

Olam International Limited

Acquisition of 100% stake of Hemarus Industries Limited (“HIL”)

31st August 2011 | Singapore



DELIVERING OUR STRATEGY

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Potential risks and uncertainties includes such factors as general economic conditions, foreign exchange fluctuations, interest rate changes, commodity price fluctuations and regulatory developments. The reader and/or listener is cautioned to not unduly rely on these forward-looking statements. We do not undertake any duty to publish any update or revision of any forward looking statements.

Presentation Outline

- ✿ Transaction Overview
- ✿ Investment Rationale
- ✿ Overview of Operations and Assets
- ✿ Overview of the Indian Sugar Industry
- ✿ Key Financials
- ✿ Summary
- ✿ Q&A

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Transaction Overview

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- ✿ Acquisition of **100% of Hemarus Industries Limited** in India from its promoters for a combined Enterprise Value (EV) of **US\$73.8 million (INR 3,400 million)**. The transaction is subject to customary closing conditions.
- ✿ The transaction provides Olam with a new and modern **sugar milling** facility having operating capacity of **3,500 TCD** in Kolhapur, India and a **20 MW co-generation plant**.
- ✿ Planned **expansion to 5,000 TCD** in **year 2** at an additional capital outlay of **US\$6.6 million**.
- ✿ Transaction is **EBITDA accretive** from the **1st year** and **earnings accretive** from the **2nd year** post consolidation.

Target Description

- ✿ Preferred Location: In Kolhapur district of Maharashtra, the country's 2nd largest sugar producing state.
- ✿ Superior Yield: Kolhapur district has the highest sugar recovery rate in India at 12.50%.
- ✿ Favorable supply/demand dynamics: Cane production in the region (2.2 MMT) outstrips installed cane crushing capacity (1.7 MMT) .
- ✿ Limited competition: Situated > 30 kms from nearest mill, thus limiting competition for cane in the catchment area.
- ✿ Access to multiple port gateways: Ratnagiri/Goa (250 kms); Karwar (300 kms).
- ✿ Modern and new facility spread over 210 acres employing modern technology thus having a higher potential for power exports vis-à-vis conventional units.

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Investment Rationale

Strategic Fit

- ✿ HIL is a good strategic fit for Olam's Sugar business:
 - ✿ **In line with stated strategy** of acquiring **milling facilities in large origins with comparative cost advantage** and refining activities at large destination markets.
 - ✿ HIL's facility gives Olam a meaningful size in the Indian context and positions us well to achieve our goal of crushing 2 to 2.5 million MT of crush annually.
 - ✿ HIL provides Olam with a modern and new facility located in the most preferred sugar region of India.
- ✿ **Olam-HIL combination:**
 - ✿ HIL can leverage the strong **cane development processes** developed by Olam at its first sugar milling facility, GSIL, in Madhya Pradesh.
 - ✿ Olam's strong balance sheet can support incremental investments to utilize the full potential of the HIL facility, including capacity augmentation and establishment of an ethanol facility.

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Overview of Assets

Assets Description

✿ Key assets comprise:

- ✿ New and modern sugar milling facility with operating capacity of 3,500 TCD capacity, located in the most preferred sugar region of India
 - Produces high quality sulphur free refined sugar (50 ICUMSA)
 - High mill extraction of 74% vis-à-vis 70% of less advanced milling plants
 - Lower steam consumption at 32% vis-à-vis 45% of other sugar factories
- ✿ 20MW cogeneration plant capable of handling dual feedstock
- ✿ Additional licences to build a 45 KLPD ethanol facility and a 3500 TCD sugar mill in Belgaum (with 20 MW Cogen)
- ✿ 210 acres of land - sufficient for sugar mill capacity expansion, setting up an ethanol facility as well as a bio compost plant.
- ✿ Plant is also capable of refining raw sugar - an important ability in deficit years.

