

Arif Rachmat prepares to write new chapters in Triputra Group story

Books line the shelves in the 25 square-metre office of Arif Patrick Rachmat, 40, a director at Indonesian conglomerate Triputra Group. “My father taught me how to be a good man by reading a lot. Each story is a life case study,” the Cornell University graduate said during a 45 minute interview with Capital Profile.

His father is Theodore Permadi Rachmat, also known as Teddy, the nephew of the late Astra International founder William Soeryadjaya. Teddy Rachmat started his career at Astra and in 1998 founded holding company Triputra Investindo Arya (TIA), which houses the family interests in agribusiness, coal mining, manufacturing, and motorcycle dealerships, among others.

TIA is now keen on expanding into other sectors where there is “a lot of room for improvement” including food, water and electricity infrastructure, said Arif, who largely oversees TIA’s agribusiness as CEO of palm oil giant PT Triputra Agro Persada (TAP) and commissioner of Kirana Megatara, Indonesia’s largest crumb rubber processor.

To do so, TIA is looking for partners to team up with. “We are open to discussion with potential partners from Japan, China, or anywhere, who can provide new technology to our group, even for our IDX-listed (car rental and leasing company) Adi Sarana Armada or our privately-held Kirana Megatara,” Arif said.

Arif founded TAP a decade ago with Toddy Mizaabianto Sugoto, the son-in-law of Benny Subianto, a college classmate of Teddy Rachmat and an Astra International alumnus. TAP’s investors include Singapore sovereign wealth fund GIC and private equity firm Northstar Pacific, founded by Teddy Rachmat’s son-in-law Patrick Sugito Walujo.

Other notable partners of Triputra Group companies include Malaysia-born, Hong Kong-based tycoon Robert Kuok’s SEHK-listed Kerry Logistics; Keppel Logistics, a wholly owned subsidiary of SGX-listed Keppel Telecommunications & Transportation, which is in turn a subsidiary of Singapore investment arm Temasek Holdings-backed SGX-listed conglomerate Keppel Corp; and SET-listed Siam Cement which is backed by Thailand’s royal family’s Crown Property Bureau.

“One of the keys to our success is having good partners,” said Arif.

The family’s wealth is rooted in the relationships Teddy Rachmat forged at Astra International, where another relative Muhammad Teddy Thohir was also a pioneer. The Soeryadjaya family sold Astra to clear debts in 1992 but the families reunited to acquire Adaro Energy in 2005, in what was one of the landmark Indonesian deals of the last decade. Cousin Edwin Soeryadjaya co-founded investment fund Saratoga Capital with Sandiaga Uno, and led a consortium of Garibaldi Thohir, the son of Teddy Thohir, Teddy Rachmat and Benny Subianto for the distressed asset purchase from the Indonesia government.

IDX-listed Adaro Energy is the main contributor to TIA’s revenue that hit IDR 37.4tn (USD 3.14bn) in 2015, up 7% from a year earlier. Its agribusiness and another investment holding company Daya Group, largely focused on the family’s motorcycle dealership business, are the group’s next biggest revenue generators. TIA has a target of IDR 42.1tn for 2016 and has allocated IDR 4tn for investment.

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Public information is not readily available on Triputra Group companies, which are largely privately held. The family has spoken of its desire to list subsidiaries in time to come and companies thrown up as possible candidates include Kirana Megatara and TAP. “We plan to IPO as some of our existing partners also need to exit,” Arif said. However, any listing depends on market conditions and there is no firm timeline, he stressed. In his opinion, commodity prices will likely remain weak and will not move significantly this year.

Arif is hopeful the B20 biodiesel initiative implemented by the Indonesia government in 2016 would help support prices. B20 is made up of 80% petroleum and 20% biofuel, which is produced from palm oil. “The latest update on B20 is the government has given fixed margin to downstream players. So, they would not get loss. As long as the companies have mills, they could be a bio diesel producer.” Apart from weak prices, Arif acknowledges another thorn in the side of palm oil businesses are the constant criticism from environmental organisations. A May 2015 report by Chain Reaction Research (CCR), a sustainability risk assessment service for investors, noted that TAP could be at risk due to a large number of its customers

adopting policies which prevent them working with suppliers unable to prove sustainable practices. TAP head of sustainability Rudy Prasetya told Capital Profile in December 2015 that the report was outdated. The company has been working hand-in-hand with the local community to address any issues and has not seen any cancellations from clients.

Arif is adamant TAP, which has obtained the Roundtable on Sustainable Palm Oil (RSPO) certificate, has complied with sustainability guidelines from the very beginning. Furthermore, the company has banking relationships with lenders including HSBC and Rabobank which have their own strict set of requirements. Arif sits on the board of the Indonesian Palm Oil Association (GAPKI), which advises the government on sustainability. He also a board member of The Nature Conservancy (TNC) and head of commission for forestry and agriculture at Indonesian Chamber of Commerce (KADIN).

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Arif Rachmat had been held up in a meeting with his father before to interview with Capital Profile. At 73, Teddy Rachmat, chairman of TIA and vice president commissioner of Adaro Energy, has no plans to retire in the near future, according to Arif. He conducts regular meetings, is involved in strategic plans, and remains very hands-on in hiring top-level executives. “When we are together, even outside the office, 99% of our conversation is about the business,” said Arif.

Growing up, Teddy Rachmat did not ask his children to be involved in the business though, according to Arif. “He encouraged us to have dreams, be grateful and maintain the family’s reputation.”

This article, written and edited by Gloria Haraito, Ed Chadwick and Sze Toh Yui Munn, was published on Capital Profile in February 2016. Capital Profile covers 14 family members and 54 companies associated with the Theodore Permadi Rachmat family. For more information, please contact editorial@capitalprofile.com.

Arif and older brother Christian Ariano Rachmat both studied and worked in the US before returning to Indonesia and working in the family business. Christian is in charge of TIA’s energy business and is the vice president and deputy CEO of Adaro Energy. He is looked upon as the likely successor to the family empire given his status as the eldest son.

Arif is happy for his brother, whom he calls Aryo, to take the lead. He gathers, from reading books, that an empire crumbles largely in the hands of an inept heir. “Fortunately, in our family, my brother is competent. He is also open to discussion.”

He added the brothers had “different points of view on all things and have different characters” but he regarded their dissimilar nature as a positive as it allowed them to look at things from both sides of the coin before reaching a decision.

Most importantly, the brothers agree on continuing their father’s legacy of creating businesses to provide a strong foundation in eradicating poverty and building sustainable lifestyles.

Despite creating 30,000 jobs at TAP, the father of two believes he can do more for the community. Arif and his wife Sutienty Ho, known as Tintin, are actively involved in Indonesia Care Movement or Gerakan Kepedulian Indonesia (GK Indonesia), a non-profit organization that focuses on community empowerment through education, healthcare, productivity, infrastructure and community development. Arif is chairman of GK Indonesia, while Tintin serves as a treasurer.

“Our goal is to prosper with the nation...enough for everyone,” trumpeted Arif, as he mused over the teachings of his father, not found in any book. 