

Origo cultivates \$13m rice deal



The London-listed firm is banking on China's growing appetite for premium rice in taking a 21% minority stake in Jilin-based Japonica rice producer China Rice.

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Beijing-based growth investor Origo Partners has invested \$13 million for a 21 percent stake in China Rice, a Jilin-based rice processor and distributor, the firm said in a statement.

Under the terms of the transaction, Origo's final equity stake in the business, which could end up as high as 29 percent, will be determined by the profitability of the company for the year ended 2011, the statement noted. In addition, the firm has also been granted an option to invest an additional \$10 million in the form of a note convertible into equity prior to a public offering.

"Our investment in China Rice is a play on both soft-commodities and rising Chinese consumerism at a particularly opportune moment in the cycle, given rising inflation and government support for the Chinese agricultural sector," said Chris Rynning, chief executive officer of Origo, in the statement.

"We see tremendous opportunities to grow the value of China Rice, by building scale through the acquisition of less efficient rice processors in strategic areas, improving profitability by shifting the product mix towards higher margin products, and growing distribution through supermarket channels," he added.

China Rice produces approximately 300 thousand tons of japonica rice annually. The species is viewed by many as being healthier and better-tasting than other varieties.

The company will use the fresh capital primarily for working capital purposes to increase the utilisation rate of the business, which is currently running at around 60 percent of capacity, the statement said, while also noting that the company plans to consolidate a number of smaller processors in the area to develop a nationwide brand.

Origo Partners is a private equity investment and consulting firm focused on China-linked growth opportunities. The firm, which invests across multiple sectors, is listed on the London Stock Exchange with a market capitalisation of £141.29 million.

Origo's current investments in China include Rising, a Beijing-headquartered anti-virus software and content security vendor; Gobi Coal & Energy, a developer of coking coal assets in Mongolia; and Huanyu Group, a provider of lithium-ion materials and battery solutions.