.
- MTN's acquisitions are iTalk and Verizon SA whereas RCom's acquisition are FLAG Telecom, Yipes ethernet service, Digicable, Vanco. RCom has done more acquisitions.
- MTN sponsors in many events of football, rugby, cycling, music and lifestyle whereas RCom sponsors only in cricket.
- MTN has partnered with Wireless Application Service Provider, Wireless Data Providers, Telemetry, Content Aggregator, Y'ello Zone Payphones whereas RCom has partnered with Lenevo, Universal Music, Nokia, Microsoft, Polycom, Big Flix, Facebook, Ericson, Whatsapp, Alcatel-Lucent. This as an opportunity to contribute to the job creation in the country, especially amongst women and the youth.
- MTN's competitive advantage is innovation, sustainable performance, distribution system and its ability to manage its resources specially human resources whereas RCom's competitive advantage is network infrastructure, customer satisfaction and innovation.
- MTN's Group subscribers increased to 189,3 million and revenue increased to R135 112 million whereas RCom's Net increased to US$ 17.7 billion, Cash flows of US$ 1.6 billion and Net profit of US$ 0.6 billion.
- MTN faced problem in Internalization in India and RCom faced Customer Assurance, i.e. Customer acquiring and retention because of its internet connection issue.

- There are many services which are common MTN provided services like 2G, 3G, Movie and Music Downloads, Internet, Mobile Money, SMS alert, MMS, Online Shopping, Emergency Calls, GPRS etc. MTN's special services are MTNwhereRU, HSDPA, EDGE network, MTN2MyAid etc and RCom's special services are R-World, R Connect, Recharge Coupons, VPN, IPLC, World Sim etc.
- In MTN, there is no availability of landline services like RCom. Rcom has varieties of landline products Fixed Wireless Phone, Fixed Wireless Terminal (FWT) etc.
- RCom provides more services as compared to MTN. There is wide range of Prepaid and Postpaid services, Data and Voice Solutions etc in RCom.
- In products both MTN and Reliance have their own handsets and tie ups with other companies for hansets and tabs like MTN has tie ups with apple, nokia, Samsung, HTC, blackberry and RCom has tie ups with LG, Samsung, Blackberry. So MTN has more range of product offerings.
- MTN's own products are not much in numbers as compared to RCom's products. RCom has wide range of its CDMA hansets and is very much in demand. But when hansets of other companies is talked about then MTN comes up.

❖ Findings

➢ Opportunity of India in Telecom Industry of South Africa

MTN has more market share in South Africa as compared to RCom in India. In India, there is more competition in Telecommunication and the market has become saturated. The domestic companies have to adopt internalization for more growth of the organization. Africa has a population of a billion out in 56 countries and its cell phone penetration is 10 years before compared to that of India. The demand for mobile services is growing at a rate of 25% across these countries. So in South Africa also this should be adopted.

There are more services available in India under Telecom sector as compared to South Africa and so if these services are implied over there the company's progress is for sure

There is huge investment taking place which should be executed properly so as to deliver highly fast, innovative and reliable services to the South African market. Markets with the lowest price per minute are frequently characterized by low levels of innovation, quality and investment.

➢ So it is feasible for Indian Company to penetrate in South African Telecom Sector.

The entry of international players brings in more investment opportunities in South Africa. Both new and existing investors need to know the regulatory framework South Africa for two main reasons:

- For new entrants, regulation affects the possible returns on investment by encouraging the cost of entering each market, the probability that more competitors will come in and the market participants will compete on price or other factors. Regulation also impacts investment in infrastructure required to achieve a position in the market, and the freedom available to incumbents in trying to bound competition from new entrants. For example, if regulators allow tower sharing it may lessen obstacles to entry.

- Existing players in each market need a firm grab of the regulatory information to know which competitive strategies will work and will not work, and to force public interest arguments to the authorities in favor of regulatory alters. Understanding the political, regulatory and local environment is particularly helpful for investors in emerging South Africa, where the measures for obtaining licenses may have a greater political element than in grown-up markets like North America and Europe.

- Value-added services are predicted to play a significant role in the future expansion of the mobile market, mainly in bolstering incomes as the market grows towards saturation. Saturation and Churn are visibly areas of concern for South African operators, and the market looks like to be focusing on adding value, controlling churn, improving consumer loyalty and increasing ARPU. The commencement of value-added services like BlackBerry, Mobile TV, etc., and the recent moves by Cell C and Vodafone supports this conclusion.

- Joint Venture (JV) with a bulk shareholding, Mergers and Acquisitions were the most favored entry channels because of the company having the most say over the use of the money invested as well as having management control, so setting direction and policy. It also permits the company to grow access to resources in-country instantly and to begin operating and generating revenue and also institute its brand if it wishes. A case was there, where Vodafone kept the Vodacom brand in South Africa due to its very strong and known brand. By getting access to the existing company's resources local information is instantly available and distribution outlets for products and services are in place. Knowledge of the governmental environment and regulatory environment can be attained through the existing relationships. The foreign company would gain the benefit of inheriting the existing telecommunications license and so would not have to bid or pay for a new license. The foreign company will also get the advantage of accessing the existing network infrastructure and will be able to generate revenue instantly.

- To convert the potential into profits, operators primarily need to overcome a number of obstacles. In Africa, the level of disposable revenue is usually less compared to other markets. The biggest challenge is how to make services accessible and sell them beneficially to a number of users who produce relatively low incomes per user, and many of whom are geographically detached across huge rural areas. These factors mean that both operators entering and those currently doing business should enter the market wisely with proper strategies in mind to achieve the objectives framed.

➢ <u>HOW TO PENETRATE IN SOUTH AFRICAN TELECOM SECTOR</u>

- The Indian company has to invest in South Africa by acquiring telecom companies which are not working well over there.
- The company can master the 'Minute Factory Model". In this the trick is to make its consumers talk more by making the call rates cheap and it concentrates on the rural population. This strategy can work well as rural strategy.
- The Company has to significantly expand the coverage and capacity to accommodate the burgeoning volume of minutes the Company is aiming at. It is evident that the company has to invest not just money but a lot of time and efforts also to turn around the business of Telecommunication.

- The Company can also adopt 'Matchbox Strategy' of distribution, which basically means any shop that sells match-box should also sell mobile SIM cards and top-up vouchers which will help in building a huge network of dealers. Such a vast distribution and advertising patterns is completely alien to South Africa.

- The company has to come up with new variety of services like cheap sim cards, call rates as well as cheap handsets which will give tough competition to other companies prevailing there as people will be attracted towards low call rates.

- The company should bring coupons system to the country for prepaid balance purpose so that if people want to fill less talk-time balance then they can do it with the help of coupons.

- The company can also introduce different types of landline phones in its product range along with mobile phones and USBs. Landline phones are not produced much by South African telecom companies. So it will be a competitive advantage to the upcoming company producing landline phones and will break the monopoly position. As reliance has variety of its own mobile handsets and landline phones, the company can introduce it in South Africa as well. The company should come up with advancement like landline portability so that more people turn towards buying landline and so it will result in increase in fixed line penetration.

- Other services like World Sim, International ISD cards etc. The Company should come up with advances in internet usage like 4G services and improve other services like M-commerce, M2M communication, Mobile money, M-health, M-education

- To create a brand value, the company has to invest in development of infrastructure of telecom, concentrate in innovations, Corporate Governance and Corporate Social Responsibility.

- The Company has to concentrate on more Sponsorship so that people become more aware about it and Partnerships so that more advantages are availed to the customers.

2.8 MEDIA INDUSTRY

❖ OVERVIEW OF INDUSTRY

➢ Media in South Africa

The media' means the communication of information by the different channels. The main media are television and radio broadcast in narrow sense, magazines, film, advertising, pop music, newspapers, internet etc. media is the main medium of entertainment as well as major contribution in to the any country as well as in to spending and in to the national income level and growth rate.

In the South Africa the media get pushed in 1994 after the Bill of Rights passed. According to that every citizen has the right to sovereignty of expression and includes liberty of the press. The Independent Broadcasting Authority (IBA) establishment was major step to boost up the industry. In June 2000 IBA merge to the South African Telecommunications Regulation Authority and then it is the Independent Communications Authority of South Africa

The main sectors of media industry are:

- Broadcast media contain radio and television,
- Print media contain newspaper and
- New media contain the online media etc.

There are three type of radio station in South Africa public private and community radio station, public radio station is under the South African Broadcasting Corporation (SABC). 15 stations are in l1 eleven authorized languages available. 13 private and commercial radio stations have 16.5% of the total radio audience. 126 community radio stations contain 4.6% of total radio audience.

There are 3 kind of television station public, private and community television radio station. The SABC has 3 worldly television channels (SABC1, 2 and 3) contain 69.3% of the total audience. E.tv is the only in private own free-to-air viable contain 22.3% of the total audience. In Print industry in South Africa the authority is in hand of few major companies on newspapers and magazines. The major publishing group are: Avusa Publishing, Naspers (Media24), Independent News and Media and Caxton / CTP.

New Media includes Online Media like Internet websites and Mobile based media. New Media is rising rapidly, and more and more gaining a important in terms of advertising spends.

- **Current Status of Media in South Africa**

Industry in South Africa is robust and mature amongst the Africa. It includes various contestants actively in radio, television, film, newspaper, books, magazine, advertising, music and public relations. Commercialization and privatization of broadcasting is there in South Africa in media industry; Cover of print medium is low as, newspaper readership stands at 46% of the total audience and 38% for magazine according to AMPS 2008. Younger used to internet facebook and twiter the most.

