

THE FMCG SUPPLEMENT

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MAN ON A MISSION
PEEYUSH GARG

THE FOUNDER OF DARAJU INDUSTRIES, A LEADING HOME
& PERSONAL CARE COMPANY IN NIGERIA.

From *Nowhere*



To *Somewhere*



To *Everywhere*



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THE MAN AND VISION BEHIND THE DARAJU GROUP

Peeyush B Garg is the Founder and Chairman of Daraju Industries, one of the fastest growing FMCG brands in the home brand space. He looks back on what has led to the company's rapid growth in less than a decade.

While Daraju is a name familiar to the public, very few people are acquainted with the man behind this esteemed company. Peeyush Garg, Founder Chairman of Daraju Group—who believes in the simple living/high thinking equation—is a man of vision and determination; however, his company was neither created by accident nor did it grow without sacrifices.

After graduating in Electrical and Electronic Engineering from Delhi College of Engineering in India, Garg decided to follow his family to Nigeria, who relocated in 1975 after having been in Kenya for seven years. Even though Garg admired the family's commercial success in the textile industry, he decided to take a bold step towards entrepreneurship in 1989. With a small contribution from his father, he then started a trading business, in addition to a plastic and medical product manufacturing company.

With the sudden and unfortunate

death of his father in 1993, Garg found himself facing fateful crossroads—a young man in his early twenties having bigger responsibilities than he could imagine. It took Garg almost three years to find his ground and with a strong business acumen and focus, Garg saw opportunity in the consumer products business especially after discovering a gap in the market. In 2008, Garg embarked on a visionary journey that led him to a place even better than he had expected. Garg established Daraju—meaning beautiful in Yoruba language—to provide Nigerian consumers with high quality at affordable prices.

At a time when Nigeria was importing most of its consumption, Garg was inspired to fill this gap by manufacturing these products that were in high demand in Nigeria. He saw no reason why Nigeria could not be self-sufficient and later on export its own products to other neighboring countries. This was the rationale behind Daraju. In no time, Daraju managed to position itself strategically to cater to underserved

markets in Nigeria with its unique understanding of and adaptability towards the market needs. “Speed, quality, and capacity have paved the way for Daraju to proudly become a consistent, reliable brand that is trusted and valued by the Nigerian consumer,” says Garg. Daraju's vision is to become a household name by providing high-quality products, trusted by and effective for the whole family. As these products received positive, appreciative reviews from the Nigerian market, the business grew fast especially with horizontal and vertical expansion.

Today in only a decade, the Daraju basket offers multiple products in the home, personal and oral care segments. Garg tells us more:

Q1: Being one of the fastest growing FMCG brands in the home brand space, what is the secret behind Daraju's success and how has the industry evolved over the period that Daraju has been in business?

I will begin acknowledging the business



lessons and importance of ethics and values learned from my father, the support of my family and partners ,my faith due instilled in me by my mother, my spiritual god mother and the Darajus' tremendous team which have all contributed to my and my companies' success. Now, we come to Nigeria - a country of diversity. It is rich in many traditions and cultures, each having unique tastes and preferences. Understanding this diversity and catering to the needs of the people was a key factor in Daraju's success. Daraju was and still is able to comprehend the dynamics of this multicultural society and expand its product base every year, and we owe this success to the Daraju team.

The challenge was largely the competition with the imported products due to arbitrary and non consistent pricing and quality. The only way to create the market was to establish a distribution network with consistency in pricing, quality and availability. Daraju's adaptability to the fast changing needs of the consumer, innovation, quick execution and investment in expansion of capacities enabled it to create confidence in the mind of the Nigerian consumer and compete with world class products.

The company also realized that the success of a product is attributed to extensive distribution networks, and it thus invested in effective distribution channels. Being a young company and despite the challenge of lack of economy of scale to support the distribution costs, Daraju continued to build extensive distribution networks.

The company's aggressive character desired a large economic scale, and the key was and still is its uniqueness and development of the line of products. Daraju decided to improve the distribution channel performance, and this became easier with the development of other personal and household



IT IS IMPORTANT HOW MUCH YOU CAN DO, BUT WHAT IS MORE IMPORTANT IS HOW MUCH YOU CAN GET DONE.”

products under other brand names, such as MYMY for toothpaste, Fressia for soap and petroleum jelly, as well as Soft & Clean and Rana for washing detergent. Even though many strong distribution channels were created during a short period of time, I believe that much more is yet to be done.

I believe that not only Daraju but also many other companies have created opportunities for new industries and led to the growth of other existing industries in Nigeria; mainly in packaging and logistics. Government policies to strengthen regulatory agencies such as NAFDAC (National Agency for Food and Drug Administration and Control) and SON (Standards Organization of Nigeria), in order to standardize quality and restrict non-standardized products have led companies to maintain acceptable standards. Through proper government policies, support and infrastructure investment, there is no doubt that many Nigerian industries can go global.

