

# The financing of Bumitama Agri

A research paper prepared for Friends of the  
Earth Europe



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Earth Europe

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## Summary

This report assessed the financing of the Indonesian palm oil company Bumitama Agri by financial institutions since October 2010. Bumitama Agri's assets are especially financed by shareholders and bondholders. Table 1 presents an overview of the most important financiers of Bumitama Agri. Four categories are distinguished:

- Financial institutions which owned or managed at least 0.05% of the outstanding shares of Bumitama Agri at the most recent filing date;
- Financial institutions which owned or managed bonds of Bumitama Agri as of the most recent filing date;
- Financial institutions which have assisted Bumitama Agri to issue new shares or bonds since October 2010;
- Financial institutions which have provided loans to Bumitama Agri since October 2010.

Major financiers of Bumitama Agri are Affin (Malaysia), CIMB Group (Malaysia), DBS Bank (Singapore), HSBC (United Kingdom), OCBC and United Overseas Bank. All of these financial institutions are involved in two of the aforementioned financing activities. The financial institutions holding the largest part of the shares of Bumitama Agri are the Affin (Malaysia), Value Partners Group (China), and Temasek (Singapore).

**Table 1 Most important financial institutions financing Bumitama Agri**

Financial institution	Country	Shareholder (at least 0.05% of shares)	Bondholder	Share/bond underwriter	Provider of bank loans
<i>Timeline</i>		<i>Most recent filing date</i>		<i>Since October 2010</i>	
Affin	Malaysia	X	X		
AmBank Group	Malaysia		X		
Bank Ekonomi	Indonesia				X
Bank of New York Mellon	United States	X			
BlackRock	United States	X			
CIMB Group	Malaysia		X	X	
Crédit Agricole	France	X			
DBS Bank	Singapore			X	X
Fidelity Worldwide Investment	Bermuda	X			
Government of Malaysia	Malaysia		X		
HSBC	United Kingdom			X	X
JPMorgan Chase	United States	X			
Lewis Trust Group	United Kingdom	X			
Malayan Banking	Malaysia			X	
Manulife Financial	Canada		X		
Mitsubishi UFJ Financial Group	Japan				X
OCBC	Singapore		X		X
PermataBank	Indonesia				X

<b>Financial institution</b>	<b>Country</b>	<b>Shareholder (at least 0.05% of shares)</b>	<b>Bondholder</b>	<b>Share/bond underwriter</b>	<b>Provider of bank loans</b>
<b><i>Timeline</i></b>		<b><i>Most recent filing date</i></b>	<b><i>Since October 2010</i></b>		
Petercam	Belgium	X			
Prudential (UK)	United Kingdom		X		
Rabobank	Netherlands				X
RHB Banking	Malaysia		X		
Saham Sabah	Malaysia	X			
Sumitomo Mitsui	Japan				X
Temasek	Singapore	X			
United Overseas Bank	Singapore			X	X
Value Partners	China	X			
Vanguard	United States	X			

## Introduction

This report presents an overview of the financing of the Indonesian palm oil company Bumitama Agri by the most important financial institutions since October 2010.

This report is organised as follows: Chapter 1 provides a short profile of the company, including information on its key activities and financial structure. Chapter 2 deals with the financing of Bumitama Agri since October 2010, covering share issuances (paragraph 2.1), shareholders (paragraph 2.2), bond issuances (paragraph 2.3), bondholders (paragraph 2.4) and bank loans (paragraph 2.5).

A summary can be found on the first pages of this report.

# Chapter 1 Bumitama Agri

## 1.1 Company profile

Bumitama Agri Ltd. is a young and fast-growing producer of palm oil and palm kernel, with significant oil palm plantations in Indonesia. The company was established in 1996 and is listed on the Singapore Stock Exchange. Bumitama Agri operates mainly through its subsidiary Bumitama Gunajaya Agro. The primary business activities of Bumitama Agri are the cultivation of oil palm trees, as well as harvesting and processing fresh palm fruit bunches into palm oil and palm kernel. The palm oil and palm kernel is sold to refineries in Indonesia. The operations of Bumitama Agri are located in three provinces in Indonesia, namely Central Kalimantan, West Kalimantan and Riau.<sup>1</sup>

In the financial year ending 31 December 2014, Bumitama Agri generated revenues of IDR 5,757 billion (€ 366 million), resulting in a net profit of IDR 1,372 billion (€ 87 million). At the end of December 2014, the company owned total assets of IDR 13,803 billion (€ 917 million).<sup>2</sup>

