Five Successful Joint Venture Companies (JVC) in India 2022/2023

India has always been known as a great place to invest in businesses. There are several reasons why entrepreneurs should look at investing in Indian companies. But, there are also some risks to consider before jumping into such deals.

There are many successful joint venture companies operating in India. Among them are AirAsia, Reliance Jio, Tata Motors, HUL, Infosys, Wipro, etc. These companies are now expanding their operations worldwide. The company has successfully managed to establish its presence around the globe.

A joint venture is a type of partnership between two or more parties involved in setting up a new company, especially one involving foreign investment. In the case of India, the country was once considered a relatively unsafe destination for outside investors. The government has taken steps to improve the overall environment. This has helped in encouraging foreign direct investments in India.

Some of these improvements include tax incentives, ease of obtaining permits, improving infrastructure, strengthening anti-corruption laws, promoting transparency, and establishing a vibrant legal system. These measures have contributed immensely towards creating favorable conditions for foreign investments.

India currently ranks third worldwide in terms of population size, but only 13th in GDP per capita. Despite several economic reforms since 1991, the country continues to lag behind most of the developed countries. As a result, India’s $2 trillion economy is projected to overtake China’s by 2027.

More importantly, according to McKinsey Global Institute, India leads the world in the number of young people who will enter the workforce between 2016 – 2024, surpassing even China. To meet such challenges, Indian corporates have started exploring ways to innovate.

In 2007 alone, nearly 4,500 startups were established, and three years later, India surpassed China in smartphone sales. Given the tremendous growth potential in consumer tech, JVCs are looking to tap into India's massive market.

What is JVC?

A joint venture company is a business contract in which both sides of the company agree to contribute equity to developing a new entity and new investments for a specific time. Both companies have authority over the company and thus share earnings, expenditure, and resources.

And where both the company's goal is to complete an activity, task, or business growth, and once that task is completed, the commercial venture could close the deal or any form of a contract signed between both companies. In other words, a joint venture is just like any other business like companies or partnerships. The difference between it is that the two different persons or parties only own joint ventures.

It is just like a company's contract in which both partners agree to share a profit in a specific ratio of their ownership. Both persons or you can say partners in the business are also known as co-ventures. Joint ventures also create synergies and give the companies cost and benefits. It can be formed because of different reasons to enter a new market or to enter a new business line altogether.

"Some 70% of joint ventures and partnerships are in need of restructuring at any given time, according to our surveys of executives, and that, on average, the median joint venture

takes 39 months longer to restructure than a wholly-owned business."

Source: https://hbr.org/2021/04/research-joint-ventures-that-keep-evolving-perform-better

Let's See The Characteristics of a Joint Venture Company in India

– The mutual decision:

A contract is signed when two or more companies team up and start a business together, describe the organisation's aims, and objectives, and agree to be bound by it in all circumstances.

– Collaboration through joint ventures:

The characteristics of businesses engaged in a joint venture may differ. They facilitate cooperation for better results. Both companies profit from the joint venture by utilising one of their speciality in.

– Shared expert knowledge:

In Joint ventures, businesses also share data such as new tech, investment, resources and expertise.

– The joint venture is short-term:

Joint ventures have a short term. Two companies come together for a specific reason. Still, once that aim is completed, the companies can quit or enter into an extended partnership when both companies cooperate.

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– No specific name is required:

Because of the joint venture, there is no need to give the company a unique or different name. Both companies could use their existing brand or any name if they form a joint venture.

– Financial risk:

If you start a joint venture business you would like to enter a new market, which increases the challenges & risks as well. By entering into joint ventures, you can effectively boost profitability, and thus lower the risk of failure. in addition to profit and loss, processes, and other administrative duties.

Benefits of Joint Venture

1. In a joint venture, two business companies do not just engage but also start sharing their assets.

2. When two or more business partners collaborate, they start sharing their knowledge and skills as well.

3. The biggest advantage of a joint venture is that all parties share the financial risks involved in the business.

4. The expenses of marketing and advertising activities are distributed to both parties by the involved parties in the joint venture.

5. The failure chance is less and also increases the market popularity of your brand.

Con’s of the Joint Venture

1. You will have restricted flexibility at times and both your resources and time to that endeavour. Your own business may suffer the consequences in this matter.

2. When two companies form a joint venture, they have to share different work cultures and management styles, resulting in poor cooperation among coworkers.

3. The joint venture necessitates extensive planning and research, and can also be putting an added burden on your business team.

4. There is a chance that your partners or their joint venture will not perform as promised during the initial stages of the joint venture.

5. When two companies form a joint venture lacking careful consideration and paperwork. They end up having lots of disagreements, & matters which affect both companies’ enterprises and cause the joint venture to collapse.

Here are the List of Joint Venture Companies (JVC) in India

– Tata Starbucks

Tata Starbucks Private Limited, formerly known as [Tata Starbucks Limited], is a 50:50 joint venture company, owned by Tata Consumer Products and Starbucks Corporation, that owns and manages Starbucks outlets in India. The outlets are branded Starbucks “A Tata Alliance”. India.