Q2: How has the current economic climate affected your business?

Economic situations are global and not only restricted to Nigeria or any other country in particular. At the same time, and in spite of any economic challenge, there will always be demand for necessity products, but trust and quality need to be created and maintained between the company and consumer.

During economic downturns,

efficiency and innovation are key ingredients for survival. Therefore, companies that prove to be more efficient and more innovative are able to continue and thus provide more products.

Many factors were crucial to the sustainability of Daraju. Knowing that our company is always up to date with the latest technologies and our product quality has always been up to our consumers' expectations, we were able to secure a good spot not only in our consumers' hearts, but also in the Nigerian consumer goods market despite economic fluctuations.

Q3: Daraju is seen as a brand for the people, explain how you were able to achieve this through your MYMY campaign?

The name MYMY says it all. It is true that Nigeria is a country of diverse culture; however, the need of the consumer is one – a product of quality and affordability. Consumers need a product that caters to their needs and represents them. To promote individuality and give a Nigerian identity to the manufactured goods, Daraju found that nothing could give more personalization to an item better than calling it “mine.” Thus, the name MYMY was created, and MYMY became the brand name for Daraju products. MYMY was not only a brand but a concept, and the concept was My Country My Product.

To our surprise, MYMY gained increasing popularity in a short time span. For instance, the launch of one of our products that was not labeled MYMY was not as successful as the product that had the MYMY logo. This fact gave the Daraju team confidence and made them feel satisfied and proud that people started to recognize MYMY as a brand of quality and good price. The wide acceptance of the products led MYMY to a fast paced growth and the company kept investing in

capacities in new product lines and building distribution channels. In less than a decade, the company created employment opportunities for over 1,000 Nigerians and many more indirectly.

Q4: You are an entrepreneur who has successfully sealed investments with various investors. What is your take on entrepreneurs and investors?

To begin with, I believe entrepreneurs who have a vision to grow on a larger scale should collaborate with investors who will not only help increase the business, but also bring in good governance to create sustainable business models. Alliances and smart capital are main ingredients for entrepreneurial growth; however, in any company portfolio, getting investors is a precarious modification that may create certain insecurities in entrepreneurs. Investors and entrepreneurs have responsibilities towards each other. Investors must be part of building the system, accountabilities, and strategies while wanting and accepting to preserve the entrepreneurial DNA. The entrepreneurs' duty towards investors is honesty and transparency at all times.

With this philosophy, we have found common ground with Investec (our first investor partner) and the African Capital Alliance (ACA), our current partner in our growth journey. ACA is known for its high level of professionalism in addition to its extensive knowledge and insight in the Nigerian and West African markets. With the ACA, Daraju looks forward to achieving the mission of expanding on an international level.

The ACA will enable Daraju to build alliances that will catalyze the growth of Daraju beyond the borders of Nigeria.

Q5: What challenges did Daraju face during its growth and what main challenge does Daraju still encounter?

Daraju's growth has not been a smooth journey due to many unsettling natural calamities that have taken place in

the course of its development. The company has gone through turbulent times in which a fire and a flood cost the organization massive financial losses and consequently dampened its growth prospects. We have had to overcome several setbacks in our journey. We were able to get to where we are today because of the extreme commitment and passion of team Daraju, which believes in the company's motto: "Move ahead in spite of."

However, we never gave up. Daraju is like the phoenix that rises from its own ashes. It is important to note that we appreciate and thank the Daraju team and our partners who at that time believed in our story and supported us in our good and tough moments.

Moreover, the FMCG (Fast-Moving Consumer Goods) business is very competitive due to the presence of well-established and new players in the market. Challenges have been faced at various levels; economical and infrastructural. For instance, expenditure and resources on research and development have been a continuous challenge to deliver in the face of competition. Nevertheless, Daraju has embraced and will always accept this competition as a motivation to improve and innovate. In the course of its journey, it has added more product lines to its distribution and has expanded its manufacturing capacity significantly to create large economies of scale.

Challenges will keep coming, but Daraju is determined to move ahead despite the constant setbacks.

Q6: What are Daraju's CSR initiatives?

Daraju has found time to pursue goals beyond business, particularly in giving back to the society.

As a starting point, Daraju has partnered with NGOs like Budhrani Charitable Trust to renovate and improve school infrastructure in local communities across and around Lagos. It has also had campaigns whose main message is

educating kids about the significance and importance of hygiene.


