

# Case Study: Olam

## Olam's story

Olam began as a single-product single-country operation funded by seed capital from Indian family business Kewalram Chanrai Group in 1989. Exporting cashews from Nigeria proved fruitful for the company which was growing well above the market rate—a result of having developed a better sourcing proposition for its customers. Having gained eligibility to list in Singapore, but facing some nervousness on the part of investors around the merits of floating an Indian family-owned commodity business, Olam looked to private equity assistance to prepare the company for IPO. Olam was listed on the Singapore Exchange on 11 February 2005.

Today Olam is an internationally recognized Singapore-based integrated supply chain manager that sources, processes, distributes,



and markets select agricultural commodities in 64 countries across Europe, North and South America, Asia and Africa. It counts Cargill, Planters, Nestle, Mars, Cadbury, Kraft, Sara Lee, and Unilever among its customers. Olam is one of the top 40 companies on the Singapore Stock Exchange in terms of market capitalization and is one of the largest providers of pre-finance to the small-scale farming sector in different producing countries as part of its global sustainability initiatives.

## The role played by Private Equity

In 2001, AIF Capital saw the potential to significantly increase the scale of Olam's activities with an injection of capital, making the most of an increasingly accessible agri-product trade. After an extensive 9-month deal assessment process that included site visits in Africa and Asia, the private equity firm took an equity stake in 2002.

Post investment, AIF Capital chaired the risk management, finance and investment as well as IPO committees set up to enhance Olam's governance structures, sharpen business plans and focus strategy ahead of its planned IPO. The firm also saw the opportunity to improve Olam's financial structure by lowering its gearing ratio and switching from all short-term to medium and long-term financing.

Post-listing, Olam's growth strategy was driven

by a focus on its core business and methodically expanding into adjacent businesses, one step at a time. Supported by AIF Capital, it differentiated its commodity business with customized supplier solutions before scaling its expertise across geographies and product categories.

Olam's most recent expansion strategy is focused on selected acquisitions and extension into upstream businesses. AIF Capital was able to effectively utilize its extensive business and banking networks to contribute to Olam's growth trajectory. This included the introduction of strategic investors, new joint venture partners, customers, suppliers and acquisition targets, including opening some doors in China—and AIF Capital's market knowledge and local presence smoothed the way.

Net profit of Olam has grown over 14 times since AIF Capital's investment in 2002.

### The Company



#### Essentials

**Company:** Olam International Limited, [www.olamonline.com](http://www.olamonline.com)

**GP:** AIF Capital, [www.aifcapital.com](http://www.aifcapital.com)

**Region:** Global

**Country:** Headquartered and listed in Singapore

**Sector:** Agricultural commodities

**Business focus:** Supply chain management of agricultural products and food ingredients

**Size:** Revenue S\$10.5bn (2010); 14,600 employees (2010)

**Date of investment:** 2002; subsequent investments by Temasek Holdings through its wholly owned subsidiary, Seletar Investments, and International Finance Corporation (IFC). AIF Capital divested of its investment in 2010

**Investment:** AIF Capital held 14.5% at entry in 2002

#### Impact Highlights

Private equity support helped to prepare Olam for IPO, achieved in February 2005

AIF Capital actively supported Olam company policy of differentiation through customized solutions to ensure sustained growth when scaling the business

Net profit grown over 14 times since AIF Capital's initial investment

AIF Capital assisted Olam's sustainability initiatives in emerging markets

# The Company View

**"AIF Capital was our first private equity investor, selected from a shortlist of 40 in 2002 for its global standing and established track record.**

The firm stayed on as an actively contributing board member for five years after our IPO and has always supported our primary goal to build long term intrinsic value for our existing shareholders, not simply to grow Olam's share price. This is largely achieved through the diverse perspectives of our 11 Board members and committees who look carefully at the key strategic issues that will enable the organization to secure a clear competitive advantage at every stage of our business."

**"In Olam's early days, private equity played a key role in our growth by taking the early risk. With PE support, we were able to pioneer access to the public markets for commodity companies and Olam is now a global stock, maximizing value for our primarily institutional, sophisticated, global shareholder base."**

Sunny Verghese,  
CEO,  
Olam



**"Sunny Verghese is a visionary powerhouse. He and his team have built Olam into a truly remarkable company—and we have very much enjoyed being there in Olam's growth journey."**

Peter Amour, CEO at AIF Capital

## A force for good

**Olam's vision for sustainable and profitable growth in the markets in which it operates demands that it manages its business in a way that is supportive to communities, ensures a safe and productive workplace and is understanding of the environment.**

Focusing on the areas in which it has expertise, Olam seeks to improve the livelihoods of farmers and communities through initiatives that enhance productivity and returns, building mutually beneficial relationships.

It has recently begun analysis of several aspects of agri-processing, including energy usage, greenhouse gas emissions and freshwater usage. The aim is that this analysis will ultimately enable the company to review its current operational practices with a view to improving its use of scarce resources and minimizing the negative impacts of production and processing across the supply chains. Olam has appointed the

Monitor Group to technically support this process in collaboration with an internal Olam team covering all businesses and geographies.



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