As of 31 December 2014, Bumitama Agri owns and/or controls an aggregate of 199,242 hectares of land (including land under the Plasma Programme), of which 153,268 hectares are planted area. The weighted average age of the oil palm trees is about six years and 50.3% of them have reached a mature age (four to eighteen years). Peak production years for oil palms range from between seven to eighteen years.<sup>3</sup>

## 1.2 Financial structure

At the end of December 2014, Bumitama Agri owned total assets of IDR 13,803 billion (€ 917.45 million). These assets were financed by the following groups of financial stakeholders:<sup>4</sup>

• Shareholders	IDR 6,483 bln	47.0%
• Joint-venture partners	IDR 625 bln	4.5%
• Bank loans	IDR 729 bln	5.3%
• Bondholders	IDR 3,551 bln	25.7%
• Others	IDR 2,415 bln	17.5%

Shareholders are the most important financial stakeholders of Bumitama Agri, financing 47% of the total assets. Bondholders finance 26% of the total assets and therefore also play an important role. Bank loans finance 5% and are less important.

## Chapter 2 The financing of Bumitama Agri

### 2.1 Share issuances

The following share issuances of Bumitama Agri and its subsidiaries since October 2010 could be found:

- In April 2012 Bumitama Agri made an IPO of 297,570,000 shares on the Singapore Stock Exchange, issuing shares with a total value of S\$ 195.2 million (€ 133.43 million). The proceeds were used for general corporate purposes, working capital, capital expenditures, investments and to reduce indebtedness. The following financial institutions participated in the issuing syndicate, underwriting an estimated amount of:<sup>5</sup>

- **DBS Bank** Singapore € 66.72 mln
- **HSBC** United Kingdom € 66.72 mln

The total number of shares issued is 1,757,531,844. This means that the IPO in April 2012 accounted for 16.9% of the total amount of shares issued.<sup>6</sup>

Among the initial investors of the IPO in April 2012 were six cornerstone investors who had fully subscribed for their entitlements under the Cornerstone Placement tranche, which comprised of 124,833,000 shares. Of these cornerstone investors, Asdew Acquisitions, Hwang Investment Management, Value Partners Hong Kong and Wii Pte Ltd, a wholly-owned subsidiary of Wilmar International, had each subscribed for more than 5% of the Global Offering. This means that they at least bought 15 million shares and maximum 75 million shares, representing 0.9% to 4.3% of the total shares outstanding. The other cornerstone investors were Target Asset Management and the United Overseas Bank.<sup>7</sup>

### 2.2 Shareholders

Shareholders are important financial stakeholders of Bumitama Agri, financing 47% of the company's assets. A large amount of the shares of the company are held by a few major shareholders, including Fortune Holdings and the IOI Group. Both of these entities are controlled by wealthy families. The holdings of Fortune Holdings are controlled by Lim Hariyanto Wijaya Sarwono and Lim Gunawan Hariyanto of the Lim family, and the holdings of the IOI Group are controlled by Tan Sri Dato' Lee Shin Cheng, Puan Sri Datin Hoong May Kuan, Dato' Lee Yeow Chor and Lee Yeow Seng of the Lee family.<sup>8</sup>

Table 2 presents an overview of the most important financial institutions and other entities that owned or managed at least € 0.01 million of the outstanding shares of Bumitama Agri at the most recent filing date. Together, the financial institutions and other entities in Table 2 own or manage 85.92% of Bumitama Agri's outstanding shares with a value of € 1,044.78 million.

**Table 2 Shareholders of Bumitama Agri (at least holding € 0.01 million)**

Investor	Country	# of shares	% of all shares	Value (€ mln)	Filing date
Fortune Holdings	Singapore	895,157,774	50.93	620.35	13 Mar 2015
IOI Corporation	Malaysia	552,051,070	31.41	382.58	13 Mar 2015
Affin	Malaysia	22,365,400	1.27	15.68	31 Mar 2015