Daraju is in the process of setting up a foundation whose objectives are primary education and women empowerment. Since Daraju is sensitive to the environment, it now has a water conservation system and is in the process of investing in energy conservation techniques that make the factory an eco-friendly environment. At a small level, Daraju has provided water to neighboring communities.

Although a lot has to be done, by setting up the foundation, we believe we can increase our involvement and activities and also spread awareness.

Q7: What are the long-term plans and strategic goals of the company?

Nigeria has a large population of about 190 million, and Daraju seeks to position itself to meet the needs of this population. The mission of Daraju is to impact the lives of consumers in Nigeria and ultimately all over Africa by being the number one source of high quality consumer products, and to develop local resources in order to reduce import dependence and become self-sufficient. It is focused on constant growth and sustainability and will surely keep adding products of quality to the basket for the Nigerian consumers giving them no reason to depend on imported products.

Our many strengths—namely team Daraju, strong execution, innovation, agility, discipline and focus—have played a part in building Daraju the company and MYMY the brand dear to the heart of Nigerian consumers. The success may have not occurred without the strong team young and experienced that is always reminded of its valuable role in the company.

"Youths are not useless but they are used less. They are not careless but are cared less," said Swami Chinmayananda. 

Interview by Onoriode Akusu



'POISED FOR GREATNESS'

Sanjeev Gupta is an advisor to the Chairman of Daraju Industries.

Ordinary people do extraordinary things. Indeed, it's the deed that makes a mere mortal larger than life. Daraju is no exception. They say 'necessity is the mother of invention'.

True, Circa 2019 Nigeria is booming. The consumer market is replete with imports, some good, some bad and some outright abominable. Enter Peeyush Garg, who understood

that affordability and acceptability (quality) were key.

Even a child wants respect. Peeyush set about to produce ordinary, everyday items of necessity, things we need and deserve to trust, hygiene and health being paramount and how well he did so.

A world-class factory

He employs thousands of Nigerians, churning out products that feed the needs of the masses reaching them on time and always throwing the gauntlet at better endowed competitors.

Those who trust him are rewarded with constant quality and continuous improvement.


Daraju has shown that where there is a will there is a way. And where there is a need, love and commitment will create loyalty.

Daraju is poised for greatness

This is not because it set out to do great things. But because it put great efforts to do simple things well. Today, it's an owner's pride and an envy of all those who underestimated the consumer. It's simple yet discerning, clamouring for attention, and keen to trust.

Peeyush and Daraju delivered on that and they continue to do so. Indeed, the path of success is often found in the little things that work out.

And they do, because the power of love and the strength of one's convictions are the only proven ingredients for success. My country, my pride.

May God bless Daraju. 

