

Olam International Limited

**Tata Chemicals Ltd. (TCL) to acquire
25.1% equity stake in Gabon Urea Project
from Olam and Republic of Gabon (RoG)**

12th April 2011 | Singapore



**DELIVERING
OUR STRATEGY**

Cautionary note on forward-looking statements

This presentation may contain statements regarding the business of Olam International Limited and its subsidiaries ('Group') that are of a forward looking nature and are therefore based on management's assumptions about future developments.

Such forward looking statements are intended to be identified by words such as 'believe', 'estimate', 'intend', 'may', 'will', 'expect', and 'project' and similar expressions as they relate to the Group. Forward-looking statements involve certain risks and uncertainties because they relate to future events. Actual results may vary materially from those targeted, expected or projected due to several factors.

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.

This statement should be read in conjunction with our earlier announcement dated 13 November 2010 on this project.

Presentation Outline

- ✿ JV: Overview
- ✿ Tata Chemicals Ltd: Background
- ✿ Gabon Urea Project: Recap
- ✿ Rationale
- ✿ Q&A

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Joint Venture b/w Olam, RoG & TCL: Key Highlights

(1/2)

Transaction	<ul style="list-style-type: none"> Tata Chemical Ltd. (TCL) to acquire 25.1% equity stake in Olam and Republic of Gabon's (RoG) Urea manufacturing project, bringing Olam's stake to 62.9% from 80% and RoG's stake to 12% from 20%
Key Terms	<ul style="list-style-type: none"> Estimated project cost of US\$1.3 billion, to be funded at a debt to equity ratio of 65:35; Debt of US\$845 million and equity value of US\$455 million Out of US\$455 million of equity, TCL to contribute an equity of US\$290 million for 25.1% stake; translates to equity valuation of the project of US\$1,155 million, a premium of 154% over book value (BV) At an estimated debt of US\$845 million, this translates to enterprise valuation (EV) of US\$2.0 billion, resulting in a premium of 54% over BV
Responsibilities	<ul style="list-style-type: none"> Project Management Contract (PMC) during the erection and commissioning of the plant → TCL Operation & Maintenance (O&M) Contract of the plant for first three years (further extendable for a period mutually agreed) → TCL Sales & Marketing (S&M) of Urea (*) ↔ Joint Offtake commitment of 25% of output to Indian markets, subject to de-canalisation of urea imports in India → TCL

(*): S&M of ammonia and urea products will be jointly undertaken by Olam, RoG and TCL through a JV agreement in which Olam and TCL would hold equal stake

Joint Venture b/w Olam, RoG & TCL: Key Highlights (2/2)







Rationale	<ul style="list-style-type: none">❖ Participation of the strategic partner, TCL, with substantial expertise in urea manufacturing, project management, and execution will ensure successful implementation of the project on time and on budget, and thereby reduce construction and execution risk❖ Operations & Maintenance Contract (O&M) by an experienced TCL team will ensure smooth commissioning of the plant to achieve high capacity utilization and production efficiencies❖ Crystallises valuation of the project after an independent & critical evaluation of project economics by an established fertilizer player; Validates the attractiveness of this project as an excess return opportunity, Olam's equity IRR improves from >30% to >50%
Growth Potential	<ul style="list-style-type: none">❖ JV will ultimately result in setting up of two streams, each of 1.3 million TPA of Urea with matching ammonia capacity for which feedstock agreement at competitive prices has already been entered into with the RoG❖ Substantial additional value accretion potential when capacity is doubled❖ Time schedule for executing Stream 2 would be mutually decided by Olam, RoG and TCL over the next 24 months. TCL is expected to hold significantly higher stake in stream 2. Combined, the project is envisaged to have a capacity of 2.6 million MT p.a.

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TCL: Background

TATA CHEMICALS LIMITED
“Servicing Society through Science”

Background	 Promoted by Tata Sons in 1939; Tata group, one of India's & Asia's leading business groups, has a consolidated market capitalization of US\$99 billion
Main Products	
Fertilizers	 Market leader in Urea and Phosphatic fertilizer segment <ul style="list-style-type: none">Operates one of the world's most energy efficient Urea plant of 1.25 million TPA capacity in Babrala, Uttar Pradesh, IndiaLeading manufacturer of Di-ammonium phosphate (DAP) and NPK at Haldia, West Bengal, India with Phosphoric Acid manufacturing in Morocco
Agri-inputs	 Leading position in Crop Protection chemicals through acquiring a majority stake in Rallis India Ltd. - a listed subsidiary  Growing presence in seeds through Metahelix - a research based Seed company
Soda Ash	 World's second largest producer of Soda ash with capacity of over 5 million TPA with operations in US, UK, Kenya and India
Salt	 Market leader in branded Salt segment in India with a market share of ~65%