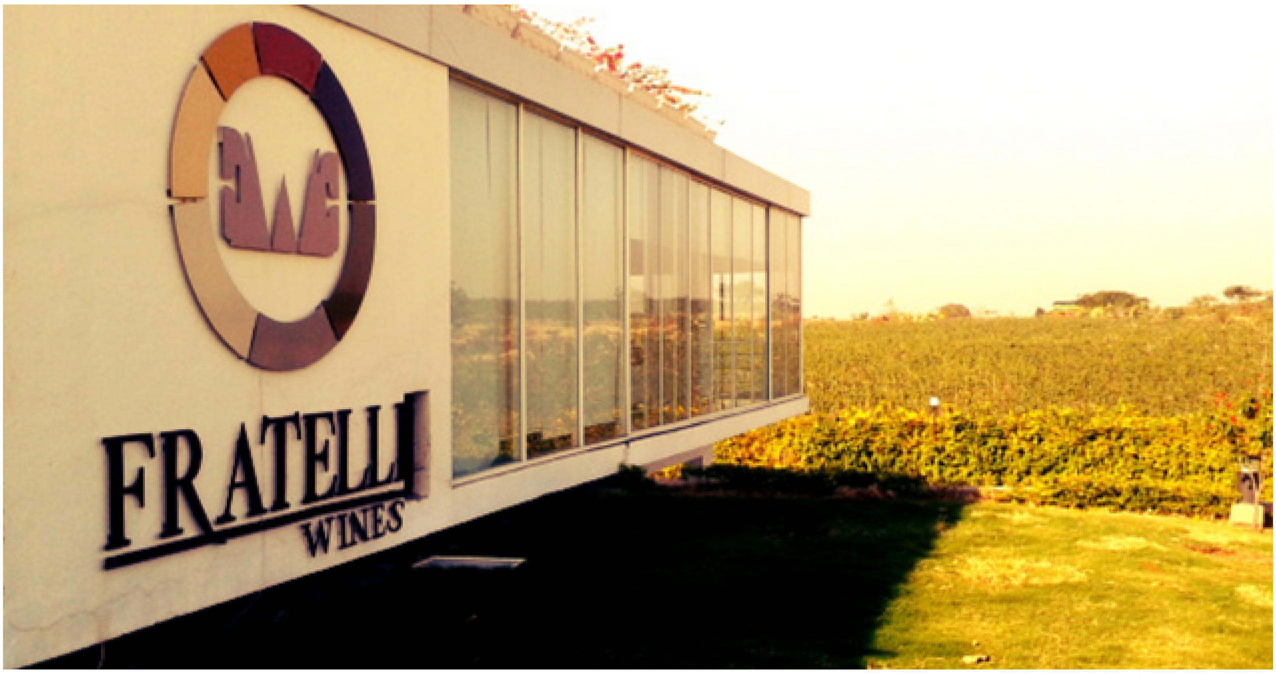
– Bharti-AXA General Insurance Co Ltd

Bharti AXA General Insurance Co Ltd is a JV between India’s leading business group Bharti Enterprises and an insurance major from France, AXA.

This leading insurer in India’s initial operations. The company is licensed by (IRDAI) the Insurance Regulatory and Development Authority of India.

Bharti AXA offers a comprehensive range of insurance products ranging from vehicle, health, travel, home and education, among others. Bharti-AXA General Insurance is among the pioneers of JV in India’s insurance sector.

– Fratelli Wines



Fratelli Wines is an Indo-Italian joint venture between Italy’s Secci brothers, Alessio and Andrea, the New Delhi-based Sekhri brothers, Kapil and Gaurav, and Mohite-Patil Ranjitsinh and Arjunsinh from Solapur Maharashtra.

– Mahindra-Renault Ltd

A Joint venture between Mahindra-Renault, brings together India’s largest automobile manufacturer Mahindra & Mahindra and world-renowned vehicle maker, Renault SA of France. This joint venture has launched several cars together.

– ICICI Bank (Insurance & Investments)

ICICI Bank has two successful joint ventures to offer a variety of insurance and investment products to customers in India and Indian citizens residing in various parts of the world.

1. ICICI Prudential Life Insurance Company Ltd is a joint venture between ICICI Bank and UK-based Prudential Corporation Holdings Limited.

2. ICICI Lombard is a joint venture between ICICI Bank and Fairfax Financial Holdings Ltd of Canada.

– AirAsia India

AirAsia India is a joint venture between Malaysia-based AirAsia Berhad and Tata Sons. The airline ranks as the fourth largest Low-Cost Carrier (LCC) in India. AirAsia India is also the second JV in the airline industry of Tata Sons.

Difference Between Joint Venture V/S Partnership

1. A joint venture is a business formed by two or more people or companies that are defined and participants in a joint venture is recognised as co-venturers. Whereas a partnership is a legal agreement in which partners consent to collaborate and share aims, and participants

in a partnership are known as partners.
2. Profit income may or may not be the primary objective of the Joint Venture. In contrast, a Partnership is not restricted to only one venture or goal but rather focuses on having to run a business for the long term and making a profit.
3. Governing Act: JV: There is no such specific activity.The partnership is governed by the Indian Partnership Act, 1932.
4. Status of Minor: A minor cannot become a co-venturer. A minor can become a partner to the benefits of the business.

FAQ’s on joint ventures:

Summary

A joint venture company is a business contract in which both sides of the company agree to contribute equity to developing a new entity and new investments for a specific time. Both companies have authority over the company and thus share earnings, expenditure, and resources.

If you start a joint venture business you would like to enter a new market, which increases the challenges & risks as well. By entering into joint ventures, you can effectively boost profitability, and thus lower the risk of failure. in addition to profit and loss, processes, and other administrative duties. Joint ventures also create synergies and give the companies cost and benefits. It can be formed because of different reasons to enter a new market or to enter a new business line altogether.

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