- **Future of Media in South Africa**

There an article in the UK Telegraph, under the headline: “Guardian seriously discussing’ end to print edition,” there is the Guardian News & Media (GNM) are considering to shift whole online operation. Because of fighting to stem losses of £44 million a year in 2011 it is reported t hat, GNM had looked at shutting down its £80 million printing plant it looks like to stop running the presses altogether.

PwC said the increase in overall newspaper readership of about 7.7% in 2011decrese of 6.7% in paid circulation. PwC opined that because and more people become of digitally connected, they would eventually turn aside from print newspapers.

- **<u>Media in India</u>**

History of Indian media industry started from 1780 by publishing Calcutta general adviser after that in1887 Bal Gangadhar Tilka has launched Kesari. Gandhi always use media for lobbying the new law of British, Shahid Bhagat Singh used media to express his message during his court trial period of the freedom to the people.

- **<u>Present Scenario of Media in India</u>**

In beginning print media, and then came radio channels after that television medium, and at last electronic media, further development saw the start of internet. There is launch of each new medium the consumer started receiving news with new medium. Information provided in terms of terms of general news, political news, technology news, lifestyle, movies, financial news, etc. this day trend is slowly growing towards consumers' oriented content, because the consumer is the king and watcher ship matters.

- **<u>Future Scenario of Media in India</u>**

As there are so many innovations the future of media is unpredictable. Even there is availability of other alternatives also there in the market. The content matter will be less in the future and visuals will be more as consumers like and the grasping of the story should be faster that takes little time. 3-D news is also there. Good professionals are required for the need and demand of the good contents in the media industry of the South Africa. So, it is. Now a day people involvement is important so need more innovation so deep involvement.

- **Print Media**

Print media is one of the oldest and basic forms of mass communication and consist of newspapers, weekly magazine magazines and all the printed journals. The input of print media in providing information and transfer of knowledge is important. Even after the finding of electronic media, the print media has not lost its power or existence. Print media has a longer impact on the mindset of who read that, with more in-depth reporting and study.

- **Print Media in South Africa**

The print media industry in South Africa has experienced good growth in terms of revenue and number of titles despite growth in broadcasting and new media which are in direct competition for ads spend. The industry is dominated by a few large companies who own and control a large number of newspapers and magazines across the country. The major companies are Media24, Caxton. Independent News & Media Avusa, Caxton And CTP Group, M&G Media

- **Future Of Print Media In South Africa**

Aegis Media with Biz Community will be host the Thought of Leadership Digibate which will argue and discuss the present state and in future of print media in South Africa. What has caused the demise of print .Is the Internet support for replacing print media?

- **Print Media in India**

The media in 1950 itself right of freedom guaranteed has have given for freedom to expand in the constitution. And media have greater freedom of speech and expression and that of a citizen even though the media does not enjoy freedom of speech and phrase. The media is the voice of people and voice for people and that why they enjoy greater freedom and liberal attitude being enjoyed by the media in the India. The wide spread media are ‘The Times of India’, Dainik Jagran,The Hindu,Dainik Bhaskar, The Economic Times.

- **Legal Aspects of Media Industry**
  - **South Africa**

Since the advent of democracy, South Africa’s print media has enjoyed a level of media freedom that is unprecedented in its history. Indeed, South Africa’s print media environment is undoubtedly the most free, robust and critical on the continent. There are very few limitations on the ability to operate as a print media publication. Most of the laws setting down specific obligations upon the print media are clearly reasonable and justifiable and do not impinge in any way on the public’s right to know.

- **Imprint Act, Act 43 Of 1993**

There are certain key requirements laid down by the Imprint Act in respect of printed matter, the definition of which would clearly include a newspaper, newspaper poster, magazine or periodical:

- **Legal Deposit Act, Act 54 Of 1997**

The aim of the Legal Deposit Act is to preserve South Africa’s documentary heritage. Section 2, read with sections 3 and 4, requires a publisher, at its cost, to supply up to five copies of each published to a prescribed place of legal deposit and to provide the State Library with prescribed information regarding that document of publication.

- **India**

The Freedom of Press and the Freedom of Expression can be regarded as the very basis of a democratic form of government. Newspaper publishers find themselves more ‘hemmed in’ by legal restrictions than many other businesses do – despite the fact that the freedom of press is protected by the Indian constitution.

- **Comparison of Media24 and Dna Group**

The DNA group and media24 both are the most popular media industry in India and South Africa respectively. The media industry is known as public voice of their particular country. The comparison of these companies is mainly based on media and printing. There are many ways to compare the media industry. For example product, strategy, technology, publications etc.

❖ CASE STUDIES

➢ About The Media24

- This industry is not limited for the publishing the newspapers but they also publishing the different types of books, magazines, articles etc.
- This newspaper is nationalized newspaper. And it publishes the local South Africa and other languages.
- The media24 is divided into main two parts:
    - Electronic media
    - Print media
- The media24 is earned 35% of revenue in 2007.
- The most important thing is that media24 is also linked with the television, for example, broadcasting the news to people. And another important linked is internet so, the people who live in other countries they also come to know about what is happen in country.

➢ About The Dna Group

The DNA group is also one of the popular media group in inda for the media industry.

In the DNA group there are many media industry are worked. Among them the one is most favorable newspaper is divya bhaskar Guajarati newspaper.

- This newspaper is also nationalized newspaper in India. It is also publish in Gujarat, Madyapradesh, Rajasthan, Haryana, Punjab, New Delhi, Jammu etc.
- The main important thing is that this newspaper publishes in different states in India with their local languages.

- So, we can say that this newspaper is also national newspaper.

From the above information we can come to know that both the industry have their own factions to perform. However, can we compare these two companies? If yes, then according to which factors?

There are many factors on which we can compare these two media industry.

- **<u>According to Publications</u>**

- The media24 not only publicizing the newspaper but also publishing the books, magazines, articles, etc.
- While the DNA group is one of popular media company in our country. But the company only publishing the newspapers in different languages.
- The media24 is also related with the electronic media as well. For example television, internet, etc.
- While the DNA group is not related with the electronic media.

- **<u>ACCORDING TO STRARGY WISE</u>**

- The media24 has their own strategy for donning publication in their country.
- Their main strategy is cover maximum area for publishing the newspapers and other services.
- They increase their business with electronic media. So, that they covered most of the area of the country.
- After starting the electronic media, the company becomes a international publication in media industry.
- As in DNA group, also publication is large because it is also the national level newspaper in country.

- The company publishes different types of newspaper and articles which are favorable in children and woman as well.
- This group publishes their newspaper in different languages in different states of the country.
- So, here the main strategy is only that the people of the country can come to know about what is happen in their country.

➢ **<u>According to Responsibility</u>**

- The media industry also has big social responsibility towards their country.
- So Media industry also have to know that what they publican in their newspaper.
- Because people believe on what the media publishing in their newspaper.
- The media24 also one of the best example for donning there social responsibility.
- The industry recently donated their furniture to the nonprofit organization.
- Many times, they also donated the books, magazines, etc to many organizations.
- The industry also donates toys to children.
- On the other sides, the DNA group is also performing their social responsibility towards their country

From the above comparison we can say that both the media industry are running their owe level. Some drawbacks are in DNA groups and some are in

MEDIA24 as well. However, according to study of the project we can say that the DNA group has more reader as compared to the MEDIA24.

❖ Findings

In print media space, there is a big challenge of affordability and sustainability by the new media entrants in South Africa. Since the high cost of printing machines prohibits smaller media owners from growing into some significant operation. Community magazines are the less grown and the MDDA is making sure that there is a wide choice of access to a range of diverse media for all citizens. It is fact that there is a community newspaper in all District Municipality but it does not mean that all local municipalities have a community newspaper.

Transformation of ownership in the media sector requires more focus in South Africa. It is not enough to focus on employment equity thus ignoring shareholding transformation. In South Africa there is a lot of challenges and a lot more work needs to still happen to transform the ownership and control of media in South Africa in particular print media.

Media Industry dominated by the four major media companies that is Naspers, Caxton, Independent News Media and Avusa whose HDI ownership is below 26%. In 2009 MDDA Trends of Ownership and Control of Media in South Africa states that "four large media companies dominate the space with" Caxton CTP leading the pack with 130 identified titles (89 wholly owned and 41 co-owned) representing 28.3% of newspaper titles of the Nation.

Major Printing companies are located in cities such as Johannesburg, Durban and Cape Town, so many small newspaper and magazine owners have to go to these large cities for their printing.

There is very low quality of local newspaper published and the local newspaper titles which are mainly knock and drop quality and carry a fair amount of advertisement and some local community news in varying degrees.

Most printing companies are owned by the large media companies such as Media24 and Caxton which provide much of their own printing needs and those of others media entities in both newspapers and magazines. In 2006, Caxton / CTP became the largest publisher and printer of books, magazines, newspapers and commercial print in South Africa. The distribution in media of South Africa is commanded by a few of operations owned by the mainstream press; and in the way that media buyers fail to see opportunities in the lower end of the marketplace as it is below their standard position in the market which can be called a hidden market in South Africa.

After the study of the South Africa media industry, we have found that there is potential for the Indian company to enter into the South Africa business in print media business. We have mainly two opportunities available in South Africa.

First, opportunity is to set up the own newspaper co-operative in South Africa for the local community in South Africa in their regional language as their local newspaper only interested in the fair amount of advertisement that they earned the quality of news in some local community news in varying degrees.