TCL: Global Footprint



Source: TCL annual report 2010

TCL: Operating Segments (1/2)

1 Farm Essentials - Production Facilities Products: Fertilizers, Agri-inputs, Pesticides (US\$0.8 billion, 40% revenue share)

Fertilizers



- Owns one of **world's most energy efficient Urea plant** of 1.2 million TPA capacity at Babrala in Uttar Pradesh, India
 - Showcase plant for technology partners
 - Only fertilizer plant in country that uses dual feedstock: natural gas and naphtha
 - Constitutes over 12% of total urea produced by India's private sector
- Owns Integrated NPK Complex fertilizer & SSP (Single super phosphates) plant at Haldia
- JV partner owning 33% of Phosphoric acid producing asset in Morocco
- Pioneer in India in crop- and region- specific customised fertilizers

Agri- inputs & Pesticides

- TCL's listed subsidiary Rallis India is market leader in crop protection chemicals in India, with significant international presence
- Seeds research facilities in Bangalore in India
- Crop protection chemicals production facilities in SEZ as well as other industrial zones in India

Others

- Integrated Bio Fuels complex being set up in Mozambique

TCL: Operating Segments (2/2)

2 Industry Essentials (B2B)

US\$1.1 billion, 52% revenue share

Soda
ash,
Bicarb

- 2nd largest producer of soda ash globally; capacity of 5.5 million TPA
- ~2/ 3rd of capacity based on natural soda ash
- Manufacturing facilities on 4 continents provide unique supply chain advantage



3 Living Essentials (B2C)



US\$0.16 billion, 8% revenue share

Salt,
Water,
Staples

- Market leader in branded salt segment in India with over 65% market share
- Tata Swachh water purifier offers affordable safe drinking water to masses



Why did TCL choose to invest in the Gabon Fertilizer Project?

Driving factor	 Aspires to expand its fertilizer domestic leadership to a global footprint, TCL believes that Gabon fertilizer project is an integral part of this strategy and is a highly attractive opportunity
Value proposition for TCL	 The project fulfills TCL's strategic objectives and surpasses its return benchmarks, owing to: <ul style="list-style-type: none"><li data-bbox="562 787 1911 876">▪ Assured supply of low cost natural gas feedstock for 2.6 million MT of Urea (two Streams). TCL will have a higher stake in Stream 2.<li data-bbox="562 933 1711 974">▪ Fiscal benefits and political & sovereign insurance cover<li data-bbox="562 1031 1869 1120">▪ Favorable asset location- Port based facility and proximity to end markets<li data-bbox="562 1177 1869 1266">▪ Leverage on Olam's strong network in Africa; Olam directly deals with more than 2 million farmers

Presentation Outline

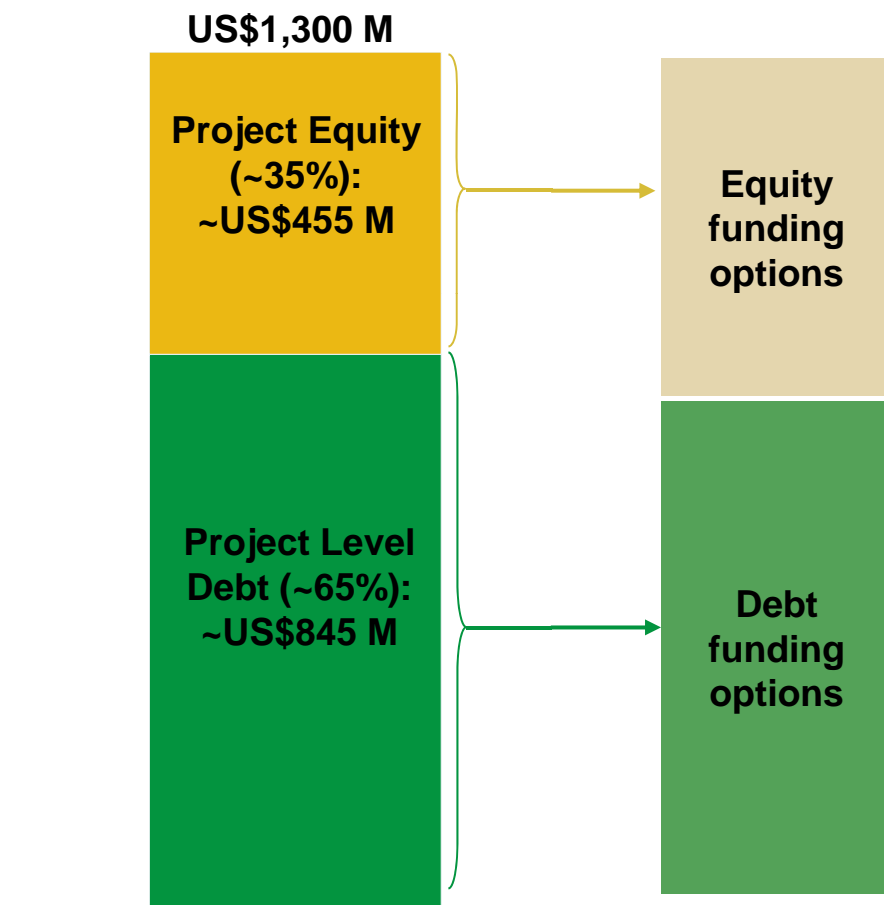
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- ✿ **Gabon Urea Project: Recap** (our previous announcement dated 13 Nov 2010)
- ✿ Rationale
- ✿ Q&A