Value Partners	China	13,886,000	0.79	9.46	30 Sep 2014
Temasek	Singapore	6,497,000	0.37	4.42	31 Mar 2015
Crédit Agricole	France	3,022,800	0.17	2.00	31 May 2015
Fidelity Worldwide Investment	Bermuda	2,674,929	0.15	1.74	30 Apr 2015
Vanguard	United States	3,260,400	0.19	1.63	30 Sep 2015
Saham Sabah	Malaysia	1,918,000	0.11	1.24	31 Dec 2014
Lewis Trust Group	United Kingdom	1,300,000	0.07	0.65	30 Sep 2015
Petercam	Belgium	1,100,000	0.06	0.67	31 Jul 2015
BlackRock	United States	904,700	0.04	0.57	30 Jun 2015
Bank of New York Mellon	United States	1,074,000	0.06	0.56	31 Oct 2015
JPMorgan Chase	United States	856,700	0.05	0.56	31 May 2015
Oversea-Chinese Banking Corporation	Singapore	632,000	0.04	0.35	31 Aug 2015
Artisan Partners	United States	651,600	0.04	0.31	31 Aug 2015
Commonwealth Bank of Australia	Australia	433,200	0.02	0.30	20 Apr 2015
Yuanta Financial	Taiwan	369,031	0.02	0.24	30 Jun 2015
RHB Banking	Malaysia	342,000	0.02	0.22	30 Jun 2015
TIAA-CREF	United States	337,600	0.02	0.21	31 Jul 2015
State Street	United States	381,682	0.02	0.18	31 Aug 2015
WisdomTree Investments	United States	352,900	0.02	0.18	31 Oct 2015
Fubon Group	Taiwan	181,290	0.01	0.12	31 Dec 2014
RAM Active Investments	Switzerland	186,351	0.01	0.13	30 Jun 2015
KB Financial Group	South Korea	183,700	0.01	0.11	31 Jul 2015
Deutsche Bank	Germany	106,264	0.01	0.07	30 Jun 2015
AmBank Group	Malaysia	105,000	0.01	0.07	31 Jan 2015
Northern Trust	United States	104,000	0.00	0.05	30 Sep 2015
Banor Capital	United Kingdom	55,000	0.00	0.04	31 Oct 2014
Prudential (UK)	United Kingdom	42,000	0.00	0.03	31 Mar 2015
UBS	Switzerland	29,000	0.00	0.02	31 May 2015
Samsung Group	South Korea	23,000	0.00	0.02	30 Jun 2015
Old Mutual	United Kingdom	14,000	0.00	0.01	31 May 2015
Wellington Management	United States	16,784	0.00	0.01	30 Sep 2015
			<b>85.92</b>	<b>1,044.78</b>	

Source: ThomsonONE, "Share ownership: Bumitama Agri", viewed in November 2015.

The most important financial institutions holding shares are the Affin (Malaysia), Value Partners Group (China), and Temasek (Singapore).

## 2.3 Bond issuances

On 10 January 2014, Bumitama Agri was granted approval by the Securities Commission of Malaysia to establish a Ringgit-denominated Islamic Medium Term Note Programme (“IMTN”) of up to MYR 2 billion under the laws of Malaysia. Under the programme, Bumitama Agri may issue IMTN from time to time in Malaysian Ringgit in various amounts and tenures of more than a year and up to a maximum tenure of fifteen years.<sup>9</sup> So far, two bond issuances have been reported for Bumitama Agri and its subsidiaries since receiving approval from the Securities Commission of Malaysia:

- In March 2014, Bumitama Agri issued new five-year 5.250% bonds with a total value of MYR 500 million (US\$ 153.52 million/€ 110.75 million). The proceeds were used for general corporate purposes. The following financial institutions participated in the issuance, underwriting an estimated amount of:<sup>10</sup>

- **Malayan Banking** Malaysia US\$ 76.76 million/€ 55.38 million
- **United Overseas Bank** Singapore US\$ 76.76 million/€ 55.38 million

- In August 2014, Bumitama Agri issued new five-year 5.000% bonds with a total value of MYR 500 million (US\$ 158.18 million/€ 119.90 million). The proceeds were used for general corporate purposes. The following financial institutions participated in the issuance, underwriting an amount of:<sup>11</sup>

- **Malayan Banking** Malaysia US\$ 94.91 million/€ 71.94 million
- **CIMB Group** Malaysia US\$ 63.27 million/€ 47.96 million

## 2.4 Bondholders

At the end of December 2014, Bumitama Agri was financed for 25.7% by its bondholders. Table 3 presents an overview of the financial institutions that owned or managed bonds of Bumitama Agri at the most recent filing date.