Second, opportunity is as the Indian company to enter into the South Africa printing industry as there is the problem of cost effective printing to small newspaper and magazine owner had to gone to large cities of South Africa such Johannesburg, Durban and Cape Town. Hence we can provide the printing machine facility to small owner by locating in small cities of South Africa.

The first opportunity does not seem more feasible and viable as well as lucrative in term of profit margin and market share is too small to Target the audience of South Africa. **After evaluation, first opportunity has got rejected because of following reasons.**

- The Competition Commission has presided over a number of competition complaints in the regarding the proposed merger between Media 24, Paarl Coldset and Natal Witness the Commission's recommendations sought to safeguard the position of small newspapers, only for those who publishing in African languages. It means there is a dark market inside the industry and it may erect the monopoly in the media market.

- Because there is vast cultural difference between South Africa and India, we need to tap into the socio-cultural-political differences of states of South Africa. A country like India itself diversified into different states with different culture.

  For instance, a reader in Gujarat was more interested in news that directly affected his business, whereas a reader in Haryana was interested in news that affected his community. Maoist activity was very important for readers in Chhattisgarh. However, if a policeman from Rajasthan cadre was abducted, then the interest in Rajasthan would become high.

  Sports coverage also varied across states depending upon the popularity of particular sport in the region – apart from cricket, states differed in their preferences for sports in India such as – Jharkhand was interested in archery and hockey, Rajasthan in polo and shooting, Punjab in hockey and Haryana in boxing.

- Hence, we need to undertake survey on the very large scale in South Africa which required not only a lot of time to get survey but also hefty amount of money invested in survey and research for the local community.
- The exchange rate differentials have become an important determinant of local prices and wages that has led to increased instability in the South African market compared to non-emerging markets.
- There are many major competitors are available in South Africa in terms of the newspapers and magazine titles owned, the print industry is

dominated by a few large companies who own and control a large number of national newspapers, local newspapers and magazines across the country.

- There is possibility of anti-competitive behavior into the print media business processes and the entire value chain. So there is threat of takeover or sudden acquisition in South Africa media market by big and giant international company. So there is possible threat for us as a new entrant in new country.
- The availability of semi-skilled labor and employee hiring such as vendor, hawker and distributors is concern as later on these people joint a Trade Union and it create a big problem for the company manufacturing plant as a whole. There is a problem of Trade Union in South Africa which are demanding exorbitant rate of wages and went on strike and stop the production frequently. The Trade Union in South Africa has existing in almost all industry and their bargaining power is very high when it comes to fulfill their unusual demand. The Trade Union also influences the government policy on minimum wages determination in South Africa and also affects the economy of South Africa very badly.

From the study of the country and based the facts we can see that **the second the opportunity** is more practical, realistic and profitable opportunity in South Africa. So we have selected the second opportunity that is **The Indian company to enter into the South Africa printing industry and** In the small cities of South Africa, we can set up the printing machine on different location for the smaller players of South Africa.

The following facts are in the favor of second opportunity;

- There is the problem of cost effective printing to small newspaper and magazine owner.
- Printing companies of South Africa are located in cities such as Johannesburg, Durban and Cape Town; hence many small newspaper and magazine owners have to go to these large cities for their printing. Hence we can provide the printing machine facility to small owner by locating in small cities of South Africa.
- India is the fastest growing printing industry at the growth rate of 12% annually. It has shown a revolutionary transformation in the last 15 years because of liberalization of economy and privatization of the industries.
- Inflow of investment in buying latest technology and sophisticated machinery has led the industry to modernization. Print media publishing houses are sanctioned 26 per cent Foreign Direct Investment (FDI) in India and government is assessing the request for uplift in FDI from 26 to 49 per cent.
- Today Indian Printing Industry is one of the greatest in the world and the country is counted among the top seven publishing nations. There have been an increased number of printers which are adopting newer modern technologies.
- Mainly we have three printer manufacturer and distributor selected for setting printing machinery in different location of South Africa so that the small newspaper and magazine owner need not to go to transport long to large cities of South Africa and they can able to sustain in the market.
- We have selected three printing machine supplier or manufacturer to set up our plant in South Africa they are as follow:

- **Ahmedabad, Gujarat State based print machine**

Company: **Lotus Industries**

They offered the ideal machines for single and multicolor printing of small, medium and large newspapers & periodicals, publications, books and job work.

- **Outside of Gujarat State but within Country**

Company: Ronald **Web Offset Pvt. Ltd.**

Location of Company: Faridabad, Haryana.

It web offset newspaper printing machine has got different configurations to suit the requirement of different Newspaper printers, Tabloid newspaper printers and Text Book printers.

RONALD web offset Newspaper printing machine are used by big and small newspaper Presses having circulation from thousands to lakhs of copies per day in India also in abroad such as U.A.E., Kazakhstan, Ukraine, Russia, Greece, Nepal, Bangladesh etc.

- **Bought machine from outside of India**

Germany based print machine

Location: Germany

Company Name:BlöckerGraphischeMaschinen GmbH

Company Profile:

The company is a provider of services within the printing industry.

They have specialized in trading; refurbishing and moving good used high-quality graphics machines for web offset and sheet offset printing from leading manufacturers. Moreover, they sell accessories and book binding machinery.

Their competence and their own warehouse with space in excess of 1200 sqm enable them to provide the following range of services:

- Buy and sell used printing machinery
- Storage of printing machinery
- Moving (disassembly and re-assembly)
- Transport
- Conversions
- Gentle cleaning by hand
- Revamping using the respective manufacturer's original parts
- Financing

2.9 CEMENT INDUSTRY

❖ **OVERVIEW OF INDUSTRY**

➢ **SOUTH AFRICAN CEMENT INDUSTRY**

- **The Cement Production Process**

Cement is a synthetic grind that, when assorted with aggregates and water, produces concrete.
The cement-producing process can be alienated into a few basic steps:

- Mining limestone
- Proportioning and grinding limestone with other „corrective‟ raw materials
- Manufacturing clinker in a kiln at temperatures of 1,450˚C
- Grinding clinker and extra minerals to produce the powder known as cement
- Distributing cement to clients

- **Southern Africa Cement Industry: Overview**

A resource-rich country, characterized by vigorous GDP growth and a flourishing construction market, South Africa has all the markings of a sensation story for cement producers.
With numerous capacity extension projects being planned or recently concluded, South African cement companies are gearing up for a constant expansion of the cement market.

- **Consumption**

South Africa has enjoyed a stable increase in its cement utilization in recent years and the 2004-2006 periods proved no exception. In 2004, conjugal cement demand stood at 10.69Mt, rising by 11.6 per cent to 11.934Mt the year after.

The strongest regional growth in 2006 was recorded in the Western Cape which saw its cement market inflate by almost 20 per cent.
Other markets to trace double-digit growth figures were Mpumalanga (16.8 per cent), Kwazulu-Natal (14.7 per cent), Gauteng (13.4 per cent) and Free State (10.5 per cent).

- **Market Movement**

The market shares of the four players based on production capability are as follows: PPC cement at first place with 43%, then by Africa at 24% and Lafarge at 23%. Camper accumulates for 10% of overall production capacity.

Whenever all the new channel proficiency is in production (estimated at 21.7 million t), PPC's production market share is anticipated to decline to 41%, African to 19%, Lafarge to 18%, while Speaks for 10% of overall production capacity, and Candice a projected 3%.

- **Challenges Faced By The Cement Industry**
    - Soaring fuel prices and deceitful road and railway facilities facade a serious difficulty when it comes to the transport of cement.
    - Mounting electricity and raw material costs are also totaling to production costs.
    - Skills deficiency: Worldwide antagonism for skills.
    - Accessible infrastructure besieged to get by with growth.
    - Equipment and civil contract lead times increasing.
    - Resistance in SA to make use of of kilns to set out waste

- **Looking to the Future of the Cement Sector in South Africa**

South Africa is in the course of streamlining its future. Structural advancements are happening in its economy, infrastructure advancements have enlarged the nation's economic capacity and will prop up, not obstruct future economic growth. A key move towards opening the construction industry to increasing opportunities is the Department of Housing's invitation in March 2010, to provoke suppliers of surrogate building methods to team up later this year.

- **The Major Cement Producing Players in South Africa**

  - **PRETORIA PORTLAND CEMENT:**

PPC is the principal purveyor of cement in southern Africa through eight cement producing facilities and three milling depots in Zimbabwe, South Africa and Botswana that can produce around eight million tons of cement products per annum.

  - **LAFARGE CEMENT ZIMBABWE:**

Lafarge Cement Zimbabwe Limited, previously Circle Cement Limited, is a Zimbabwe-based cement manufacturer and also a distributor of cement and related products. Lafarge has a production capacity of 450,000 MT per year, 120,000 MT of which is exported.

  - **LAFARGE ZAMBIA:**

Lafarge Cement Zambia manufactures and provides cement for its local market and also exports to bordering DRC and Burundi.

- ## PERFORMANCE OF THE INDUSTRY

The South African cement industry is a chief player in the Southern African Development Community (SADC) province, causative between 85 and 90% of total infrastructure spending. It is the principal job creator in the financial system, and employed over 1 million people at a range of skills levels during 2011.

