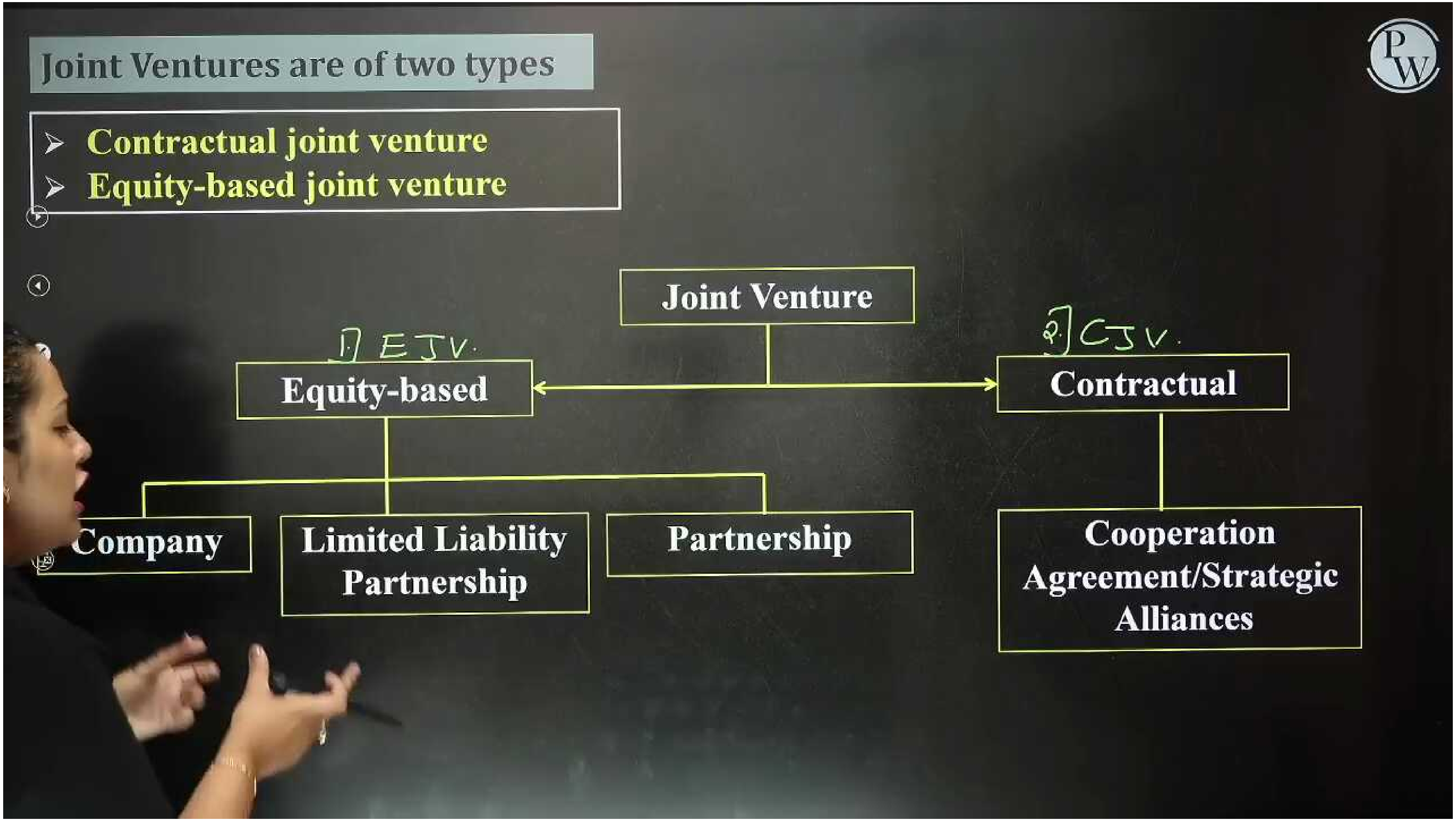
## JOINT VENTURES

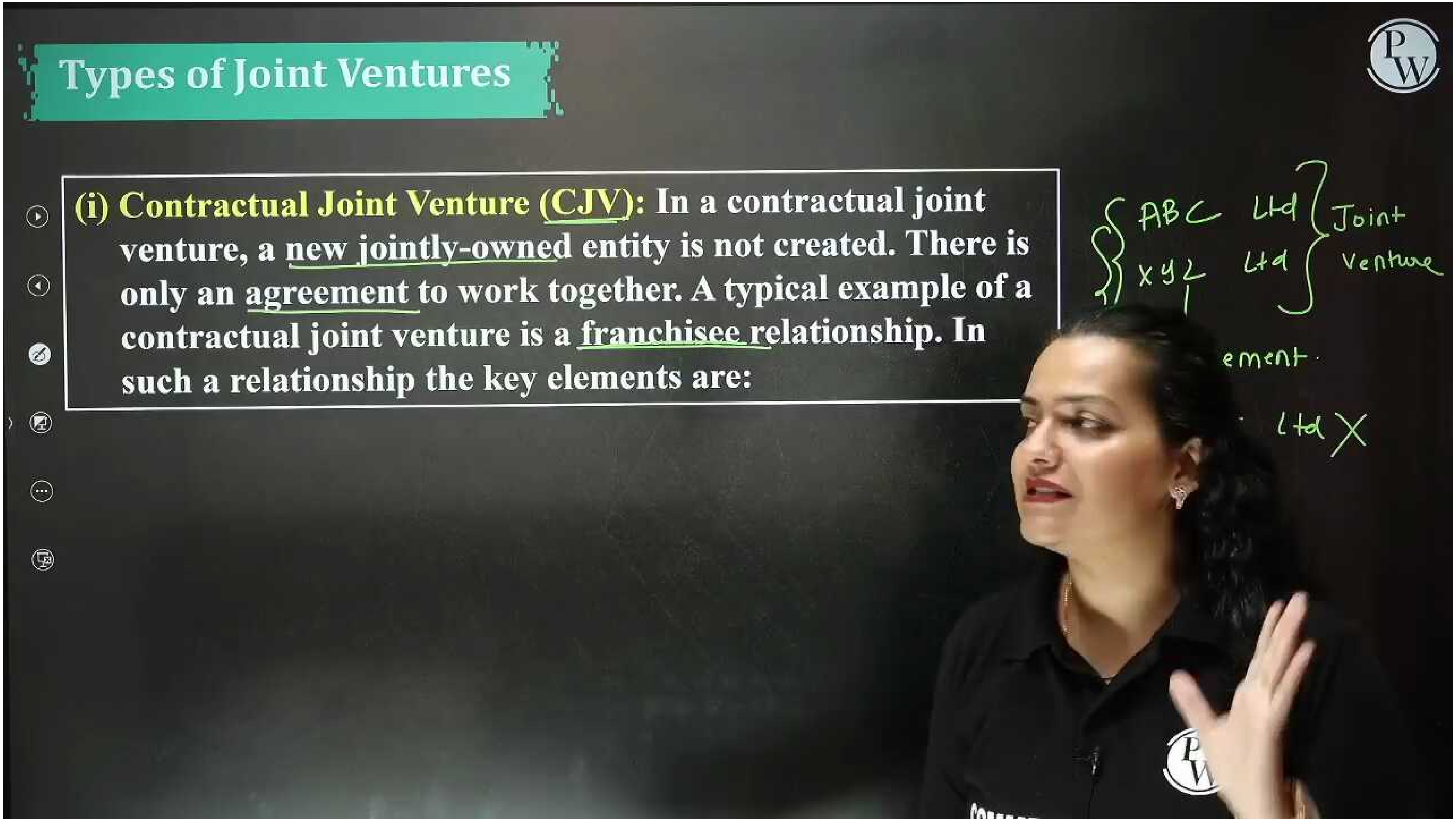
When two businesses agree to join together for a common purpose and mutual benefit, it gives rise to a joint venture. A joint venture can be flexible depending upon the party's requirements. These need to be clearly stated in a joint venture agreement to avoid conflict at a later stage.