Recap 1: Investment Summary (our previous announcement dated 13 Nov 2010)

Overview	<ul style="list-style-type: none"> ✦ Greenfield port-based ammonia-urea fertilizer manufacturing complex in Gabon ✦ Full capacity: 1.3 million MT urea p.a. (2,200 MT ammonia and 3,850 MT urea per day) ✦ Development & construction period 36 months; plant to be operational by mid-2014 ✦ Option to build a second stream of equal capacity
Feedstock - natural gas contract	<ul style="list-style-type: none"> ✦ 25-year competitive fixed-price natural gas contract with Republic of Gabon; supply of gas assured in terms of quality and quantity ✦ Plant will be one of the lowest-cost urea manufacturing facilities globally
Partnership with Republic of Gabon	<ul style="list-style-type: none"> ✦ Joint Venture with the Republic of Gabon who has agreed to partner with Olam with 20% equity participation ✦ 10-year tax holiday after commencement of commercial production; 10% concessional tax rate thereafter
Investment Size and returns	<ul style="list-style-type: none"> ✦ Total project cost estimated at US\$1.3 billion ✦ Steady state EBITDA of ~US\$300-350 million (>70% EBITDA margins); NPAT margin >50% ✦ Attractive returns – Equity IRR: >30%; ROE: >45% ✦ Olam portfolio will continue to be well-diversified across products and geographies
Financing & other conditions	<ul style="list-style-type: none"> ✦ Non-recourse debt and equity financing (D:E of 65:35) ✦ Equity investment from Olam up to US\$360 million, to be phased over 4 years ✦ Investment in this project is subject to certain closing conditions

Recap 2: Indicative funding structure of project

Preliminary Project funding structure



Estimated Total Project Cost

Highlights

- Republic of Gabon will have **20% equity stake**
- Olam will retain **80% stake**
- **Equity phased over 4 years: 5% (FY11), 55% (FY12), 30% (FY13), 10% (FY14)**
- Olam and Republic of Gabon could consider further **partial sell down at a premium** to 3rd party investors in a phased manner

Today's announcement realizes this partial sell down plan

- Debt likely to be raised on **non-recourse** basis
- **Potential sources** include:
 - ECA lenders
 - DFIs & Multilaterals
 - International commercial banks

Recap 3: Urea most widely-used nitrogen fertilizer; demand relatively inelastic compared to P, K

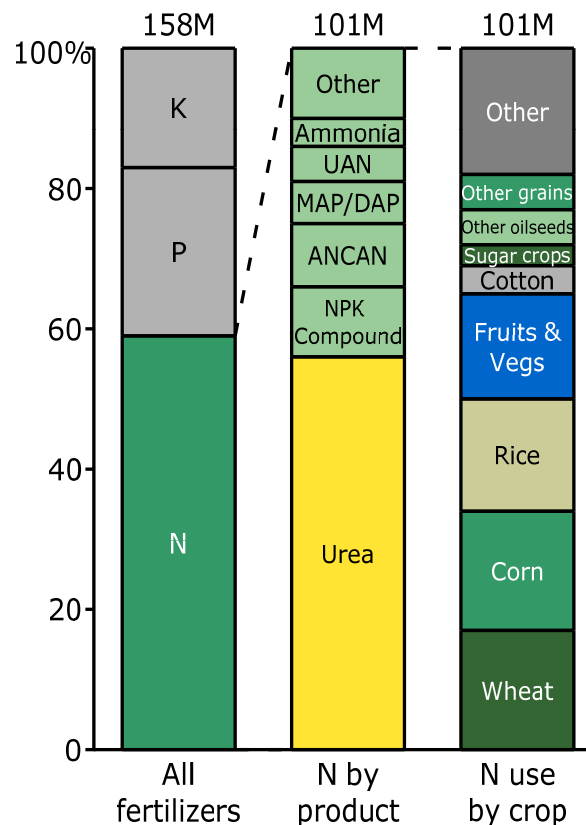
Higher application rate for N-fertilizers