Producer	SA Plants	Kilns	Age (Years)	Ave Clinker Capacity Mt/yr	Plant Supplier
PPC	7	13	21 - 47	0.2 - 0.9	FLS (12); Polysius (1)
Afrisam (Holcim)	2	3	21 - 34	0.8 - 1.3	FLS (2); Polysius (1)
Lafarge	1	2	24 - 34	0.8 - 1.2	KHD; Polysius
Cimpor	1	1	24	0.6	FLS

Source: PPC estimate

Table 16 Peoples Skill

- ## MAJOR PLAYERS IN SOUTH AFRICAN CEMENT INDUSTRY

  - **Pretoria Portland Cement Company:**

Pretoria Portland Cement Company or plainly PPC Cement is a South African cement producing company with seven manufacturing facilities and three milling depots in South Africa, Zimbabwe and Botswana. These services are competent of manufacturing more than seven million tons of cement products every year.

  - **Lafarge Cement:**

Lafarge in South Africa comprises of two companies with pompous histories. Lafarge can sketch its origins to a little lime works, started in 1833, in southern France. Lafarge works with all actors in the construction industry of South Africa, from do-it-yourself builders to massive construction companies, architects & local artisans.

- **AfriSam:**

AfriSam offer upright integrated cement, aggregate and concrete business, enabling us to gratify to all customers' necessities from one central place. With 6 cement production facilities, 9 cement depots, 16 quarries & aggregate operations, 40 ready mix concrete plants and a dedicated slagment plant, it can deliver to all three major urban growth nodes.

- **NPC Cimpor:**

NPC-CIMPOR is producerer and distributor of cement, concrete and aggregate products to the hardware retail, Ready-mix, Concrete product and construction industries.

- **TRADE POLICY**

South Africa's trade policy has undergone a great deal of change as the country approaches its second decade of democracy. Trade remains a vital facet of South Africa's economy.

Increasing growth in exports is seen as a key objective in the country's course to achieving this. Numerous challenges have arisen which have affected South Africa's ability to understand this objective. These are:

- Volatility of the exchange rate;

- Widening trade deficit;
- Political crises plaguing African trading partners such as Kenya and Zimbabwe.
- Expanding infrastructure bottlenecks (e.g. related to maritime transport) and
- Increasing uncertainty regarding energy supply
- These are some of the restrictive factors that are not part of the trade policy arena per se, but do impact the country's cement industry.
- The country's tariff reform process over the last 15 years has encompassed four facets:
- Nominal tariffs, particularly in manufacturing, which was historically the most protected sector, were reduced (as a founding member of the WTO, and signatory to the General Agreement of Tariffs and Trade (GATT), the country committed itself to a tariff reform package and phase-out of distorting subsidies);
- The number of tariff bands and categories was reduced;
- Surcharges and quantitative controls, particularly associated to agriculture, were removed; and
- A phased unilateral reduction of tariffs was undertaken.

- **EXPORT IMPORT POLICIES**

Exporting a paradigm container of supplies requires 6 documents, takes 16 days and costs $1620. Importing the identical container of goods requires 7 documents, takes 23 days and costs $1940.

Globally, South Africa stands at 115 in the ranking of 185 economies on the ease of trading across boundaries. The rankings for comparator economies and the provincial standard ranking provide other helpful information for assessing how simple it is for a business in South Africa to export & import goods.

Africa today, data over time show which aspects of the process have changed—and which have not. That can help recognize where the latent for improvement is greatest.

- ## INVESTMENT PATTERN

Acquisitions (and partial acquisitions), which are a substantial proportion of all new entries, are sometimes bemoaned because they are seen to involve lower levels of capital inflow and of employment conception than greenfields.

There emerge to be strong complementarities between foreign entrants and local partners in providing vital resources for the post-entry phase – the former providing technology and branding, and the latter management and distribution capacities.

Turning to performance, and on a more positive note, it needs to be reiterated that the vast majority of foreign affiliates have met all or most of the investors' expectations at the time of entry. Even discounting for any potential bias by respondents not wishing to offer themselves a bad 'report card', this suggests that South Africa should be a very attractive destination for possible foreign investors.

Finally, the hopes that foreign investment would be one of the key vehicles for black economic empowerment have been realised more in relative to participation in the directing of economic assets than in relation to ownership. Over the longer period, this may well turn out to be one of the most important benefits of foreign investment during this stage.

- ## PESTEL ANALYSIS

  - **Political**

This factor should be taken into account for investment in South Africa mainly through increased security costs, personnel protection and focus on business security against fraud and corruption.

  - **Economic**

South African monetary policy is economically conventional but realistic, focusing on dominant inflation, maintaining a budget surplus, and using state-owned enterprises to deliver fundamental services to low-income areas as a means to augment job growth and household income.

  - **Technological**
    - Typical size of the new plants close to a million tonnes per annum;
    - Huge areas of limestone even in far-off areas oppressed by cluster of plants;
    - Vigorous search made for the latest type of technology and apparatus to persistently bring down the energy overheads;
    - Hefty number of old wet process plants congested down or transformed into dry process due to high cost of operation;
    - Introduction of multiple types of cement on strength parameters surpassing the standard specifications;
    - Many plants taking to mechanization, computer controlled systems and man power diminution;
    - Improvement in packaging with the use of HDPE/PP/paper bags instead of conservative jute bags;

- Swing in the marketing strategy with explicit emphasis on quality allied with brand. The industry never looked back. The fiscal reserves were reasonable on energy conservation, quality augmentation and environmental deliberation.

- **Environmental :**
  - Reducing usage of raw materials
  - Reducing energy utilization
  - Reducing emissions

- **Legal**
  - Huge capital investment required for an economic plant;
  - Extensive project lead time (normally in excess of two years);
  - Uncertainty as to the stability of the social and political environment;
  - Requirement & security of tenure for a quality raw material resource which can last for the expected life of the plant; and
  - Availability of appropriate limestone deposits not controlled by the existing producers.

Indian Cement Industry

India ranks second in world cement producing countries. As it took 8 decades to reach the 1st 1000 Lakh tonne capacity, the 2nd 1000 Lakh tonne was added in just 10 years. The capacity, which was 29 Million tonne in 1981-82, rose to 2190 Lakh tonne at the end of FY09.

- ## Major Players in South African Cement Industry

  - **Associated Cement Companies Ltd.:**

ACC Limited is the leading cement producer in the country. It is regarded as the oldest company in India. It has a total consolidated capacity of 22.4 MMT in the region and commands nearly 13 percent industry capacity share.

  - **Ambuja Cements Ltd.**

Gujarat Ambuja Cements Ltd. is the third largest cement producer in the country. It commenced its operation in 1986.The group it has upgraded its capacity to 18.5 MMT. The group has 5 integrated and 3 grinding units well placed in the states of Himachal Pradesh, Gujarat, Maharashtra, Chhattisgarh, Punjab and Rajasthan.

  - **Ultra-tech Cement Limited**

Ultratech Cement, an Aditya Birla Group Company and a 51 percent subsidiary of Grasim, has a consolidated capacity of 23.1 MMT. In fact, it is the first major cement producer in the country.

  - **Grasim Industries**

Grasim Cements ranks 4th in the country have a combined capacity of 22.5 MMT. It has 6 integrated and 2 grinding units which spread across Madhya Pradesh, Chhattisgarh, Punjab, Rajasthan, Tamil Nadu and Gujarat. Grasim cement is a part of Aditya Birla Group, a diverse industry conglomerate having business interests in Textiles, Aluminum, Chemicals & Staple Fibre apart from Cement.

- **TRADE POLICY**

  The Indian cement sector has been underneath strict government control for approximately the whole period since independence in 1947. Government intervention took place together directly & indirectly. Direct intervention happened in the shape of government control over manufacturing capacity and allotment of cement, while indirect intercession took the structure of price control.

  To maintain an accelerating path the government subsequently introduced changes in levy obligations and retention prices. At four points in time the government simultaneously reduced levy quotas & increased retention prices.

- **EXIM POLICY**

  This is included only in Foreign Trade Policy in 2009-2014 policy:

  - EPCG license can also be used for import of capital goods for supply to specified notified projects.
  - All exporters with minimum turnover of Rs.5 crores & good track record to be excused from furnishing bank guarantee in any of the schemes.

- All goods & services exported, including those from Domestic Tariff Area (DTA) units, to be exempt from Service Tax.
- Export Oriented Units (EOUs) to be exempted from Service tax in proportion of export of goods and services.
- Income Tax benefits on plant and machinery to be extended to DTA units, which convert to EOU.
- Facility of filing digitally signed applications and use of Electronic Fund Transfer Mechanism for paying application fees made accessible to exporters.
- Validity of all licenses issued under a variety of schemes modified to a consistent period of 24 months.

• INVESTMENT PATTERN

The cement industry has been going through consolidation stage with large Indian cement players preying on smaller ones and foreign cement majors acquiring controlling stake in Indian majors.

It's mergers & acquisitions season in the Indian cement industry and the latest large ticket deal is the acquisition of 51 per cent controlling stake by Irish cement major CRH in the two 2.4 MTPA plants of the Jaypee Group in Gujarat.

And, it's not just the small fries that are on the radar of the big players, even some of the biggest cement companies have been taken over in the past and many more are being wooed.

There have been many more big and small takeovers and mergers by domestic players since mid-1990s and by foreign players since late-1990s (see box). According to the data published by the Department of Industrial Policy and Promotion, the cement sector attracted foreign direct investments (FDI) worth US$ 2.62 bn from April 2000 to May 2012.

- ## PESTEL ANALYSIS
  - **POLITICAL**

The price of cement is chiefly controlled by the coal rates, power tariffs, railway tariffs, freight, royalty & cess on limestone. Government controls all of these prices. It is also one of the principal patrons of the cement in the country.

