

GOING BIG: While Olam generally does not make single acquisitions exceeding 10 per cent of its market cap, that did not preclude the company from chasing larger targets, says Mr Verghese. The agricultural products supplier has bought eight companies in the past 15 months but is mum on talk that it plans to bid for Australia's Dairy Farmers.



BT FILE PHOTO

Olam can raise up to \$1.6b, seeks acquisitions

AGRICULTURAL products supplier Olam International plans to start new businesses and acquire companies that will contribute about 40 per cent of revenue growth in the next six years.

The mainboard-listed company, which supplies ingredients to some of the world's top food firms like Nestle, has bought eight companies in the last 15 months but refused to comment on talk that it plans to bid for Australia's Dairy Farmers.

The Australian milk and cheese producer, owned by around 2,000 local farmers, put itself up for sale in February. It has received an offer

from Australia's dairy and juice producer National Foods, owned by Japanese brewer Kirin Holdings, that values the firm at US\$920 million (\$1.27 billion).

"Our acquisition guideline is to make acquisitions not larger than 10 per cent of our market capitalisation. But that doesn't mean we would not go for a bigger target," Olam chief executive Sunny George Verghese said in an interview last Friday.

He said the company's recent plan for a \$307 million preferential share sale would allow it to raise up to \$1.6 billion in new debt, which could then be used for acquisitions and funding of the existing business.

He said the US\$2.8 billion company, which aims to deliver compound annual growth of up to 20 per cent in revenue and up to 30 per cent in net profit, would be comfortable with a net gearing of five times, which would mean about \$4.5 billion in total debt.

He said the company wants to extend its presence into the mid-stream business of value-added processing and go for upstream businesses in palm oil, rubber, sugar cane, coffee and peanuts.

Olam would pursue acquisitions in countries where the regulatory environment makes organic growth diffi-

cult and would go to large countries, like China, where it expects opportunities from deregulation.

Olam, which deals in 17 agricultural commodities such as cocoa, coffee, rice, sugar, cotton and dairy products, recently started palm oil, rubber and soya bean businesses. Mr Verghese said the company would launch seven or eight new commodities businesses in the next six years.

The company announced last November that it would set up a 50:50 joint venture with Wilmar International. The \$218 million venture would own palm oil, rubber and sugar plantations in Africa, and milling and processing plants. It would also be involved in merchandising and distribution.

Mr Verghese said owning plantations would mean making the company relatively less cash-intensive and more asset-intensive.

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