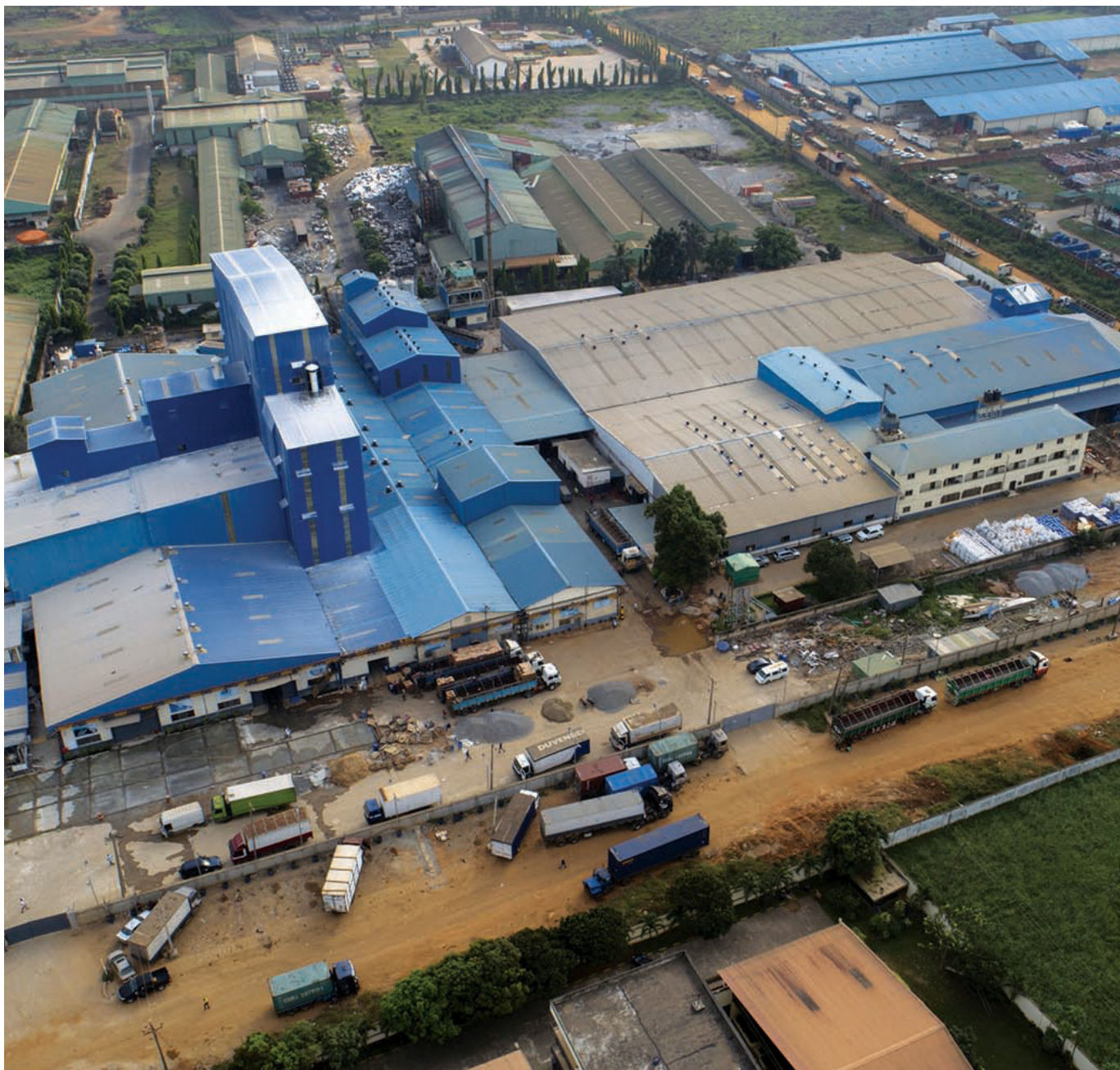
DARAJU INDUSTRIES



Daraju Industries Management Team



Daraju Industries Warehouse



Daraju Industries Factory in Ojota


TESTIMONY

'THE SPIRIT OF PARTNERSHIP'

Mark Jennings is Investment Principal, Africa Private Equity, at Investec Asset Management.



**GOOD IDEAS HELP,
BUT CONSISTENT
GOOD PLANNING AND
STRONG EXECUTION OF
THOSE PLANS MAKES
A REAL DIFFERENCE.**

Investec Asset Management, through its Africa Private Equity capability, first backed Daraju Industries in Nigeria in 2013. The Investec Africa Private Equity strategy focuses on growth capital and buyout investments in established mid-market and larger companies in Africa, with the objective of supporting the creation of local or regional champions in their respective industries. Daraju fitted well with this strategy, and the investment supported the founder and Chairman, Mr Peeyush Garg, and his management team, to further grow the business. Investec Africa Private Equity was attracted to the business by the leadership and commercial acumen of Mr Garg, the strength of his team, the positioning of the business in providing high-quality and attractively priced branded personal and household care products, the well-known brands (including MYMY, Rana, Fressia, Farha, Liby, Green), the manufacturing capabilities and the extensive distribution network. It was not all plain sailing, yet despite challenging macroeconomic conditions in Nigeria, Daraju grew strongly, significantly increasing its presence and standing in the market over the last 4-5 years. This is a real tribute to Peeyush and to the team that he has developed – there were many challenges along the way, but the team consistently found ways to manage them and indeed to sometimes find opportunity in the challenges. It has demonstrated once again how important it is to back a management team that has experienced and capable leadership and in particular that has demonstrated a track record of strong execution. Good ideas help, but consistent good planning and strong execution of those plans make a real difference. We appreciated greatly the spirit of partnership, built on mutual respect and trust, that infused the working relationship. We expect to continue to hear great things about the business as it continues to build its position as a local champion in Nigeria and indeed beyond. 



'MAINTAINING GOOD PRACTICES'

Oscar Macaulay is the director of corporate services for Daraju Industries.

Q1. What is your role in Daraju Group?

My role in Daraju Group focuses on areas covering regulatory agencies, insuring compliance, corporate services, staff welfare and all associations like MAN and IOD. We must always ensure that Daraju, as a manufacturing company, complies with all regulatory Nigerian industrial standards.

We have a state-of-the-art laboratory for testing raw materials, finished products and R&D. Moreover, we have invested in ETP and waste management systems.

Health and safety are top priorities for Daraju, and we have thus invested in fire safety and other necessary equipment to be prepared for any sudden mishaps. Our safety department provides continuous checks and training in order to ensure our employees are fully prepared for unforeseen accidents. In addition, we have recently added an in-house clinic, which is under the auspices of a reputed hospital, to provide immediate medical attention.