- **ECONOMIC**

Currently, the industry is on the boom, with lots of government infrastructure and housing projects under construction. In spite of seeing a plunge during 2008-09, the export sector of the industry is anticipated to rise again on account of a range of infrastructure projects that are being taken up throughout the world and numerous stupendous cement plants coming up in near future in the country

- **SOCIAL**

Usually, the cement industry in India comprises of both the organized sector & the unorganized sector. Structured sector consists of the recognized cement manufacturing companies while the major players of the unorganized sector are the provincial and neighboring cement-producing units in a variety of states across the state.

With a population of more than 100 billion people, it is anticipated that cement industry will generate another 25 lakhs jobs in the next 4-5 years.

- **TECHNOLOGY**

From mining to production the complete process depends on technology. The Government of India plans to study and possibly get hold of new technologies from the cement industry of Japan.

The government is planning technology transfer in the pasture of energy preservation and environment protection to aid improves efficiency of the Indian cement industry. Currently 93% of the total capacity in the industry is based on up to date and environment-friendly dry process technology.

- **ENVIRONMENTAL**

Cement manufacture causes ecological impacts at all stages of the progression. These comprise emissions of airborne contamination in the form of gases, dust, noise and vibration when functional machinery and through blasting in quarries and smash up to countryside from quarrying.

Equipment to condense dust emissions during quarrying and production of cement is extensively used and apparatus to trap and detach exhaust gases are coming into augmented use. Environmental strengthening also includes the re-integration of quarries into the geography after returning them to environment or re-cultivating them has closed them down.

The cement industry produces about 5% of global synthetic CO_2 emissions, of which 50% is from the chemical process, and 40% from blazing fuel. The quantity of CO_2 emitted by the cement industry is nearly 900kg of CO_2 for every 1000kg of cement produced. Recently developed cement types from Eco-cement and Novacem can suck up carbon dioxide from ambient air during hardening.

- **LEGAL**

The Government is empowered to issue commands to the cement industry undertaking for all or in the least of the following purposes:

- Regulating the production of output by the industrial enterprise and hoaxing the standards of production;

- Requiring the industrial enterprise to take such steps as the Central Government may deem obligatory to encourage the expansion of the industry to which the undertaking relate.
- Barring the industrial enterprise from resorting to any act or practice which might diminish its production, capacity or economic value;
- Domineering the rates, or amending the distribution, of an output for securing its unbiased distribution and availability at fair prices.
- The Act also provides that any such instructions may be issued by the Central Government at any time when a case relating to any industrial enterprise is under examination. These guidelines shall have effect until they are speckled or revoked by the Central Government.

❖ CASE STUDIES

➢ INTODUCTION TO LAFARGE CEMENT

Lafarge is a principal producer of building materials in South Africa. Lafarge produces cement, aggregates (sand and gravel), concrete and gypsum.

- **PRODUCT OFFERINGS & ITS VARAINTS**

  - **LAFARGE CEMENT**
    - Bag
    - Bulk
    - Bulk Bags
  - **LAFARGE CONCRETE**
    - Standard Concrete
    - Value Added Products
  - **LAFARGE AGGREGATE**.

Building and Industry

- Road Construction
- Housing and Environment
- The Bag Solution

  - **LAFARGE GYPSUM**
    - Ceiling Solutions
    - Partition Solutions

- **LAFARGE MARKETING STRATEGIES**
    - Lafarge Trade Marketing
    - Lafarge Social Media

- **LAFARGE CORPORATE LEVEL STRATEGIES**
    - Sustainable Development
    - Clear & Ambitious Strategic Priorities
    - Operational priorities
    - Continued enlargment in emerging markets

- **LAFARGE FINANCIAL HIGHLIGHTS**

Millions euros	**2011**	**2010**
Sales	15,284	14,834
Operating income	2,179	2,393
Free cash flow	1,208	1,761
Net debt	11,974	13,993
Net income group share	593	827
Net earnings per share in euros	€ 2.07	€ 2.89
Net dividend in euros	€ 0.50	€ 1.00

Table 17 2011/2010 PERFORMANCE & IMPROVEMENT INDICATORS

❖ INTRODUCTION TO PRETORIA PORTLAND CEMENT

Pretoria Portland Cement Company or **PPC** is a South African cement producing company with eight industrialized amenities and three milling depots in South Africa, Zimbabwe and Botswana. These facilities are competent of manufacturing more than seven million tons of cement products per annum.

- **PPC PRODUCT OFFERINGS & ITS VARIANTS**

  - **PPC CEMENT**
    - SUREBUILD 42.5N
    - BOTCEM
    - UNICEM
    - SUREROAD
    - PPC OPC CEMENT 52,5 N
    - RAPO
    - OPC
  - **<u>PPC LIME</u>**
    - Unslaked Lime
    - Hydrated Lime
    - Lime Stone
  - **<u>PPC AGGREGATES</u>**
    - Mooiplaas Dolomite quarry
    - Laezonia quarry
    - Kgale quarry

- **PPC MARKETING STRATGIES**
  - PPC Social Media

- **PPC CORPORATE LEVEL STRATEGIES**
  - Focus on core business
  - Expand geographic footprint
  - Generate superior cash flow returns
  - Achieve global competitiveness
  - Develop globally competitive people
  - Practice sound corporate, social & environmental governance

- **FINANCIAL HIGHLIGHTS OF THE COMPANY**

Revenue	**R7.35bn**	⇧	**8%**	[R6.83bn]
EBITDA	**R2.33bn**	⇧	**8%**	[R2.15bn]
EBITDA margin	**31.7%**			[31.4%]
Cash generated from operations	**R2.28bn**	⇧	**8%**	[R2.10bn]
Operating profit	**R1.87bn**	⇧	**9%**	[R1.71bn]
Headline earnings per share	**185 cps**	⇧	**11%**	[167 cps]
Final dividend	**108 cps**	⇧	**14%**	[95 cps]
Total dividend for 2012	**146 cps**	⇧	**12%**	[130 cps]

- **MARKET SHARE**

PPC is Africa's biggest cement maker. PPC Lime is the foremost supplier of metallurgical-grade lime, limestone, burnt dolomite, & associated products in southern Africa. It operates one of the biggest lime plants across the world at Lime Acres in the Northern Cape, South Africa.

❖ INTRODUCTION TO ULTRA TECH CEMENT

UltraTech Cement, India's largest and the world's 10th largest manufacturer of cement, one of India's largest producers of RMC and the nation's largest producer of white cement.

- **PRODUCT OFFERING & ITS VARIANTS**
  - **ULTRA TECH CEMENT**
    - Ordinary Portland cement
    - Portland blast-furnace slag cement
    - Portland Pozzolana cement
    - Cement to European and Sri Lankan norms
  - **ULTRA TECH CONCRETE**
  - **ULTRA TECH BUILDING PRODUCT**

Products	**Brands**
White Cement & Putty	Birla White
Paints	Berger
Construction Chemicals	Pidilite & Sika
Pipes & Fittings	Astral, Kasta & Supreme
Steel	Electrotherm, iSteel, MSP, Moira, Polaad & Prime Gold

  - **BIRLA WHITE CEMENT**
  - **STAR CEMENT**

- **ULTRA TECH MARKETING STRATGIES**
  - **Communication (Promotion)**

UltraTech was positioned as the ‘Engineer’s choice” cement emphasizing on the qualities: Quality, Modernity and technology. The commercial focuses on the brand as Reliability, Strength and Endurance.

  - **UltraTech Social Media**

- **ULTRATECH CORPORATE LEVEL STRATGY**
  - UltraTech is uniquely positioned to capitalize on developments given its exclusive brand values and patron orientation, backed admirably by the best trade partners possible.
  - UltraTech plans a capital expenditure of Rs. 200 crores. Through this, efficiencies will be improved and removing of bottlenecks will make an additional 2.5 million TPA of capacity. Plans have been made to cut operational costs and improve the efficiency at Ultra Tech plants.
  - UltraTech supply network is very extensively spread out in the country with over 30,000 retailers and 5,500 dealers. It relishes a leadership position in all the markets that it caters.
  - They are dedicated to preserving the brand's quality and its market share.
  - The company has enlisted the hold up of all of its business acquaintances. This includes retailers, dealers, stockiest, builders and engineers.

- **FINANCIAL HIGHLIGHTS OF THE ULTRATECH**

UltraTech Cement Limited Financial Results for the Quarter ended 31st Dec, 2012.

	31.12.12 (in crores)	31.12.11 (in crores)
Net Sales	4,857	4,565
PBIDT	1,145	1,119
PAT	601	617

❖ INTRODUCTION TO ACC LIMITED

ACC Limited is India's prime manufacturer of cement and ready mix concrete with a nationwide network of factories and promotion offices. Established in 1936, ACC has been a pioneer and trend-setter in cement and concrete technology. ACC's brand name is identical with cement and relishes a soaring level of equity in the Indian market.

- **PRODUCTS OFFERINGS AND ITS VARIANTS**
  - **CEMENT**
    - Ordinary Portland Cements
    - Blended Cements
    - Portland Slag Cement
  - **BULK CEMENT**
  - **ACC READY MIX CONCRETE**

- **ACC CEMENT FINANCIAL HIGHLIGHTS**

Revenue from Operations	**Consolidated Rs. Cr**	**Consolidated Rs. Cr**
	2012	**2011**
(Net) and Other Income	11621.47	10428.20
Profit Before Tax (PBT)	1440.99	1505.29
Provision for Tax	391.08	215.45
Profit after Tax (Pat)	1059.28	1300.80

Table 18 ACC CEMENT FINANCIAL HIGHLIGHTS

❖ FINDINGS

From the study it can be concluded that there exist potential for Indian cement companies to be the part of South African cement industry by becoming the supplier of cement.