Urea the most widely used N-fertilizer

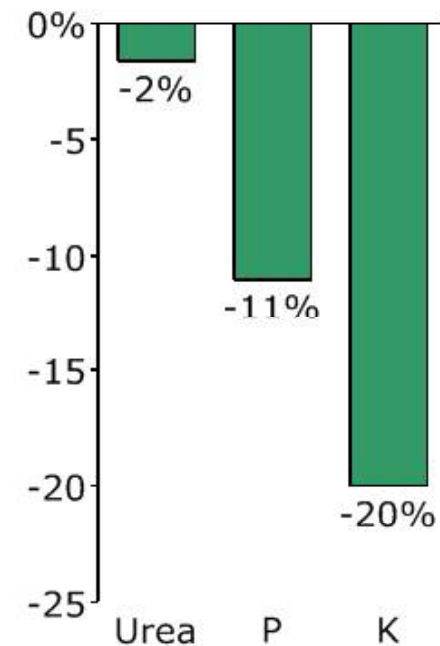
Urea most stable even in down-cycles

- Nitrogen has **greater impact** on **crop yield** vs. P and K
- **Applied to all major crops**
 - All **major crops** (e.g. wheat, corn, rice, sugar) **dependent on nitrogen**
 - Only bean crops require less addition of nitrogen
- Nitrogen needs to be **applied several times** during each planting season
 - Nitrogen is **volatile** and **disappears quickly** after application
 - **P and K retained longer** in soil; farmers can **skip** application for **up to one year**

Worldwide Fertilizer Consumption (M MT nutrient, 2009)



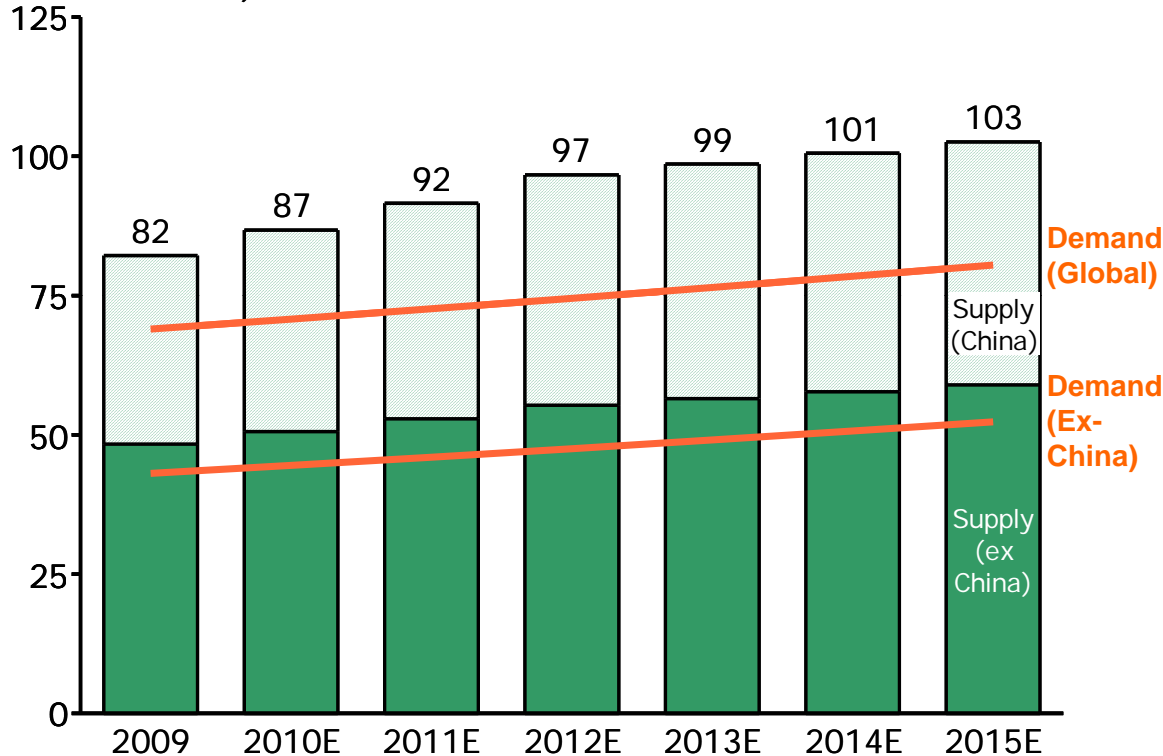
Volume decline of fertilizers in 2008



Source: Industry reports

Recap 4: Ex. China, global urea supply and demand balance likely to tighten despite capacity additions