We must also maintain good manufacturing practice and make sure all of our products are duly registered with all the necessary regulatory agencies. Last but not least, we need to meet all our statutory obligations.

However, we continue to improve and invest into the Nigerian economy. We take pride in the fact that we are one of the few ISO9001-2015 certified companies.

Q2. What are the challenges that the FMCG market faces today?

By nature of business, FMCG is a very competitive industry due to the presence of experienced established companies, new entrants and importation from various parts of the world.

Therefore, the main challenge does not only lie in the ability to survive but also to grow among competition from those experienced operators as well as the new companies trying to enter the market with aggressive strategies to gain marketshare or enter the market.

However, I believe that Nigeria is a large market and there is room for many. The saying "the more the better" is somehow true and tangible because it puts us on our toes and helps us stay innovative and efficient.

As the government keeps investing in infrastructure, addressing security concerns and implementing proper fiscal policies, Nigerian industries can become global.

Q3. Knowing that CSR is important to Daraju, what are the projects that Daraju has been engaged with?

Education is very important to Daraju. Partnering with the Budhrani Charitable Trust, we have managed to provide a good environment for children by renovating schools in and around Lagos.

We have also taken certain initiatives on hygiene education for primary students and have done educational visits to inform children about the significance of hygiene.

We admit that a lot more can be done. We are now in the process of setting up a foundation to focus on areas of primary education and women empowerment. We believe that with the support of our new partners, ACA, we will be able to put a lot more resources towards this objective.


Q4. What are Daraju's future plans?

Vertical and horizontal expansions are short- and long-term plans.

We are continuously adding new products to our consumer basket and are also investing in increasing our capacities where required.

In addition, we are investing in backward integration projects, which will not only assist Daraju to remain competitive but also reduce importation in Nigeria and move towards self-sufficiency.

We are also seriously studying other West African regions and will hopefully commence our operations in the near future.

As mentioned earlier, we are in the process of setting up a foundation in order to provide resources in the areas of primary education and women empowerment. 

DARAJU INDUSTRIES: TESTIMONIAL



'TARGETING 150 MILLION PEOPLE'

Ladell Robbins is Principal within the private equity team at African Capital Alliance.

Q1. Talk to us about your role with ACA?

I am a Principal within the private equity team and my primary role is to drive our investment business in the Fast Moving Consumer Goods (FMCG) and agriculture sectors. Essentially, I am responsible for originating, executing, creating value and ultimately exiting investments in these sectors. To date, we have invested in Beloxi Industries Limited, one of Nigeria's leading manufacturers of cream crackers and of course Daraju Industries Limited, a diversified provider of personal care and laundry care products. Lastly, I am a member of ACA's executive committee and in that capacity, I provide leadership support to our private equity business and overall franchise. I joined ACA in August 2013.

Q2. What is your take on the Nigerian investment ecosystem?

Nigeria is fortunate to have a tremendous entrepreneurial spirit. I recently read a report which stated that Lagos has the ninth highest rate of founders with an undergraduate degree (about 60 per cent), amongst the highest in the world. My take is that we need to support this entrepreneurial spirit with a more enabling business environment to allow the economy to really flourish. One aspect of the enabling business environment is more investment across the entire spectrum ranging from seed capital provided by friends and family to large capital for infrastructure. The combination of pro-business policies and capital will enable the investment ecosystem to grow faster and help Nigeria unlock the potential we all know exists.

Q3. Where do you see the growth opportunities in the coming years?

I am biased given my areas of responsibility, but I sincerely like the opportunities in consumer-focused businesses and agriculture. With respect to consumer businesses, I believe Nigerians of all economic classes are willing to spend money to enhance their lives. If you offer a quality product at a reasonable price and make it accessible, consumers are willing to try it. There are many entrepreneurs building small businesses with new products and I am confident that some will reach

the size of Daraju and ultimately become investment opportunities for us. Turning to agriculture, it has an important role in helping these new consumer businesses take off. FMCG companies very much want to find local suppliers of raw materials to strengthen their existing businesses or introduce new products. Probably the best example of this is the relationship between the Nigerian sorghum industry and the breweries. I am confident we will see more mid to large-sized agriculture businesses that require private equity capital in the coming years. Growth in these areas will create jobs and further enable consumers to spend money.

Q4. What was the rationale in backing Daraju Industries?

Daraju was a proprietary deal which meets several important criteria for us. The first is an opportunity to back a capable entrepreneur and management team who we have known for many years. The second is we wanted to invest in a leading personal care business and add to the portfolio of consumer investments we are seeking to build for our investors out of our current fund. Daraju targets a large segment of the Nigerian general consumer market – 150 million people with popular personal care brands such as MYMY. The company has an extensive distribution network to drive its business with depots in key locations all over Nigeria. Lastly, we see an opportunity to partner with management to grow the business through the introduction of new products, expanding sales reach and reducing costs.

