Formulating Strategies
Providing Solutions
Achieving Success

INDIAN BUSINESS GOING GLOBAL

Pitfalls and Precautions

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More than a decade of liberalization and continuous efforts on part of Government has opened new avenues for Indian Entrepreneurs. In recent years, Indian companies have started taking initiative to move into global market.

Here are some facts relating to it:

- A.V.Birla Group, operating in 18 countries, recently acquired two copper mines in Australia for US$ 80 million and a Carbon black manufacturing unit in China.

- ONGC Videsh Ltd. (OVL) is investing over US$ 2 billion in discovered / producing oil fields in Sudan, Russia and Angola and gas fields in Vietnam. Besides, OVL has acquired exploration assets in Myanmar, Libya, Iran, Iraq and Syria.

- Tata Motors paid $118 million to buy Daewoo.
- Infosys has bought an Australian Software firm for US$ 23 million.
- Ranbaxy gets 70% of its revenue from its operations outside India with 40% from USA.
- Reliance recently paid $ 207 million to acquire Flag Telecom.

Indian Export: Region-wise

(In US $ Million)

Region	April-August 2003-2004	April-August *2004-2005
Europe	5701.95	7344.06
CIS & Baltic States	374.82	445.32
Asia and Oceania	9729.34	13570.61
Africa	1325.66	1739.56
America	4962.15	5578.83

*Projected

PITFALLS

Pitfalls could be primarily divided as under:

1. Commercial
2. Financial
3. Legal

For further understanding we have divided global working of Indian business under following two heads:

I. In case where investment is made outside India;

II. In case it is through contract with Foreign Party.

I. <u>In case where investment is made outside India:</u>

- Lack of knowledge about the Country;
- Lack of knowledge about the Company;
- Lack of knowledge about working culture;

- Lack of knowledge about laws, relating to company operations, labour, tax etc.;
- Lack of knowledge about investment laws, both in the country of investment and in India, notified and amended by Government, time to time.

II. In case it is through contract with Foreign Party:

- Lack of understanding of performance parameters;
- Lack of understanding about quality control;

- Lack of understanding of Intellectual Property Rights;
- Lack of understanding relating to costing/pricing;
- Lack of understanding about delivery modes;
- Lack of understanding relating to warranty / guarantee;

- Lack of understanding relating to governing law;
- Lack of understanding relating to mode of dispute resolution;
- Lack of understanding relating to jurisdiction of Court;
- Lack of understanding relating to enforcement of Court decision;

- Lack of understanding about ethical aspects;
- Lack of understanding about third party liabilities;
- Lack of understanding about force majeure.

PRECAUTIONS

- Spend time to understand the Country – History & Culture.
- Involve professionals, with international exposure to assist.

- Take personal interest in acquiring knowledge of corporate laws on macro level.
- Rationalize tax planning with the help of professionals from these countries.
- Work closely with professionals on various aspects of agreement.

- Undertake due diligence before entering into business relationship;
- Put your concerns about mode of payment, time and quantum clearly on table, before closing the deal;
- Be careful about third party exposure - take commitment from foreign party on this aspect;
- Be careful about governing law, jurisdiction of Court, mode of dispute resolution.