Overview of Assets (cont'd)

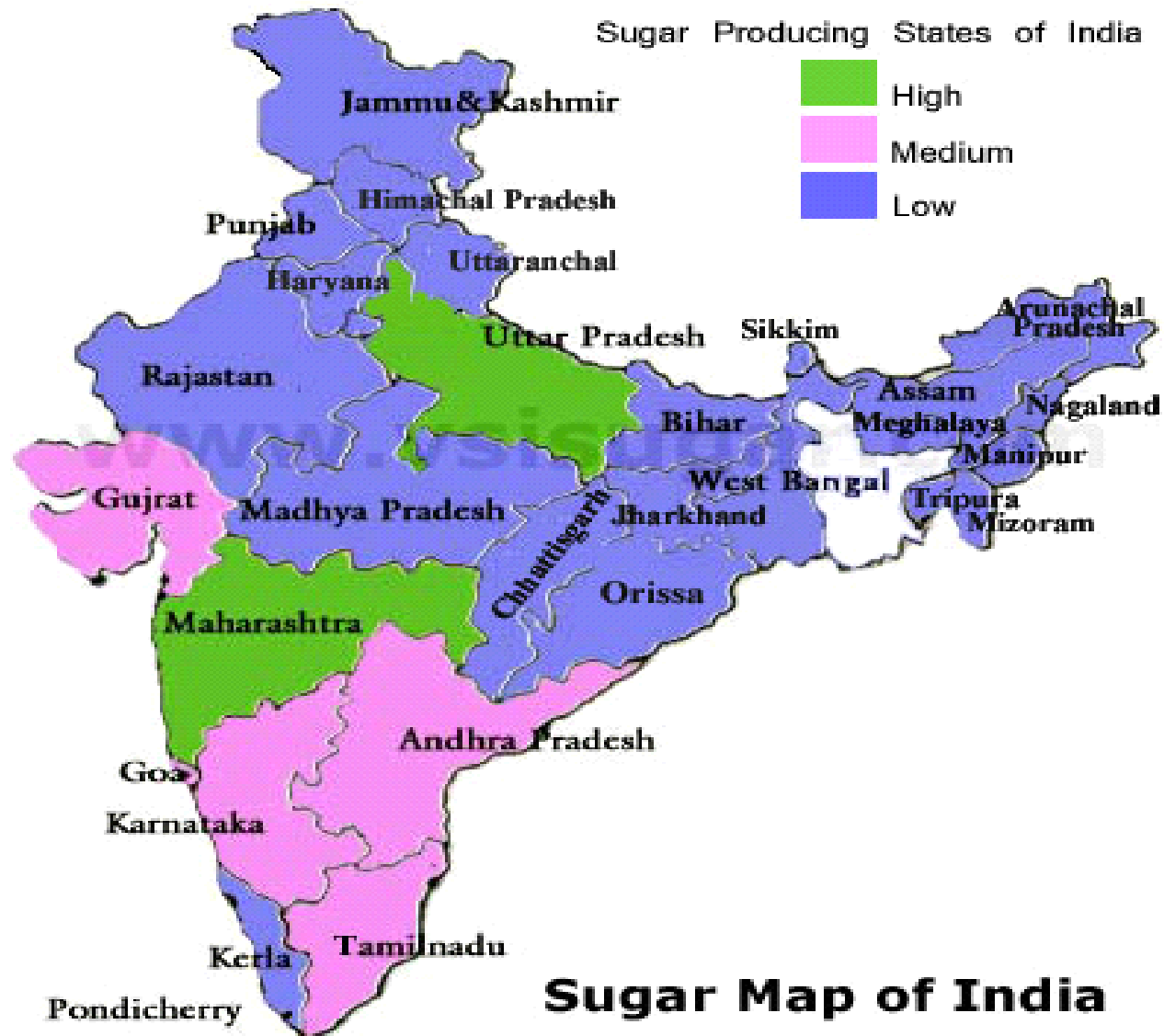


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