**Table 3 Bondholders of Bumitama Agri**

Investor	Country	% of all shares	Value (US\$ mln)	Value (€ mln)	Filing date
RHB Banking	Malaysia	2.97	6.78	6.34	June 2015
Affin	Malaysia	1.81	4.13	3.86	September 2015
AmBank Group	Malaysia	1.42	3.24	3.03	March 2015
CIMB Group	Malaysia	1.07	2.45	2.28	May 2015
Manulife Financial	Canada	0.61	1.40	1.31	September 2015
OCBC	Singapore	0.50	1.14	1.07	September 2015
Prudential (UK)	United Kingdom	0.54	1.46	1.37	December 2014
Government of Malaysia	Malaysia	0.25	0.57	0.53	May 2015
<b>Total value</b>			<b>21.17</b>	<b>19.79</b>	

Source: *Bloomberg*, “Bumitama Agri: Aggregated Debt”, viewed in November 2015.

## 2.5 Loans

At the end of 2012, banks financed 28% of the total assets of Bumitama Agri. The following loans obtained by Bumitama Agri and its subsidiaries since October 2010 could be found:

- In October 2010, the Bumitama Gunajaya Agro Group, a subsidiary of Bumitama Agri, secured a US\$ 135 million (€ 97.31 million) five-year credit facility from a syndicate of five banks. The proceeds were used for refinancing. The following financial institutions participated in the syndicate, committing an amount of:<sup>12</sup>

• <b>Bank Ekonomi</b>	Indonesia	US\$ 20 mln (€ 14.41 mln)
• <b>DBS Bank</b>	Singapore	US\$ 40 mln (€ 28.83 mln)
• <b>HSBC</b>	United Kingdom	US\$ 30 mln (€ 21.62 mln)
• <b>PermataBank</b>	Indonesia	US\$ 25 mln (€ 18.02 mln)
• <b>Rabobank</b>	Netherlands	US\$ 20 mln (€ 14.41 mln)

PermataBank is owned for 89% by a joint-venture of **Standard Chartered Bank** (United Kingdom) and the Indonesian car manufacturer Astra International.<sup>13</sup> Bank Ekonomi is owned for 98.94% by **HSBC** (United Kingdom). However, the future of this holding is uncertain, as HSBC recently announced they're considering selling their stake in Bank Ekonomi.<sup>14</sup> The loan was fully repaid at the end of December 2012.<sup>15</sup>

- In November 2011, the Bumitama Gunajaya Agro Group, a subsidiary of Bumitama Agri, secured a US\$ 15 million (€ 10.70 million) one-year revolving credit facility from **United Overseas Bank** (Singapore). The proceeds were used to finance working capital for CPO and PK trading activities.<sup>16</sup>
- In November 2012 Bumitama Agri secured a US\$ 170 million (€ 133.71 million) credit facility from a syndicate of banks. The facility was divided in two tranches: a three-year US\$ 50 million (€ 39.33 million) revolving credit tranche and a five-year US\$ 120 million (€ 94.38 million) term loan. The proceeds were used for the refinancing of the October 2010 loan facilities and for general corporate purposes. The following financial institutions participated in the syndicate, committing amounts of:<sup>17</sup>

• <b>DBS Bank</b>	Singapore	US\$ 32 mln (€ 25.40 mln)
• <b>HSBC</b>	United Kingdom	US\$ 32 mln (€ 25.40 mln)
• <b>Mitsubishi UFJ Financial</b>	Japan	US\$ 8 mln (€ 6.69 mln)
• <b>OCBC</b>	Singapore	US\$ 22 mln (€ 17.38 mln)
• <b>Rabobank</b>	Netherlands	US\$ 22 mln (€ 17.38 mln)
• <b>Sumitomo Mitsui Financial</b>	Japan	US\$ 22 mln (€ 17.38 mln)
• <b>United Overseas Bank</b>	Singapore	US\$ 32 mln (€ 25.40 mln)

- In May 2013, the Bumitama Gunajaya Agro Group, a subsidiary of Bumitama Agri, secured a US\$ 150 million (€ 114.62 million) credit facility from a syndicate of banks. The facility was divided in two tranches: a five-year US\$ 70 million (€ 53.49 million) tranche and a three-year US\$ 80 million (€ 61.13 million). The proceeds were used for general corporate purposes. The following financial institutions participated in the syndicate, committing an estimated amount of:<sup>18</sup>

• <b>DBS Bank</b>	Singapore	€ 17.19 mln
• <b>HSBC</b>	United Kingdom	€ 17.19 mln
• <b>Mitsubishi UFJ Financial</b>	Japan	€ 15.28 mln
• <b>OCBC</b>	Singapore	€ 17.19 mln
• <b>Rabobank</b>	Netherlands	€ 15.28 mln

• <b>Sumitomo Mitsui Financial</b>	Japan	€ 15.28 mln
• <b>United Overseas Bank</b>	Singapore	€ 17.19 mln

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