Q5. What is your take on the FMCG market in Nigeria and Africa?

As mentioned earlier, overall, I am enthusiastic about the FMCG market in Nigeria. Nigeria has a large and growing population of consumers that are willing to spend money on products which enhance their lives. I believe we will continue to see more local and foreign entrants come into the market which will increase competition but ultimately be good for consumers and business. The work of Daraju will be to continue making good products at a reasonable cost and ensure these products are within the reach of as many consumers as possible. This is not easy to do, but Daraju is showing it is possible. Peeyush once described to our investors a way to think about the opportunity for Daraju. If you take the number of consumers you are targeting and multiply that by the amount of you want to sell to them in a year you can estimate the size of the opportunity. A manufacturer that can reach 100 million consumers and sell to them \$5 of products in a year will have a \$500 million turnover business. Thinking about the consumer segment this way easily captures the opportunity that exists for consumer businesses in Nigeria and Africa.

Q6. What are the future plans for ACA?

ACA will continue with its investment philosophy of combining know how, markets and capital to unlock value in our target markets through our core businesses of corporate private equity, real estate private equity and asset management. Investments in FMCG and agriculture will be a core part of this. We will identify good entrepreneurs with strong businesses to partner with to build even better businesses that upon exit will yield attractive returns for our investors. In the case of Daraju, we look forward to continuing our work with the founder and management team to build one of Nigeria's most exciting personal care businesses. 

Interview by Onoriode Akusu



2018 H1 AFRICAN PRIVATE EQUITY DATA TRACKER

EXECUTIVE SUMMARY

AVCA's 2018 H1 African Private Equity Data Tracker presents the continent's private equity (PE) activity for the first half of the year.

Consumer-focused sectors continued to dominate in terms of deal volume in 2018 H1, showing the lasting strength of the consumer theme in Africa. To illustrate, Financials' deal volume share increased to 16% in 2018 H1 from 10% in 2017 H1. However, in terms of the share of deal value, Utilities was the largest sector in 2018 H1, coming in at 37%, up from only 3% in 2017 H1. A deal example is Inspired Evolution's 2018 US\$36mn investment in Alten RE Developments Africa, a sub-Saharan solar PV project developer and owner-operator. In terms of regions, West Africa and multi-region deals led by share of deal volume, with both accounting for 46% of deal activity.

Finally, the total value of African PE fundraising in 2018 H1 was US\$2.1bn, comprised of US\$1.7bn in interim and US\$0.4bn in final closes; 60% of the total amount raised allocated to infrastructure-related funds.

KEY FINDINGS: PE DEALS

US\$0.9bn **Total value of reported African PE deals in 2018 H1**

US\$8mn **Median deal size in 2018 H1**



In 2018 H1, West Africa and multi-region deals attracted 46% of the total number of PE investments; multi-region deals accounted for the greatest share by value

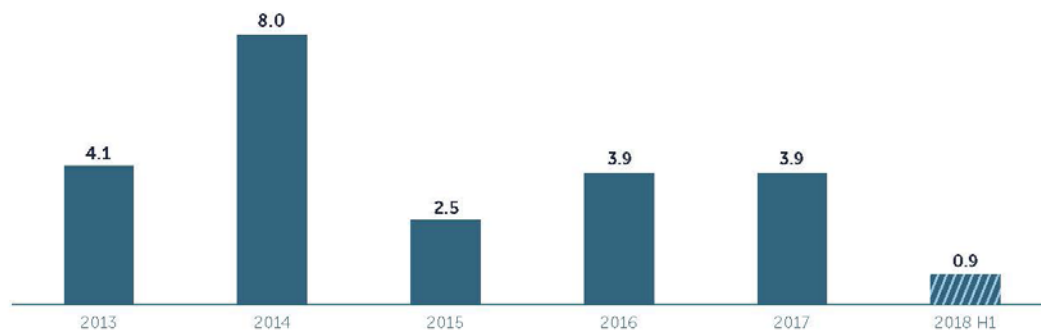


Consumer Discretionary, Financials and Consumer Staples were the top three sectors by volume in 2018 H1



Utilities, Financials and Industrials were the largest sectors by value accounting for 75% in 2018 H1