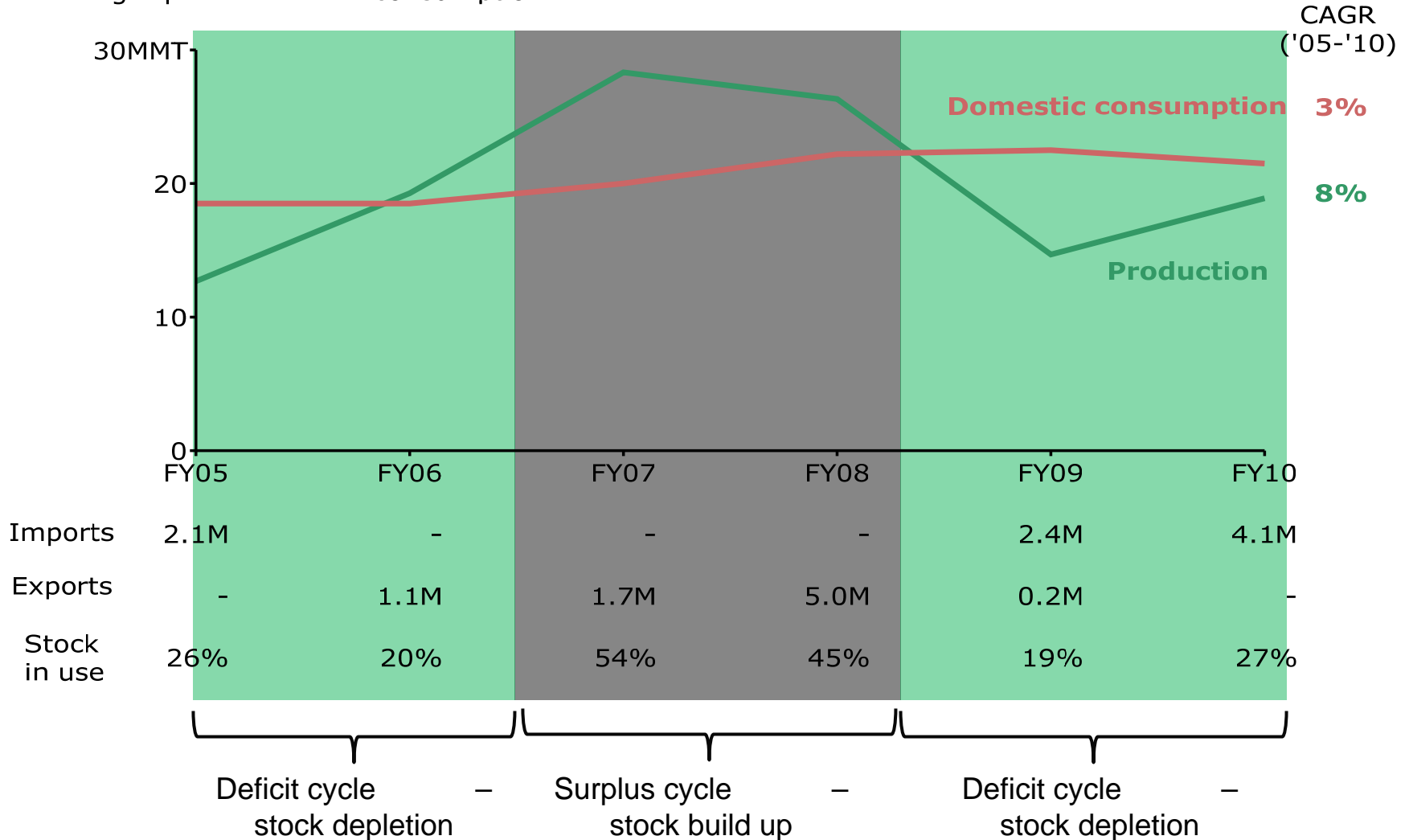
Overview of the Indian Sugar Industry:

Maharashtra preferred Sugar producing region



Sugar business is cyclical, driven largely by supply cycles

India sugar production and consumption trend



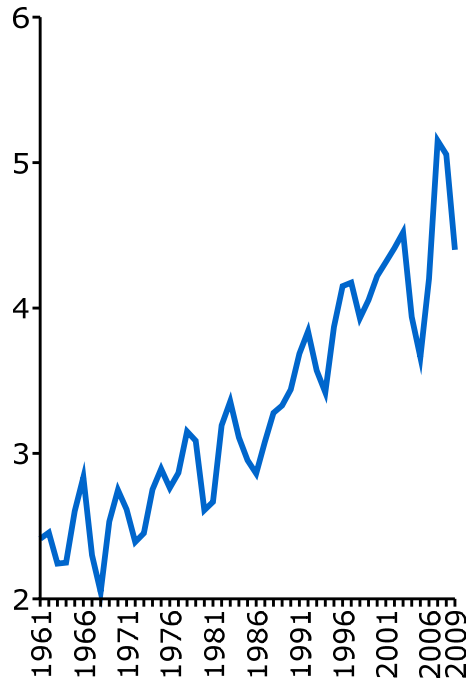
Source: Government of India

Cyclicality in cane acreage has been the major driver of supply side fluctuation

Supply

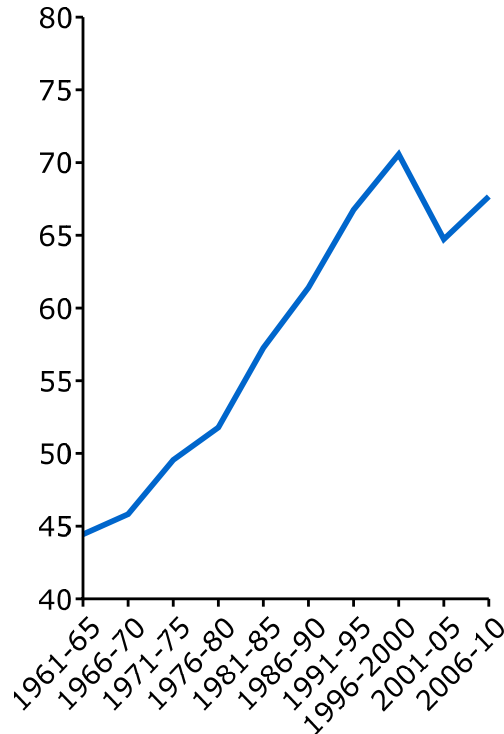
Cane acreage is cyclical

Indian cane sugar acreage (MH)



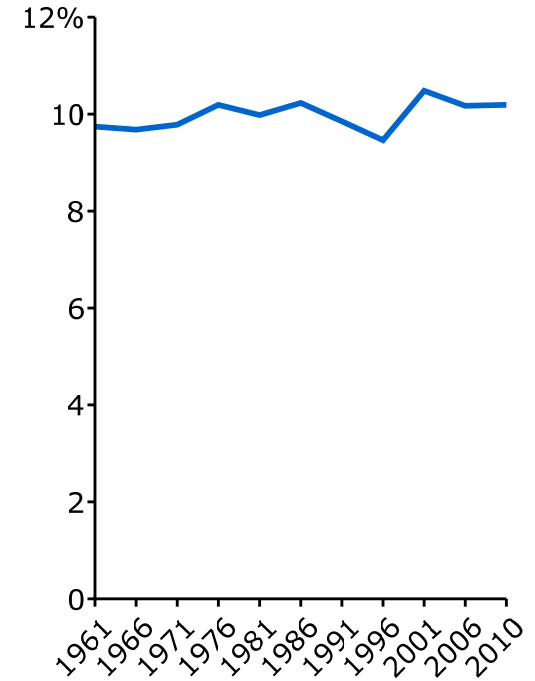
Yield have grown steadily (except in years with severe weather)

India 5 yr average cane yield (TPH)



Recovery has remained stagnant at 9.5 - 10.5%

India sugarcane % recovery



Long term demand & supply dynamics

- ✿ Demand for sugar expected to grow consistently in line with growing prosperity and per capita incomes
 - Industrial / bulk use of sugar continues to grow strongly
- ✿ Sugar supply likely to be constrained due to sugar acreage stagnation
 - Stable acreage in core sugar states of (Maharashtra, UP, Karnataka)
 - In other states acreage potentially reduces given high crop competition from competing alternative crops (high MSPs for other crops and issues with water availability)
- ✿ Limited upside from technology / yield breakthrough, mechanization or irrigation improvement



India is likely to emerge as a steady state importer of sugar with supply and demand balanced only in 2 years out of the next 10 years

Overview of Indian Sugar Industry: Conclusion

- ✿ Strong growth in domestic consumption in India/ Asia (5 year CAGR 4.6%)
- ✿ Supply side constraints: Crop competition and water availability
- ✿ Shorter periods of surplus in each successive cycle (historical low stock: use ratios)
- ✿ No productivity gains in the medium term (a) Area under cultivation - stagnant / declining; (b) Yield / hectare – flat (c) Sugar recovery - flat
- ✿ Co generation, distillery and refining have increasing attractiveness in the current scenario
- ✿ Positive developments in power and ethanol sectors
- ✿ Deregulation / lifting of trade barriers will make industry more attractive

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Key Financials

- ✿ Transaction to be financed through internal accruals
- ✿ Transaction to be EBITDA accretive from 1st full year and earnings accretive from 2nd full year post consolidation
- ✿ At steady state (Year 5)
 - ✿ Revenues of US\$90-100 million
 - ✿ EBITDA margin ~ 25%-27%
 - ✿ RoE of 32%

Summary

- ✿ Acquisition of a brand new facility at a preferred sugar region of India that provides an opportunity to scale our milling assets in India.
- ✿ Strong Strategic fit with Olam sugar strategy and synergies with other existing assets and supply chain core.
- ✿ Opportunity to secure additional returns via expansion into one-step sugar adjacencies, including ethanol manufacturing, co-generation and bio compost.
- ✿ Transaction EBITDA positive from 1st full year and attractive steady state returns.

Q & A