Global supply and demand of urea
(Million Nutrient Tons)



Opr rate (Global)	84%	82%	79%	77%	78%	78%	78%
Opr rate (China)	76%	73%	69%	65%	65%	65%	65%
Opr rate (ex China)	89%	88%	87%	86%	87%	88%	89%

Source: Industry reports

~20% delays of announced capacities will increase operating rates by 4%; 90% considered max utilization for industry

China

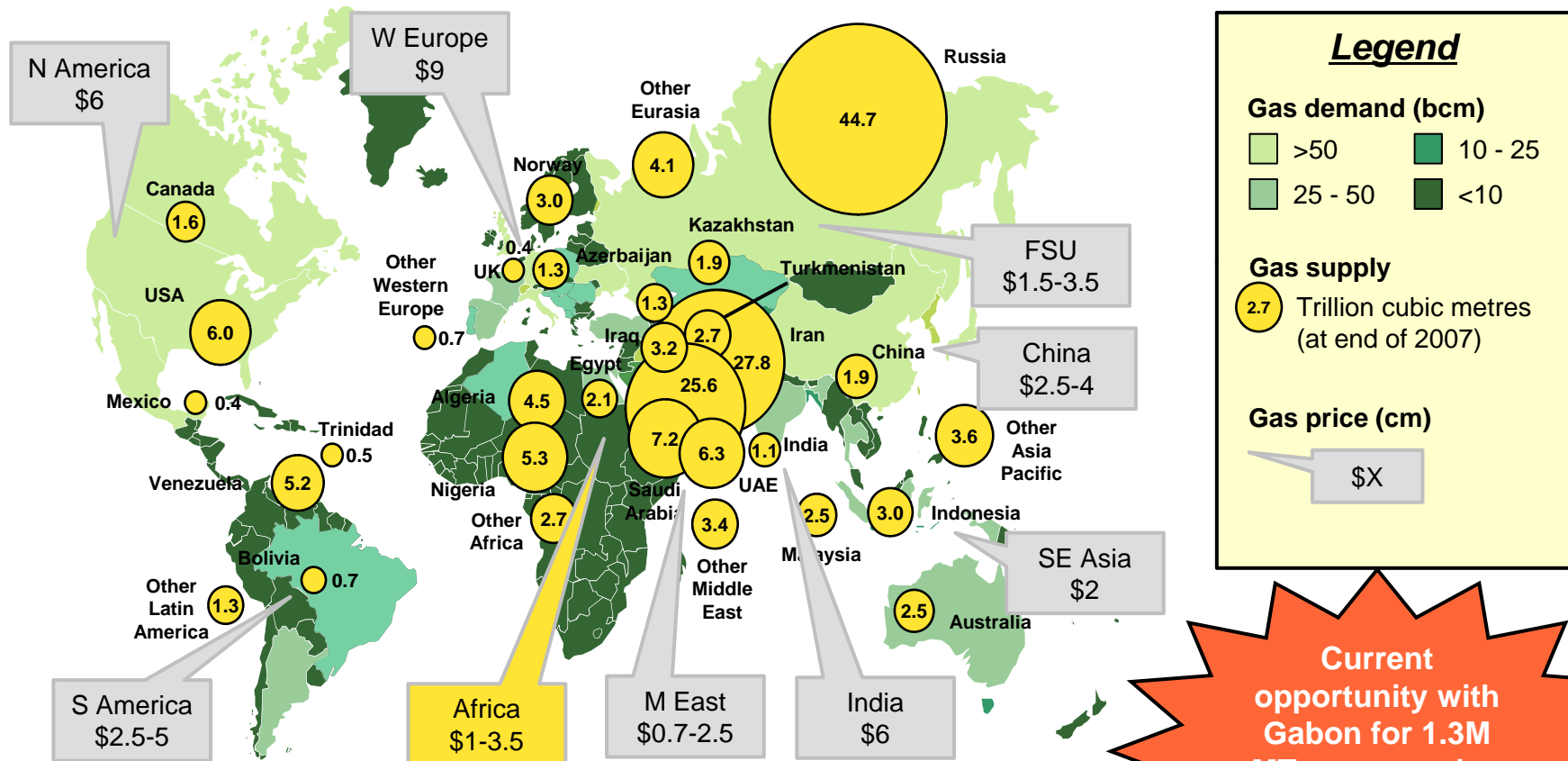
- **China has ~40% of global capacity & operates at low rates**
 - Mostly inefficient **coal based** (70%) capacity
 - Excess local capacity
 - Availability of cheaper substitutes (eg. Amm. BiCarb.)
- **Low competitiveness of Chinese exports**
 - 110% export tariffs in peak seasons