The international cement market is one of the least regulated markets on an international scale whereas international cement trade has been growing intensively in recent decades.

- **Export Potential**
  - India is the second biggest cement producing country in the world. But in spite of having such a enormous production potential it stands at the 7th position among the exporting nations.
  - India has an huge potential to tap cement market of South Africa due to its strengths of location advantage, large-scale coal and limestone deposits, adequate cement capacity and world-class cement production with the latest technology. India has an projected total of 90 billion tones of limestone deposit in the country.
  - While the amount of cement traded has increased, the percentage of internationally traded cement to total cement production remains in single digits (5% to 7%).
  - This means that most of cement production exists to satisfy local consumption. Hence there is enough export potential. According to CRISIL estimates, exports are likely to grow at a CAGR of 10-12 per cent over the next 4-5 years.
  - L&T (now a part of Grasim), Gujarat Ambuja Cements Ltd and Jaiprakash Industries are the top exporters. The western region, due to its proximity to the coasts, accounts for 92.4 per cent of total exports, of which Gujarat holds a share of 76 per cent.

- **Opportunities in South Africa:**
  - Growing Demand Supply Gap.
  - The Infrastructure Opportunities.
  - Push from Housing Development.
  - Commercial Structures and Corporate Projects.
  - Consolidation Opportunities.

2.10 DAIRY INDUSTRY

❖ INDUSTRY OVERVIEW

➢ SOUTH AFRICAN DAIRY INDUSTRY

South Africa is the rainbow nation and it is famous for their groups, languages, culinary experiences etc. South Africa has a world-class agricultural or agro industry and there is a enough resources to evolve the industry effectively. For the production of the milk, coastal areas are essential because of that reason its mild temperatures and good rainfall ensuring the better quality natural and artificial pastures. The central areas are unfavorable for the milk production. The South African dairy industries fulfill the domestic demand of the dairy products and make a export to the others African countries for their requirement.

South African milk industry has mainly four major players which contain major shares of the African milk industry. Clover dairy is a leader in the dairy industry of the South Africa Which deliver to approximately 14,000 delivery points across South Africa to provide a milk and milk produce while other players are Woodland dairy, Coega dairy and Pamalat dairy. They are also plays a vital role in the providing the milk to the consumer of the South Africa. Today Woodlands Dairy marketed their product as a first choice of the brand name is one of the largest manufacturers of UHT milk in South Africa. Coega Dairy holds the top position in the South African dairy market as the first dairy company to invest in a plant design that is significantly more efficient than conventional UHT milk processing solutions available in other South African plants. Parmalat is famous for its dairy innovations in dairy industry and quality and the company's annual top performances at the prestigious SA Dairy Championships. It gives the promise for the build quality of the milk and other milk product to qualify for the international standard.

South African dairy industry provide the product to the South African market with the full range of dairy products required by the market like Traditional Feta, Feta With Black Pepper, Cream Cheese, White Rind, Camembert, Veined Cheese Range, Simonzola, Natural Vacuums Sealed Cheese, Etc.

South African are quality conscious so that always looking for quality in milk products so they emphasis on evaluating the fresh milk at a retail outlets. Outlets require maintaining the level of standards established by authorities. For this yardsticks control south African dairy industry is regulated by various authorities like International Trade Administration Commission for Protection and support of the industry through assistance of tariff, ordinary import tariffs and tariff relief and it gives trade remedies against unfair competition from the other countries market, department of agriculture, forestry and fisheries is supporting and give advice about South Africa requirements for quality, labelling and product specifications and illegal imports, other departments like Health, agriculture, trade and industry and milk South African advisory committee on customs tariffs and market access.

Dairy industry of the South Africa is gradually evolve due to its innovation. They use various methods, technologies, and yardsticks to improve the standards and production level of the milk and other dairy product. For this innovation and affairs, The South African Society for Dairy Technology is works. It is a society for the technological affairs into the matters of the dairy industry. It is an active society for the technology and innovation in dairy industry whose primary objective is to promote and encourage technological and scientific advancement amongst companies which are key role players in South African national dairy industry. With the use of technology this industry also focuses on eco-friendliness because now eco friendliness is quite important in each and every sector. They establishing a green dairy and sourcing milk from farmers using eco-friendly farming methods is a step in the right direction for the local dairy industry.

South African dairy industry promotes exports and imports by various regulations, promotion, incentives schemes. MPO has a authority to keep control over the import of the dairy products and milk in the South Africa. But now country becomes the member of WTO and works under their guidelines. The South African dairy industry works entirely according to free market principles while the major countries on the global market, mainly the USA and EU member states financially support their dairy industries by way of direct and indirect subsidies. This means that south African industry has to compete with imported dairy products of which the prices are low as a result of government intervention.

There are some projects which have a concern with the collection, classification, evaluation and distribution of industry information to players in the South African Dairy Industry. The main objective of this is to make available products timely, accurately and reliable information to all role-players in the dairy industry value-chain to enhance them to achieve stable and competitive growth and enhancing the participation of formerly disadvantaged individuals. The IDF is an independent, non-political, and non-profit organization. Its main purpose is to represent the world dairy sector as a whole at international level by providing the best global source of scientific expertise and knowledge in support of the development and promotion of quality milk and milk products to provide consumers with health, nutrition and well-being.

Still dairy industry of South Africa is facing some challenges regards the unity of industry. The crucial challenge which facing South Africa’s dairy industry is that of operating in a spirit of unity among the players, they have to face challenges regarding government deregulation, they still require to balance demand and supply of a milk products, need to look at transportation, Need to look at the quality and safety, They are out there on our own. They have limited government support. The priorities for government are in other areas which are far from the agricultural land.

➢ INDIAN DAIRY INDUSTRY

Indian dairy industry is the world's largest industry which is based on rural farmers and the some co-operative body. The Indian Dairy Industry specializes in the obtaining, production, processing of milk, storage and distribution of dairy products in India. The industry contributes about Rs 1,16,000 cr to the national economy. The Indian Diary industry which is in the developing stage provides gainful employment to a vast majority of the rural family. It employs about 8.47 million workforce on yearly basis out of which 71% are women.

In India dairy business has been practiced as rural cottage industry over the years. Semi commercial dairy started with the inception of military dairy farms and co-operative milk unions throughout the country towards the end of the 19th century. Since Independence of India this Industry has been made robust progress. A large number of modern milk and dairy product factories have been since incepted. The organized dairies in India have been successfully engaged in the routine commercial production of pasteurized bottled milk for Indian dairy products.

The growth of Indian Dairy Industry during the last three decades has been impressive, at approximately 5% per annum; and in the 90's the country has emerged as the largest producer of dairy product. This is not a small achievement when we consider the fact that dairying in India is largely stringent that farmers in general keep dairy animals in proportion to their free crop and also are available for family labor with little or no purchased inputs and a minimum of market outputs. The existence of controlled trade policy milk in the Diary Industry and the emergence of Amul cooperatives dairy company have changed the dairy farming practices. Farmers have gained avail the opportunity of the price for their milk and for their production which was essentially a self-reliant one is which are now being transformed into a commercial proposition.

Some of the majors players of the industries are Amul, nestle, Cadbury, OMFED, HDDCF. Where Amul is the leading player which contribute more than 60% products all over the India.

Indian dairy industry is governed by authorized body which is responsible for the control of industry through various rules and regulations. Indian dairy association is the apex body of the dairy industry in India. IDA is been Established in the year 1948, its members are from the cooperatives society, Multinational Companies, corporate bodies, private institutions, government and public sector. IDA works effectively and closely with the dairy producers, educationists, professionals & planners, scientists, institutions and organizations associated with the dairying in India.

Indian dairy has very simple supply chain from the farmers to the consumers. Farmers contribute their milk to the various co-operatives and private company, the milk is processed and various products are made then transport to the final customers on daily basis.

For promoting the dairy industry government launched some schemes in five year plan to promote export, strengthening infrastructure for quality and cleaningness of milk productions. These plans also include the venture capital and investment related schemes. i.e. intensive dairy development programmed, clean milk production programmed, dairy venture capital fund scheme etc.

The Indian processed dairy industry has grown and diversified enormously in the last few years. To ensure the development effectively and growth of industrial sector, the Government of India has initiated with various laws and regulations to keep control over dairy. Like Compulsory Legislation Prevention of Food Adulteration Act, 1954, Milk And Milk Product Order 1992, Standards On Weight And Measure Rules.

These Rules lay down certain compulsory conditions for all commodities that form, with respect to declaration on quantities contained i.e. voluntary standards which deal with voluntary standardization and certification. Cover raw materials permitted and their quality criteria, hygienic conditions under which products are manufactured and packaging and labeling requirements.

This industry is also promoted by government and various body to the exporters and various players. Various incentive plans and subsidies to the farmers and company will increased the market of Indian dairy in overall world. Excise duty on sturdy milk, ice cream, preparations of meat, fish and poultry, used as a gelling agent in pasta and yeast, jams and jellies is abolished which about 15.50% earlier.

Exports are promoted through various schemes like milk processing industry is one of the growing areas identified for exports. Free Trade Zones (FTZ) and Export Processing Zones (EPZ) have been set up with all infrastructures. Also, setting up of 100% Export oriented units encouraged in other areas.

There is no license is required for establishing a Dairy in India. Only a Memorandum has to be submit to the Secretariat for the Approvals and an acknowledgment is to be obtained.

