

United Phosphorus' \$700 million push into Latin America is paying dividends. After expanding to Europe and the U.S., Indian companies target Latin America.

BY CHARLES NEWBERY

BUENOS AIRES -- For India's United Phosphorus, a \$700 million push into Latin America is paying dividends. The Mumbai-based maker of agrochemicals and seeds has acquired seven companies in Argentina, Brazil, Colombia and Mexico over the past six years. The attraction is clear: Latin America has sweeping and fertile farmlands with ample water resources, traits that have made it known as the breadbasket of the world – and an envy of China and India, both of which lack productive land and water for expanding crop output to feed a growing populace. Farmers in Latin America are stepping up the use of chemicals, fertilizers and technology to boost productivity, making it possible for Brazil, for example, to become a tropical farm power. This bodes well for United Phosphorus and peers like Punjab Chemicals and Crop Protection and Indian Farmers Fertiliser Cooperative.

"We will make more acquisitions," says United Phosphorus executive director Vikram Shroff.

The firm entered Latin America in 2005 with an expansion strategy based on stepping up product launches and educating dealers and farmers on the benefits of herbicides, insecticides and hybrid seeds. It also started marketing local products through its global network, says Shroff. This translated into revenue growth. Its seed business in Latin America, for one, surged fivefold to \$35 million in 2010 from \$7 million in 2006, while agrochemical revenue more than doubled to \$80 million from \$35 million over the same period.

"We can add value to Latin American companies and help them expand and take their products global," says Shroff. United Phosphorus is one of a raft of Indian companies broadening beyond their home market, population 1.2 billion. The process started with a liberalization of the Indian economy in 1991. This catapulted it from a slow-growth, state-controlled economy to the world's fastest growing major economy alongside China, population 1.3 billion. The process unleashed India's "entrepreneurial energy," says R. Viswanathan, India's ambassador to Argentina, Uruguay and Paraguay, and a 15-year veteran in regional affairs. "This gave a new confidence to Indians to go global." At first, Indian companies targeted Europe and the United States, chalking up experience and senior positions at Citigroup, Deutsche Bank and PepsiCo.

This also brought growth. Suzlon Energy, for one, launched an expansion plan in 2005 that took it from a family-run wind power outfit in Pune, India to the world's third biggest in the field, says Kenneth Jofs, a Finn who runs business development in Latin America. Havells, an electrical goods manufacturer from Delhi, is another. It became a leader in Latin America in 2007 by acquiring the regional assets of Frankfurt, Germany-based Sylvania, a \$1 billion business. "This is the new opening of India, not only the market but the mindset," says Viswanathan. The timing is right for Latin America. The region is growing heartily on rising commodities prices and stable economic policies. "Opportunities are tremendous, both for trade and investment," says Jyotiraditya Scindia, India's minister of state for commerce and industry. "We must move quickly and grab opportunity when we see it."

The push is for two reasons. First, India needs energy, food and minerals security to feed its bustling economy and middle class following 20 years of economic expansion, says V. S. Surana, president of Surana & Surana International Attorneys, based in Mylapore, in the southernmost state of Tamil Nadu. The second reason is that Latin America is a new market for Indian goods, helping companies to continue growing after entering Asia, Europe and the United States, he says. This already is translating to higher trade and direct investment. India-Latin America trade surged to \$23 billion in 2010 from \$2.6 billion in 2001, and is poised to continue expanding 20-25 percent a year, says Viswanathan, the ambassador. What's more, Indian companies have invested \$12 billion in Latin American agriculture, energy, information technology, mining, pharmaceuticals and steel in recent years. They now employ 35,000 Latin Americans, 18,000 in IT alone, he says.