Ex- China

- **Ex. China, global supply/ demand balance tighter**
 - ~90% considered max utilization for industry (~10% outage at any time)
- **Delays could further tighten market**

Recap 5: New plants best located where gas is available, accessible & affordable; Gabon ideal choice

ESTIMATES



Current opportunity with Gabon for 1.3M MT urea + option for another 1.3 M MT urea

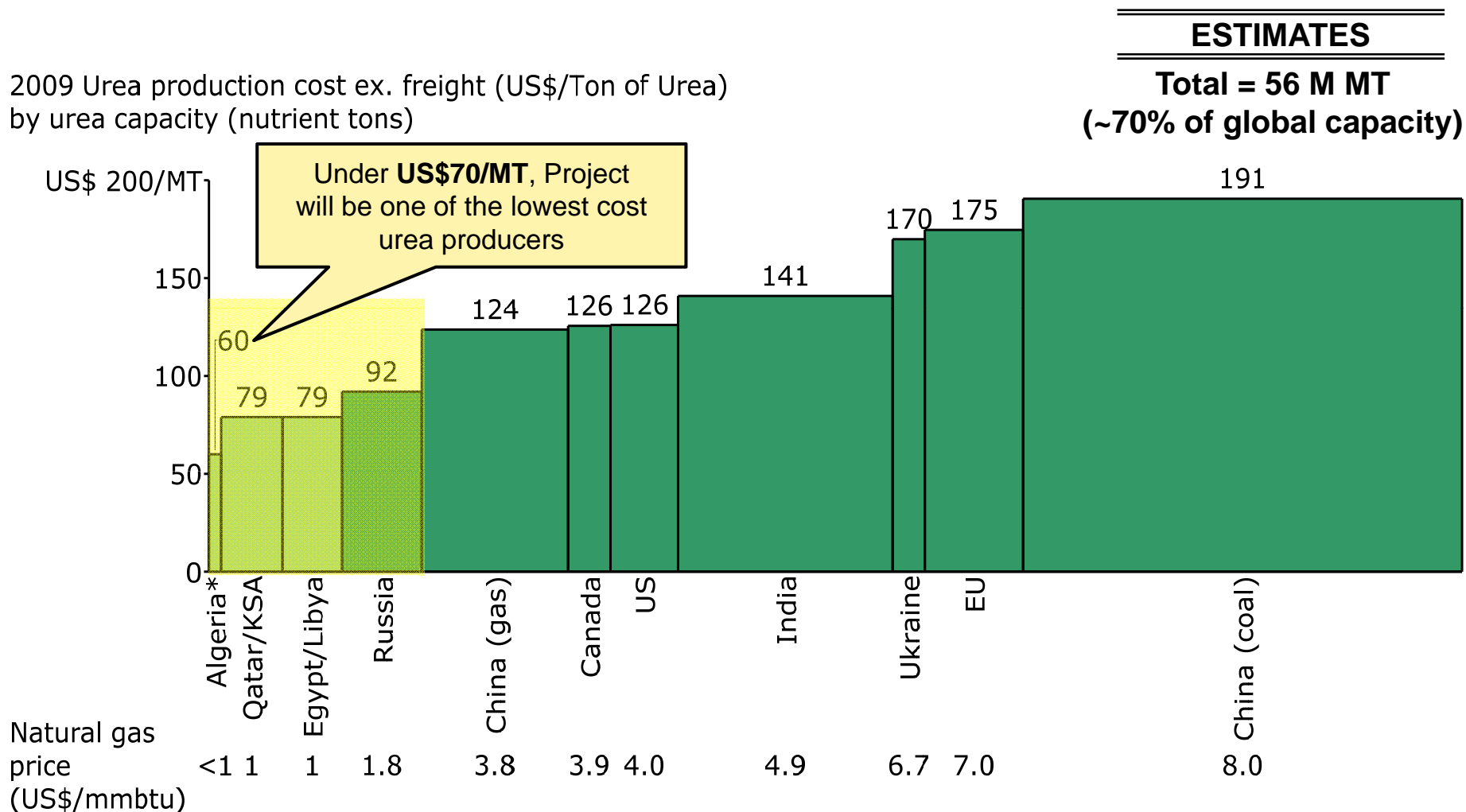
Note: Contract renewals in the Middle East are estimated to be above US\$2.5; some gas contracts could be indexed to fertilizer prices
 Source: Industry research

Recap 6: Proposed urea investment is a solid entry platform with all critical success factors secured