In spite of various management and co-operatives controls, industry also suffers from some challenges related to collection processed, improper intermediaries, insufficient animal stock, un education of milk farmers, high production costs, seasonality of productions, transportation and logistics etc. some problems like safety about food products, gap in the supply chain, less farmers, lower participation of farmers in the decision making process, low prices of milk, insufficient services, unorganized sector etc.

❖ CASE STUDY

➢ CLOVER COMPANY

Clover Industries Limited is one of the leading manufacturers and marketers of dairy products of South Africa and the company has completed more than 100 years. It offers the Products like milk, thick milk, ice cream, custard, yogurt, milk powders, butter, cream, cheese condensed milk, ice tea and bottled water.

In October 1898 a group of Farmers started a butter factory which later on became the manufacturer and marketers of milk products and after a long journey in the market in the year 2010 Clover industries limited was listed on the main board of the Johannesburg Stock Exchange limited.

Clover's corporate strategy is to build the existing competencies of the Group and to set up a culture of extraordinary performance with a view to set a stage for future market expansion. Different companies in the Group have different strategies and all the group companies receive company specific support to take advantage of their potential.

The Company had undergone a successful recapitalization and restructuring endeavor in the year 2010 and completed the final move from its cooperative line and resulted in the formation of a proper group and capital structure.

The business which was done with the Group Danone concerned the selling of Clover’s 45% stake in Danone Clover for an sum of Rand 1080 billion.

The Company has good market opportunity in its sales in the food and beverage market from its milk, cheese, and beverages segments. The food and beverages division is a significant section of the South African economy which accounts for 18% of sales contribution and 17% of gross value added in this division, and employing approx. 230,000 employees in the year 2010.

Global sales of food and beverages trillion in the year 2009 was $11.6 and is anticipated to reach $15 trillion in the year 2014 as the population continues to raise from 6 billion people in the year 2000 to a anticipated 7.5 billion by the year 2020.

One main reason of this increase in demand is the increased household disposable incomes in the Asia Pacific area, which are anticipated to give to about one third of global food sales by the year 2014. Thus, there are significant export opportunities for the South African food and beverages sector.

Apart from milk, a major factor of Clover's growth strategy is to increase the total size of its market opportunity through its broader mission to enhance its distribution network.

In the year 2011 Clover registered annual revenue of more R6.5 billion and net assets of R1.75 billion and having the staff of approx. 6500. The company collects about 30% of South Africa's milk production and processes it in 12 factories and distributes its range of dairy products with the help of 23 national distribution centres and 7 large agents.

One more thing should be noted and that is Clover has established one of the largest and most extensive distribution networks in chilled and ambient FMCG products in South Africa and it delivers with a high frequency of approx. 14000 delivery points across the country.

Clover produces and supplies a wide range of dairy and non-dairy products to consumers. Clover products includes milk, cheese, custard, butter, cream, condensed milk, thick milk, ice cream, milk powders, yogurt, milk replacer for calves, ice tea and bottled water.

With the help of modern technology up gradation and continuous research and strategy to offer better products at affordable prices to customers, Clover enjoys leading market position in South Africa.

The revenue increased by 10.4% to Rand 7.2 billion and operating profit increased by 16.4% to Rand 371.2 million and the group announced a cash dividend per common share of 13.4 cents.

Clover is a leading and aggressive branded consumer goods and group of products, carrying out in South Africa and selected African countries. The company reaches a vast range of geographically dispersed customers and consumers through a range of quality, dairy and non-dairy products which adds value to the products.

In most of the milk products Clover enjoys No.1 market position in South Africa.

For, fresh milk, UHT milk and flavoured milk the market position of Clover is No.1, No.1 and No.2 having a market share of 28.9%. 25.5% and 30.6% respectively.

For, everyday cheese e.g. feta and neutral-pack it enjoys No.1 position having a market share of 83.8%.In beverages sector, it has No.1 market position in pure juice and dairy fruit mix having a market share of 32.2% and 59.2% respectively. It has No.2 position in ice tea and No.5 position in water having a market share of 33.95 and 6%.

Clover is also engaged in exporting the dairy and non-dairy products outside the country in order to market value added branded products.

Clover's geographical position is such that it makes it most important for the markets of Mozambique, Zimbabwe, Angola, Zambia, Tanzania, Kenya, Nigeria, Uganda, Malawi and Mauritius, where long-life products, butter and flavoured milk are particularly popular.

➢ AMUL CO- OPERATIVE

Amul is a co operative society based in India established is 1946. The word Amul means priceless in Sanskrit. The Amul was started in a district name Anand by a group of farmer's. The idea to start a cooperative society to help the farmer economically was given by sardar vallabhai Patel.

Amul was the source of the white revolution that held in India in year 1963. Amul has spurred the white revolution of India, which has made India the largest producer of milk and milk products in the world and the White Revolution has finally created a billion-dollar brand. Today Amul dairy is No.1 dairy in Asia and No.2 in the world, which is matter of proud for Gujarat and whole India. Dr. Verghese Kurien, former chairman of the GCMMF–the man behind the success of Amul.

Amul dairy cooperatives have also been instrumental in bridging the social divide of caste, creed, race, religion & language at the villages, by offering open and voluntary membership.

Amul produces many dairy products and caters a whole of dairy market. Under milk amul produces many variety of milk like gold, fresh, slim, tea special, shakti etc.

Amul also products cheese with many variety like pasteurized processed cheese, cheese spread, mozzarella cheese. Under desserts products like ice cream, chocolates basundi etc Amul also produces drinks like amul kool, amul kool café, amul koko amul lasse flavored milk etc

Amul exports all of its products to many countries like usa, Kenya, sri lanka, japan, china, Australia, new Zealand, Qatar, Thailand , Singapore, Nepal, hong kong, Bangladesh , U.A.E. and many more.

In the year 2011 the sales turnover of Rs. 97742 millions. And in year 2012 the sales turnover is 116680 Rs. In million. Amul as is the Asia no 1 company the following are the strength like Increase in the demand of the existing products, trusted brand name , high profit, availability of raw material, changing customer choice in terms of disposable income.

Amul but also has some lo polls that has to be taken care of points like as amul deals with perishable goods it has to supply products at time, low infrastructure facilities like roads and vehicles, uncertainly in the availability of raw material.

Amul has a great opportunity in the field of fresh fruit juice market all over the world, mineral water market also has a great opportunity for amul as amul is a well established brand name.

Global companies coming in the Indian market along with the customer's conciseness about heath and increase in the world standard for dairy product can be a threat to the Amul as a brand name.

Amul is famous for its innovative advertisement. The advertisement made by amul is made in accordance the current affairs and most of them appeal to the large part of the society. "Amul baby" or Amul girl (a chubby butter girl usually dressed in polka dotted dress) showing up on hoardings and product wrappers with the equally recognizable tagline *Utterly Butterly Delicious Amul*. The mascot was first used for Amul butter. But in recent years in a second wave of ad campaign for Amul products, she has also been used for other product like ghee and milk.

❖ FINDINGS

Both the countries have heavy resources for the dairy industry and from both the country India is leading country in the dairy industry. With finding of the gap between both the countries there are many differences among them. There are heavy potential to do business between them.

Now as we finding the opportunities to do the business with South Africa there are many products that are not available in South Africa which can be sent to there market for the doing business.

As comparing the leading company of both country there are almost 6 products which is not made by the Clover Company that is

- Ice Cream
- Yoghurt
- Milk Addictive
- Sweets
- Chocolate
- Infant Milk food

From the above products the some product are made by the competitors of the Clover Company that is

- ➢ Ice cream which is one of the most likable product from dairy industry and there are two leading firm made ice cream in South Africa which are Parmalat and Nestle. As a leading brand in ice cream Amul can join the hand with Clover and can do the business.
- ➢ Yoghurt is also one of the famous products in South Africa and having total 13 % market share among the total liquid milk product as shown on following figure but in South Africa only one leading company made the yoghurt that is Parmalat. Clover did not produce the yoghurt so Amul can also join with them to produce the Yoghurt.

- Milk Addictive is also important for children to become healthy. This product is not made in any single leading company in South Africa. Amul have two products i.e. Neutramul as well as Amul pro that can be selling to the Clover to do the Business.
- Sweets which are one of the main product which sells though out the India to celebrate any festival or any other social occasion. And having very high market of sweets. But in South Africa there is no any company that are producing sweets in south Africa. As Amul producing Shrikhand, Gulabjambu as well as Rasmalai that can be use for the doing business with clover.
- Other product that is not made by Clover Company is Chocolate that is also one of the famous products among the children all over the world so we also found the product which can by the help of Amul, Clover can produce the chocolate.
- Only one major company make infant milk food in South Africa which is Want Want / Hot Kid, as it is also one of the potential to do the business with Clover to produce along or to supply from the Amul. We also found 2 products which is not made by Amul Company that is

  - Dairy Juice Blend
  - Dips

This both product are not made by the Amul Company and Dips is one of the product that also not use by the Gujarat people so it can be one of the product that can we import from the Clover Company and can do the business.

And Juice Blend that can be made here by the use of the technology of clover Company so that we can be have new product in our offering.