Total value of African PE deals, by year, US\$bn



Selection of African PE deals announced in 2018 H1

Portfolio Company	Sector	Investor(s)	Region
ARM Pensions	Financials	LeapFrog Investments	West Africa
Auto Springs East Africa	Consumer Discretionary	Ascent Capital Africa & other investor	East Africa
Cellulant	Financials	TPG Growth & other investors	Multi-region
mSurvey	Information Technology	TLcom Capital & other investors	Multi-region
Newpack	Materials	Adenia Partners	Southern Africa (excluding South Africa)
Promamec	Health Care	AfricInvest	North Africa
Sesaco	Consumer Staples	Pearl Capital Partners	East Africa
TerraSan	Consumer Staples	EXEO Capital	South Africa
Travaux Généraux de Construction de Casablanca	Industrials	Mediterrania Capital Partners & other investors	Multi-region

KEY FINDINGS: PE FUNDRAISING

US\$2.1bn

Total value of African PE fundraising in 2018 H1, including final and interim closes

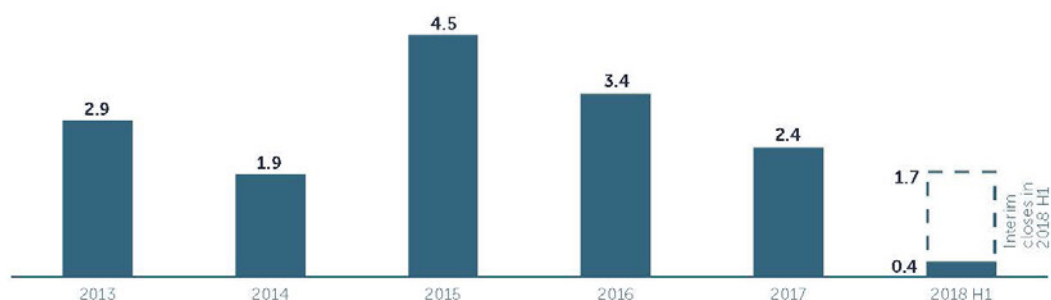
60%

In 2018 H1, 60% of the total amount closed (including final and interim closes) was originated from infrastructure-related funds

Selection of PE funds that announced a close in 2018 H1

Fund Manager	Fund Name	Status	Reported Close Amount (mn)	Regional Focus	Sector Focus
Cepheus Growth Capital Partners	Cepheus Growth Capital Fund	First Close	US\$51	East Africa	Generalist
Inspired Evolution Investment Management	Evolution II	Second Close	US\$124.5	Sub-Saharan Africa	Energy
Investec Asset Management	Growthpoint Investec African Properties	First Close	US\$212	Pan-Africa	Real Estate
Partech	Partech Africa Fund	First Close	EUR57	Pan-Africa	Generalist (Technology)

Total value of African PE fundraising, by year of final close, US\$bn



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Methodology

Private equity (PE) is defined as both private equity and venture capital.

Transactions cover all investments made by private equity firms across all sectors, including infrastructure. It excludes PIPE transactions where the PE firm was unlikely to have any influence on company strategy. It includes initial and follow-on investments.

Deals dates are taken to be the date on which the deal is announced, unless otherwise specified.

Deals value includes equity, mezzanine, senior debt and significant co-investments (where available).

Sectors for transactions are based on Global Industry Classification Standard classifications.

Vintage year of fundraising is based on year of final close, where available. If a fund has achieved a final close but the year of final close is not known, year of first close is used instead.

GPs that are included have raised, or are raising, third-party PE funds from institutional investors. Qualifying funds include funds that have a sole focus on Africa or have an allocation to Africa alongside a broader emerging markets investment mandate. Funds with a global investment remit that invest in Africa are excluded.

Disclaimer

AVCA refers to the African Private Equity and Venture Capital Association Limited, a company limited by guarantee registered in the United Kingdom. AVCA is a pan-African industry body whose international members include private equity and venture capital firms, institutional investors, foundations, endowments, international development institutions and professional services firms. The views expressed in this publication do not necessarily reflect the views of AVCA's board of directors, advisory council or members. This publication has been prepared on the basis of data sourced from AVCA's database, which contains information from public sources and private equity firms that has not been independently verified by AVCA. The database is constantly updated, and as such historical and current data may change as new information becomes available. AVCA takes no responsibility for the accuracy or completeness of the information, projections or opinions included in this publication, and neither AVCA nor any of its members or related third parties shall be responsible for any loss whatsoever sustained by any person who relies on this publication. AVCA encourages personal and non-commercial use of this publication with proper acknowledgment of AVCA. Users are restricted from reselling, redistributing, or creating derivative works for commercial purposes without the express written consent of AVCA.



'GROWTH IN ALL ASPECTS'

Paul Kokoricha is the Fund Manager for private equity funds at African Capital Alliance (ACA). He is involved in all aspects of private equity investment management for the group.

Q1. What is your role with ACA?