Criteria	Assessment
a Access to low cost inputs	<ul style="list-style-type: none"> • Gabon one of the lowest cost natural gas regions globally, alongside Middle East (KSA/Qatar) & North Africa (Algeria/Egypt) • Africa emerging as a major low-cost production base for urea exports
b Economies of scale	<ul style="list-style-type: none"> • Large scale production facility (1.3 million MT p.a.) maximizing scale benefits. Option to double capacity to 2.6 million MT p.a. by setting up Stream 2
c Favourable asset location	<ul style="list-style-type: none"> • Port-based facility provides flexibility to readily ship either ammonia or urea based on market dynamics • Proximity to end-markets: West Africa geographically closer to key future growth markets (US/Latin America and Africa) <ul style="list-style-type: none"> - Cost advantage in freight vs. other urea exporting countries
d Ease of access in end-market	<ul style="list-style-type: none"> • Increasing reliance on imports in all key markets (US/Brazil/India and Africa)

Recap 7: Project to be one of the lowest-cost urea production facilities globally

2009 Urea production cost ex. freight (US\$/Ton of Urea) by urea capacity (nutrient tons)









Note: Algeria production based on plant to be completed in 2011
Source: Industry reports

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Project Considerations

... to be mitigated by induction of strategic partner - TCL

1	Project Management	 Critical expertise for effective implementation of the fertilizer project during the Engineering, Procurement, Construction and Commissioning stages; <u>reducing construction and execution risk</u>
2	Plant Operation & Maintenance	 Responsibility for smooth commissioning of the plant and establishment of optimal safe operating parameters in terms of efficiency & capacity utilization and training of Gabon local management; <u>reducing operation and maintenance (O&M) risk</u>
3	Sales & Marketing	 Understanding of products and markets, Extensive contacts with international fertilizer marketing entities; <u>reducing marketing and offtake risks</u>
4	Experienced Team	 Key to execution and operation of plant, To assemble a team with in-depth industry experience; <u>helping to extract construction, procurement and production efficiencies</u>
5	Valuation	  Crystallising valuation and securing premium for value already created Critical evaluation and validation of project economics by an independent and established fertilizer player, <u>validating the attractiveness of this project as an excess return opportunity</u>

TCL's role: Project Considerations

1

Project Management

TCL's role

- ✿ TCL brings skills in project execution, plant commissioning and operation
- ✿ TCL has rich experience of project execution through commissioning of multiple plants
 - **Ammonia-Urea plant** in Babrala, UP with capacity of 1.2 million tonnes p.a.
 - **Soda ash plant** at Mithapur, Gujarat with a capacity of 0.87 million tonnes p.a.
 - **Cement plant** at Mithapur, with an installed capacity of 0.44 million tonnes p.a.
- ✿ Expansion and debottlenecking of plants over the years
- ✿ Support of other Tata Group Companies involved in engineering and construction

TCL's role: Project Considerations

2

Plant Operation & Maintenance

TCL's role

- ❖ To implement the best O&M practices followed at TCL Babrala (urea), TCL Haldia (DAP/ NPK) and other processing plants including Morocco
 - Help achieve high operating efficiencies to make the Gabon plant amongst world leaders in urea production
 - Support employment opportunities for local management through structured training and orientation

- ❖ TCL's plants have won multiple awards for plant safety and environmental stewardship
 - British safety council 5 star rating for Babrala and Mithapur plant
 - Babrala plant had won BSC's sword of honour and Globe award for environmental sustainability
- ❖ Active in stakeholders engagement for social and corporate sustainability
 - Signatory to UN global compact

TCL's role: Project Considerations

3

Sales & Marketing

TCL's role

- ✿ Olam, RoG and TCL jointly responsible for sales and marketing of urea
 - ✿ TCL's commitment to off take 25% of output to Indian markets, subject to de-canalisation of urea imports in India
 - ✿ Olam's existing network in Africa can be combined with TCL's experience to successfully market and distribute products
-
- ✿ TCL has substantial experience in sales & distribution on its products in domestic and international markets
 - ✿ "Tata Kisan Sansar" provides agricultural facilities and guidelines to farmers, which can be extrapolated in target markets

TCL's role: Project Considerations

4

Experienced Team

Steering Committee Fully Responsible for Effective Implementation of Project

Chair (Olam Nominee)



V R Aravind

Experience

- ~40 years in India and Middle East in planning, development, implementation and O&M of diverse hydrocarbon processing plants
- Conversant with Owner's as well as EPC Contractor's perspectives for effective project management

Education

- Dip. (Industrial Mgmt.), IIS, Bangalore
- B. Eng. (Mechanical), SV University

Alternate Chair (TCL Nominee)



P C Jain

Experience

- ~ 40 years experience in design, engineering, project management and plant operation in fertilizer industries
- Head of Plant at Mangalore Chemical, Nagarjuna and Tata Chemicals Fertilizer Complexes