#### PRODUCT MATCH

For Gaurav Gupta, Latin America also makes sense from a product perspective. Both regions have a large lower class that's gaining in spending power and want accessible goods not always available from developed markets, says the owner of G-Square Trading, a New Delhi-based trader operating in Latin America for four years. He says beedies, a low-cost hand-rolled cigarette smoked widely in India, are selling handsomely in Latin America. Other products like non-intrusive medical devices and steel meet specification requirements in Latin America and can be shipped without modification, saving on manufacturing costs, he says. "Latin America is a complimentary market," he says. "We make a lot of products for the lower class so there is a lot of product match in Latin America. We have the right inroads to offer a good product at a good price."

#### A DIFFERENT TACT

India's appetite for natural resources draws comparisons with China, an aggressive player in Latin America as it searches for food and energy security. China's trade with Latin America reached \$166 billion in 2010, seven times more than India's. Now it is seeking to buy not only crops but land in Argentina and Brazil for producing its own corn and soybeans, raising concerns about jobs because China wants to ship the raw materials back home to process at its own plants.

Indian companies say they are taking a friendlier approach by keeping on board local staff and management, and limiting oversight to a few Indians in regional posts. "We don't bring in millions of Indians," says Viswanathan. He cites Havells as an example. The light bulb maker employs one Indian in Costa Rica to manage Latin America. This brings training and career opportunities to Latin Americans, he says. The head of global research at United Phosphorus, with 360 Latin Americans on staff, is Argentine, and the head of Latin America is Argentine, he says. Gabriel Rozman, of Uruguay, has climbed to executive vice president of Tata Consultancy Services, a global IT services, business solutions and outsourcing company headquartered in Mumbai and with operations in eight countries in Latin America.

"Indians don't enforce their cultures on others," says Surana, the lawyer. "If I enter a country and buy up a company, I will learn how the company works and I will learn the local culture. If there is a global best practice, I will bring it in. I won't bring in an Indian best practice just because I am from India." United Phosphorus' Shroff says retaining "the talent and knowledge of the local entrepreneur" aids growth by maintaining clients after a takeover.

#### CHALLENGES

Political rumblings can cause concern, like the nationalist policies of Bolivia and Venezuela. Viswanathan is optimistic, however, that the region won't return to the years of high debt, inflation and excessive protectionism, saying a pro-growth and business model will remain prominent with many countries seeking to emulate the Brazilian plan that has become synonymous with a balance between economic growth and social welfare. Brazil is becoming a global player in food, energy and industry – and expanding trade with China and India.

More than this, the challenges are language and distance, says Surana. It takes longer to move products to Latin America from India, pushing up costs that could be reduced with direct air and shipping routes. Fire Safety Devices, a maker of fire extinguishers and firefighting equipment in North India, is looking at how to overcome 60-day freight delivery times. This makes it hard to compete with Latin American and U.S. suppliers like Tyco Fire and Security, of Boca Raton, Florida, because its products can take twice as long for delivery, evaporating a lower labor-cost advantage in India that's made it a major supplier in other parts of the world, says Aditya Parekh, Fire Safety's head of technology. To get around this, he wants to set up a partnership in the region to send products for finishing, helping to reduce import duties, delivery costs and times. "We can beat the competition in South-East Asia but not in Latin America," he says. "We have to get on the ground to compete."

#### Latin American Exports - Exports to India in millions of US dollars

Country	2009	2010
Brazil	\$3,415	\$3,492
Mexico	\$1,085	\$1,000
Argentina	\$876	\$2,032
Chile	\$908	\$1,600
Colombia	\$449	\$370
Peru	\$72	\$230
Venezuela	\$2,260	\$5,000
LA/C	\$9,700	\$14,000

#### Indian Exports - Exports to Latin America in millions of US dollars

Country	2009	2010
Brazil	\$2,191	\$4,242
Mexico	\$1,140	\$1,600
Argentina	\$342	\$496
Chile	\$278	\$350
Colombia	\$504	\$700
Peru	\$304	\$470
Venezuela	\$213	\$400
LA/C	\$7,500	\$9,000

Source: India's Embassy in Argentina