In India, joint venture companies are the best way of doing business. There are no separate laws for these joint ventures. The companies incorporated in India are treated the same as domestic companies.

When two or more people / individuals do business together → Partnership

two Businesses


Joint Ventures are of two types
➢ Contractual joint venture
➢ Equity-based joint venture
Joint Venture
1] EJV.
Equity-based
2] CJV.
Contractual
Company
Limited Liability Partnership
Partnership
Cooperation Agreement/Strategic Alliances



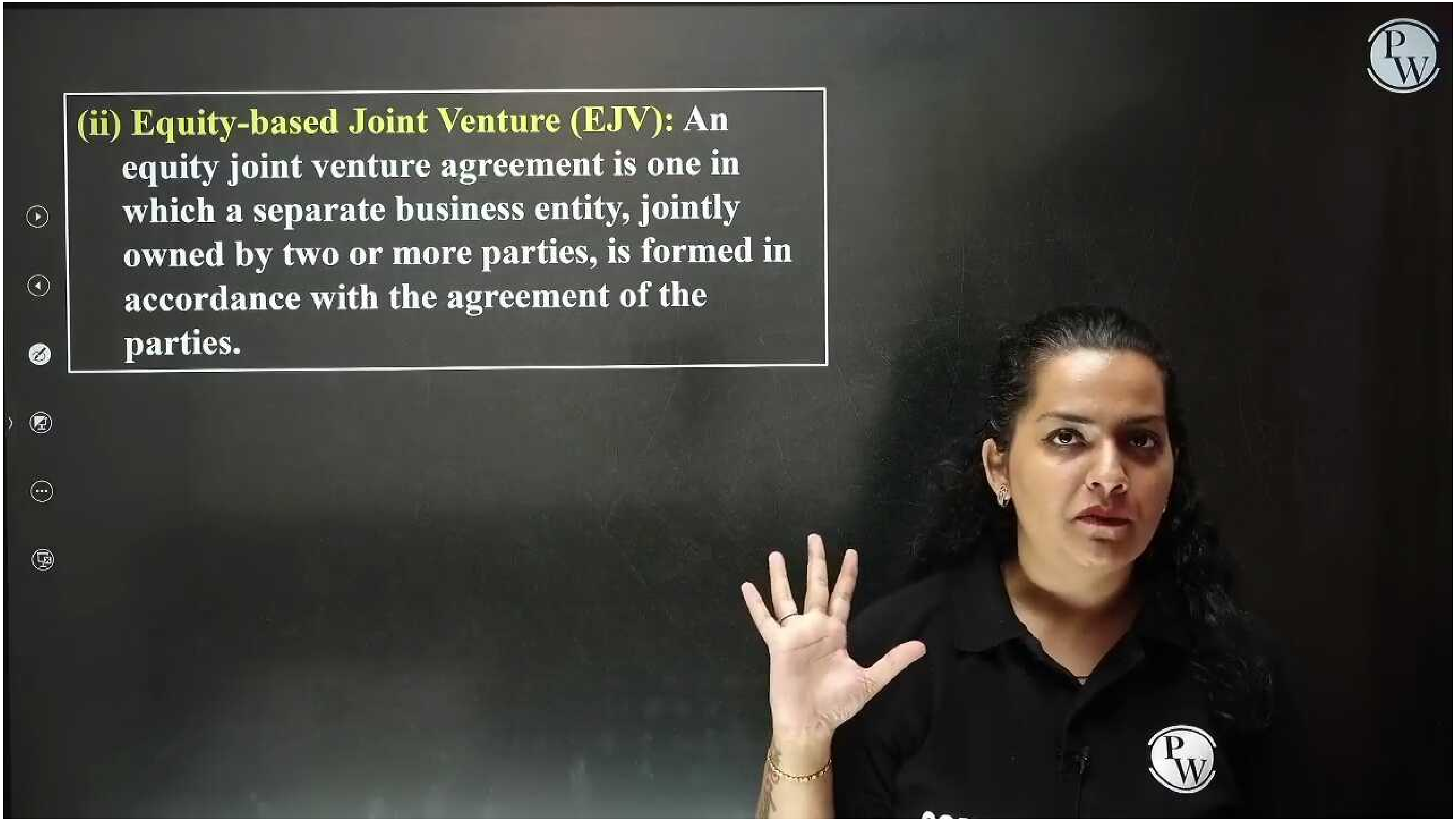
Types of Joint Ventures
(i) Contractual Joint Venture (CJV): In a contractual joint venture, a new jointly-owned entity is not created. There is only an agreement to work together. A typical example of a contractual joint venture is a franchisee relationship. In such a relationship the key elements are:
ABC Ltd
XYZ Ltd
Joint Venture
ement.
Ltd X