Education

- M Tech in Thermal Engg

Gabon Fertilizer: Project Management Team

..... with over 150 years of cumulative experience

4

Project Head (Olam)

Experience



**Abdul Khader
Kukkady**

- ~39 years experience in engineering, procurement, construction and operation of 5 Ammonia-Urea plants in India and Abroad
- Conversant with different process technologies for Ammonia, Urea and Granulation

Education

- B Tech (Chem) IIT, Madras

Process Head (TCL)

Experience



**Ganapati
Koorse**

- ~ 40 years of experience in the process design, implementation and operation of Ammonia-Urea Plants in India and Abroad
- Extensive involvement in up-gradation of energy efficiency technology studies and debottlenecking

Education

- M Tech (Chem) IIT, Kanpur

PMC Head (TCL)

Experience



**Sanjay
Choudhary**

- ~35 years experience in design, construction, commissioning and operation of fertilizer and chemical plants
- Conversant process technologies as well as sustainability studies

Education

- B Tech (Chem)

Construction Head (Olam)

Experience



**Vaidyanathan
Jayaraman**

- ~35 years of experience in project management, construction, operation and maintenance of fertilizer plants in India and Abroad
- Managing total fertilizer complex spanning technical, commercial, HR and administration responsibilities

Education

- B.E (Mechanical)

Gabon Fertilizer: Marketing Team

..... to cover the entire spectrum of Agri inputs

4

Marketing Strategy (Olam)



**Murari
Rakshit**

Experience

- ~16 years experience in business management, strategic planning and marketing of fertilizers and agri –inputs
- Extensive network and business expertise in Indian and international fertilizer markets

Education

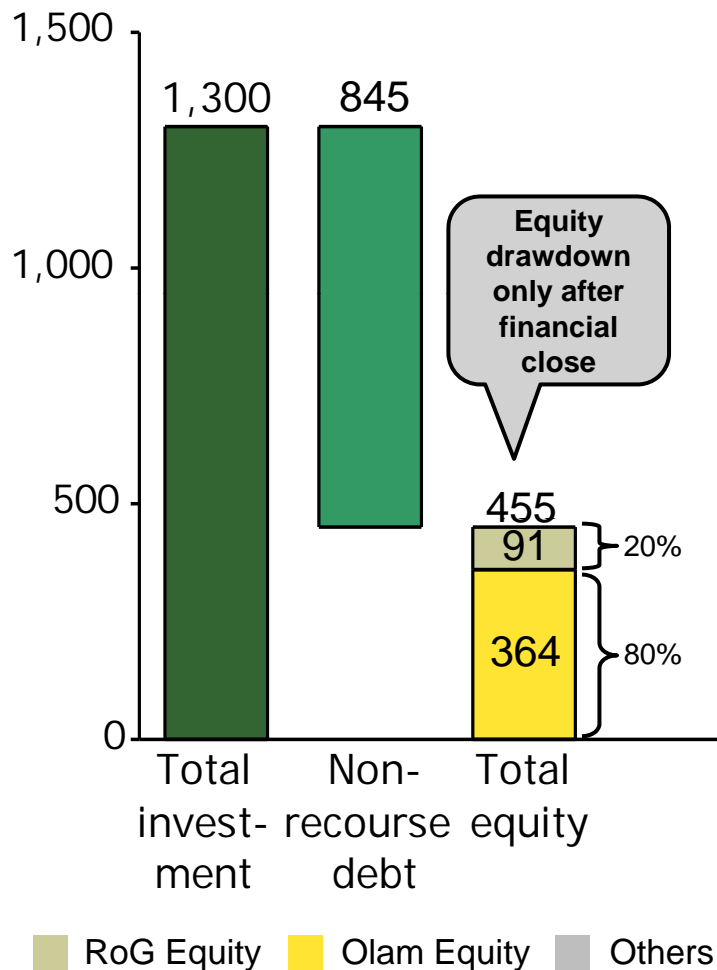
- Bsc (Agri)
- MBA – IIM Indore

Valuation Considerations

5

Project Valuation

Project financing (US\$M)



Partial sell-down at a premium

- **Secured premium** (154% premium over equity value and 54% over enterprise value), given **sustainable competitive advantage** in the form of competitive fixed price natural gas contract
- Mitigating project execution risks through bringing in strategic partner - TCL
- TCL also brings in further **technical and urea manufacturing competence** as well as providing marketing off-take, which **considerably reduces O&M and liquidity risks**

- A 25.1% stake sale to TCL brings down Olam's equity requirement from ~US\$364 to ~US\$146 million
- Olam's equity IRR improves from >30% to >50%

Thank You

Q&A