- We can also use of the technology of dairy industry that is used by the South Africa and one of this is **Greening the Dairy Industry.** The eco-friendliness is new mantra in each and every industry so that pollution control can be maintained effectively**.** Establishing a green dairy and sourcing milk from farmers using eco-friendly farming methods is a step in the right direction for the local dairy industry. The farmers wanted to maintain the high quality of their products, but also had a vision to process milk using more eco-friendly methods. As we can see the problem of pollution in our country as well as in Gujarat the Dairy products are become in hygiene so the use of this technology we can establish such a mechanism that can make eco friendly dairy or **Green Dairy.**

  So the company clover is one of the main companies of South Africa which is starts it's working as joint venture of many other companies so Amul can be doing joint venture with the Clover Company and explore the market in South Africa.

Another option for doing business with the South Africa is to establish totally **new business in that market.**

- South African dairy market is deregulated so any company around the world can start their business South Africa and run their business.
- South African dairy products comply with **high safety and quality standards**, in accordance with local legislation about issues ranging from safety to packaging and ingredients.
- They have to run the business accordance with **competition act**.

  Another option of doing the business with South Africa is **Franchises** model because as Indian distribution channel the South African distribution channel also having good and Amul can used the channel members and supply the products from the domestic market.

CHAPTER-2

CONCLUSION

From the scrutiny of various industries of South Arica as well as India, we found that there are some of the blooming sectors wherein Indian companies can explore the opportunities and amplify their scope of operations. The final conclusions that can be drawn from the findings across various industries are as follows:

After studying **FMCG sector** for Wagh Bakri they can start up a new business in South Africa, also there is huge potential market of tea is there in South Africa thus WaghBakri can become a supplier of Tea products in SA .There are a lot of loopholes that can be filled in terms of the gap between the relations of both the countries. Considering the strong hold of both the companies in their respective product offerings a tie up can be very fruitful. Tiger brands can consider giving wagh bakri a franchisee in its products in India. Also wagh bakri can explore the market in that area. Venture investing in packaged products is not feasible considering the strong hold of Tiger Brands. Hence a strategic alliance with tiger brands is a feasible option.

Banking sector of South Africa is in highly growth stage. There are 32 total banks foreign and local. Indian banks like STATE BANK OF INDIA and BANK OF BARODA enjoys presence in South Africa. Future scope for Indian investors are very good as India is having good relationship with south Africa and infrastructural development, Development of Information Technology, telecommunication and human resource development is at high stake in that country.

As we have studied BOB from India and Standard Bank of South Africa we can conclude that then there is a bright future ahead for Bank of Baroda on either Strategic Alliance or Joint Venture with Standard Bank of South Africa.

Because BOB is having is branch in South Africa, so it will be easy for them to grab the opportunity in India and further There is great potential ahead for banking industry in India. Because:

a) RBI is going to issue new license to open new banks in India.
b) As well as researchers have said that India is 2nd largest emerging economy in the world for investment. So more and more investors are coming in India.

The major **Paper industry** firms that we have discussed here like Mondi, Sappi, Mpact, Nampak, etc. filled with various new and valuable paper products that they provide to the people of South Africa. The legal aspects and barriers in Paper and Pulp industry are also hard to understand and manageable. The working of the paper industry in both the countries is different and from the findings it is clear that the South African paper sector remains highly concentrated. Necessary raw material like Pulp is easily available there. Technically and economically South Africa focuses on paper and pulp industry more than the Indian paper and pulp industry. BILT can expand its product line from writing and printing paper segment with the help of MONDI Group. They also can have technological advancement to have low cost production. Indian paper industry is in growth stage and this industry will be booming in upcoming years and in this time joining hands with South African paper industry will be very fruitful for us. Paper industry plays the vital role in the growth of both countries' GDP.

The study of **Pharmaceutical industry** of South Africa suggests that it is a highly growing industry with growth rate of 22%. The opportunities that sprouted after the study are:

- South African companies can collaborate with the Indian firms due to a strong intellectual population in India for research & development. It can join hands with the Indian scientists to explore new drugs and their formulations.

- As South African market is a highly deregulated market and it promotes self start and new venture set up, Indian companies can self start their operations in SA.
- Due to the low manufacturing cost of drugs in India, South African firms can join hands with Indian companies to manufacture drugs for HIV and Tuberculosis.

The South African mining sector has provided the critical mass for a number of industries that are either suppliers to the **mining industry**, or users of its products. Today, South Africa is the world's largest producer of chrome, manganese, platinum, vanadium, and vermiculite. South Africa is the world's second largest producer of ilmenite, palladium, rutile, and zirconium.The major mining houses are the principal members of the Chamber of Mines of South Africa. Other Chamber of Mines members included the majority of remaining gold and coal mines and a number of producers of other mineral commodities.

The Chamber of Mines was responsible for a variety of advisory and service functions and represents about 85% of the mining interests in South Africa.The Gujarat Government has signed a memorandum of understanding (MoU) with the Johannesburg Chamber of Commerce and Industry (JCCI) to give a boost to bilateral trade, an industry body official said. The world's biggest diamond cutting and polishing centre in Surat has become a top player in global diamond industry by processing almost 80% of solitaire diamonds, big diamonds above one carat, once dominated by Israel and Belgium. Another point is that there are main three opportunities which are as under,

- Coal Import & Export possibility
- Diamond processing hub in surat for Anglo American Diamond
- Diamond Import & Export possibility

South Africa is one of the world's top destinations for travelers to discover In south Africa. **The tourism industry** of South Africa welcomes the new ideas and it is open for private players and that has been the biggest reason for the growth of the industry. The tourism industry of Gujarat has been run by the government of Gujarat mostly and the private players are not allowed.

Main players in tourism sector are SASTA AND TACSA. For the case study analysis we have considered Kuoni private safari from SA and Thomas cook group from India.

Kuoni private safari is one of the leading tour operators of south Africa and running successfully since it is established. Thomas cook group is one of the oldest tour operator and a very known name to the tourism industry for all across the globe.

kuoni private safari have not tour package for India and also no presence in Asian continents. As the kuoni private safari is one of the leading tout operator from south Africa it must look to expand and have its presence in India as there is a huge scope for global tourists and the tourists from south Africa as well.

On other side Thomas cook have wide presence in all global countries like usa, India England, Australia etc. It has good business in Gujarat and growing well in future according to current tourism statistics. Thomas cook have tour package for South Africa as well. To increase tourist arrival ration both country have to do joint venture or taking franchises of Tour Company.

As Gujarat conducts global investor's summit every year, a special team can execute this idea and delegates from both the industries can give a better shape to the entire idea.

It is feasible for Indian Company to penetrate in South African **Telecom Sector**. South Africa's mobile market is the most advanced market in the region with the penetration rate exceeding 105 percent at end-Mar 2011. The market has shown strong growth in the recent past, with its subscriber base increasing by more than 20 percent at an annual average since 2002. the market has also shown a trend towards the growth of value-added. Joint Venture (JV) with a majority shareholding and Mergers and Acquisitions are the most preferred entry channels due to the company having the most say over the use of the capital invested as well as having management control, thereby setting policy and direction. The company can master the 'Minute Factory Model". The trick is to make its customers talk more by making the call rates cheap and concentrate on the rural population and can also adopt 'Matchbox Strategy' of distribution, which essentially means any shop that sells matches should also sell mobile SIM cards and top-up vouchers which will help in building a vast dealer network. The company can adopt coupons system, advancement in landline and landline portability. Other services like World Sim, Internatinal ISD cards, 4G services, M-commerce, M2M communication, M-health, M-education etc should be developed.

South Africa has a dynamic **media industry** and is one of Africa's major media players.
The current scenario of media in South Africa is large, complex, robust and mature and arguably, ranks among the largest in Africa.
It is relatively open with various participants active in newspapers, television, magazines, radio, film, books, advertising, music and public relations. The future scenario of South Africa is according to data from professional services group PricewaterhouseCoopers (PwC).PwC stressed that South Africa lagged behind more developed countries. "As broadband penetration increases, they can expect a decline in circulation in print newspapers.

MDDA is the association who supports foreign players to establish private company in South Africa. 25% of MDDA funding is allocated to funding projects in this sector. For the research in South Africa MDDA also support up to 5% of their funding is allocated to projects who wish to undertake research into the media sector in South Africa or who want to undertake feasibility studies.

South Africa generally offers an open environment for foreign investment. The same laws and regulations generally apply to both local and foreign investors and there are no screening or approval processes specifically for foreign investors.

The South African **cement industry** is a chief player in the Southern African Development Community (SADC) province, causative between 85 and 90% of total infrastructure spending. It is the principal job creator in the financial system, and employed over 1 million people at a range of skills levels during 2011.

South Africa is in the course of streamlining its future. Structural advancements are happening in its economy, infrastructure advancements have enlarged the nation's economic capacity and will prop up, not obstruct future economic growth. The Major Cement Producing Players in South Africa are PRETORIA PORTLAND CEMENT, LAFARGE CEMENT ZIMBABWE, LAFARGE ZAMBIA. From the study it can be concluded that there exist potential for Indian cement companies to be the part of South African cement industry by becoming the supplier of cement.

India has an huge potential to tap cement market of South Africa due to its strengths of location advantage, large-scale coal and limestone deposits, adequate cement capacity and world-class cement production with the latest technology. India has an projected total of 90 billion tones of limestone deposit in the country.

Running through the pages of findings of **dairy industry**, we analyzed that a set of 6 products can be identified which can be exported to South Africa by Amul co-operative. The products that were recognized as having a business potential were Ice- cream, Yogurt, Sweets (other than chocolates), milk addictives, Infant milk powder & chocolate.

Also, there were two products that can be imported to India from South Africa. They are Dairy Juice Blend and Dips.

We also found that Amul can self start its operations in South Africa as it is a highly deregulated market over there.

CHAPTER-3

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