(a) Two or more parties have a common intention – of running a business venture;

(b) Each party brings some inputs;

(c) Both parties exercise some control on the business venture;

(d) The relationship is not a transaction-to-transaction relationship but has a character of relatively longer duration


(ii) Equity-based Joint Venture (EJV): An equity joint venture agreement is one in which a separate business entity, jointly owned by two or more parties, is formed in accordance with the agreement of the parties.

(a) There is an agreement to either create a new entity

(b) Shared ownership by the parties involved;

(c) Shared management of the jointly owned entity;

(d) Shared responsibilities regarding capital investment and other financing arrangements; and

(e) Shared profits and losses according to the agreement.

(f) A joint venture must be based on a memorandum of understanding signed by both the parties, highlighting the basis of a joint venture agreement.

## Benefits

(i) **Increased resources and capacity:** Joining hands with another or teaming up adds to existing resources and capacity enabling the joint venture company to grow and expand more quickly and efficiently.

ABC Ltd → 100 crore
\+ xyz ltd → 100 crore
J.V. → 200 crores

(ii) **Access to new markets and distribution networks:** When a business enters into a joint venture with a partner from another country, it opens up a vast growing market. For example, when foreign companies form joint venture companies in India they gain access to the vast Indian market.

(iii) **Access to technology:** Technology is a major factor for most businesses to enter into joint ventures. Advanced techniques of production leading to superior quality products saves a lot of time, energy and investment as they do not have to develop their own technology

(iv) **Innovation :** The markets are increasingly becoming more demanding in terms of new and innovative products. Joint ventures allow business to come up with something new and creative for the same market.

(v) **Low cost of production:** When international corporations invest in India, they benefit immensely due to the lower cost of production. There are many reasons for this, low cost of raw materials and labour, technically qualified workforce; management professionals, excellent manpower in different cadres, like lawyers, chartered accountants, engineers, scientists.

India
↓
Developing Country
↓
Cost of labour
↓
Cheaper

(vi) **Established brand name:** When two businesses enter into a joint venture, one of the parties benefits from the other's goodwill which has already been established in the market.

# PUBLIC PRIVATE PARTNERSHIP (PPP)

- The Public Private Partnership model allocates tasks, obligations and risks among the public and private partners in an optimal manner.
- PPP is, therefore, defined as a relationship between public and private entities in the context of infrastructure and other services.
- Under the PPP model, public sector plays an important role and ensures that the social obligations are fulfilled and sector reforms and public investment are successfully met

## Features

1. Contract with the private party to design and build public facility.
2. Facility is financed and owned by the public sector.
3. Key driver is the transfer of design and construction risk.

Profit & Loss → Both

Management ⇒ Govt.