I joined African Capital Alliance (ACA) in 2002 and became the Fund Manager for the private equity funds in 2004. Since inception in 1997, ACA has raised four private equity funds with over 1bn assets currently under management. ACA has invested in over 35 portfolio companies across certain sectors, geographies and multiple economic cycles. In my role as Fund Manager and working with the partners and the rest of the team, I have been actively involved in all aspects of private equity investment management including, fundraising, investor relations, deal origination, due diligence, deal structuring, management of portfolio companies and exits.

Q2. Where do you see the most amount of opportunities in Nigeria and Africa?

Africa, including Nigeria, has gone through major transformations in the last two decades and continues to do so. There have been transformations in governance from unelected governments to multi-party democracies and from government-led economies to more open and private sector-led economies. These two fundamental changes have resulted into solid growth in GDP, increasing urbanization and growing middle class. For example, the last 10 years' average GDP growth rate for Africa, sub-Saharan Africa and Nigeria is 3.86%, 4.05% and 4.93% respectively. Africa

has one of the fastest growing and youngest populations globally. For example, the last 10 years' average of population growth in Nigeria is 2.6%. By 2050, Nigeria is projected to be among the top four most populated countries globally. However, there are challenges in Africa, including Nigeria, around instability of commodity prices, foreign exchange risks and certain political risks. Clearly, these risks get enormous coverage in the news whilst the long-term growth opportunities attract relatively less amount of coverage. I believe that these are the reasons why Africa has attracted limited amount of investments internationally.

As mentioned above, ACA, over the past 20 years, has invested in over 35 portfolio companies across a number of sectors. ACA backs strong management teams in opportunities with significant growth potential. Based on our experience, the main drivers of such opportunities with significant growth include economic reforms, adoption and adaptation to global trends, changes in economic fortunes, demographics and other similar factors. In the last few years, we have identified interesting investment opportunities in the following sectors:

- **Consumer Space** – This encompasses the entire value chain from production, marketing and distribution of household goods, personal care, food and beverages. Historically, most of these products used in Nigeria were either produced by multinational companies or were imported. Given the significant changes in the foreign exchange regime and a burgeoning population, that has to eat, drink, acquire household products, use personal care products, it is clear today that partnering with a domestic producer of these products that will fill the supply gap in Nigeria and the regional market.

- **Industrials** – The industrial space continues to be attractive, given economic reforms that are targeted at domesticating production of goods that can be done in-country competitively. The rapid economic cycles in the last 10 years, significant devaluation in the value of the Naira in the same period and demographics have made certain niches in the industrial sector increasingly attractive.

- **Technology, Media and Telecommunications** – As part of a global trend, there is an increasing adoption of technology to produce and market more efficiently goods and services. Spotting and identifying opportunities in this space is potentially attractive.

- **Education** - Establishing standardized primary, secondary and tertiary institutions is a must in this country. There are several public and private educational institutions in Nigeria that are operating below international standards and are in dire need of investment capital to elevate their status. Few globally accredited educational programs exist locally and this is the primary reason the upper class send their children abroad for education. Anyone who can provide standardized educational services in this country will certainly make a decent return on their investment.

• **Healthcare** – Given the increasing burden of lifestyle diseases driven by rapid urbanization, demographics, growing middle class and gap in the supply of quality and affordable healthcare, healthcare has become of increasing interest to private equity managers. Healthcare is one of the top 10 sectors in volume and value of deals done by private equity firms in Africa between 2012 and 2017. In Nigeria, prior to the recent economic crises, the figure that was reported for medical tourism was around a billion dollars. Nigeria has a significant number of medical professionals in the diaspora. As public funding and operational expertise in the business of healthcare remain impediments to the provision of quality and affordable healthcare service in Nigeria, private equity is stepping in to fill these gaps.

Q3. How has the FMCG market evolved over the past five years?


In the last five years, Nigerian consumers have seen an upward trend of wealth creation by the middle income class. The middle income class is getting richer albeit from a very low base of consumers and that class of consumers are increasingly having sufficient purchasing power for discretionary spend. Over the last five years, food is the primary driver of household consumption, as Nigerians are estimated to spend more than 55% of household income on food. Household spending on personal care items, which has historically accounted for only 2.2% of income, grew at a CAGR of 14% between 2012 and 2016, driven primarily by growth in disposable income, increased rate of urbanization and improved levels of literacy and awareness about hygiene. Multinational companies operating in this segment, with high quality and premium-priced products typically dominated the urban regions

of the country, given the prevalence of medium to high income earners. However following the recession, consumer preference has shifted to affordable quality substitute products, given rise to indigenous companies like Daraju.

Q4. What is your opinion on Daraju's growth?

The company's growth has been exciting. Daraju operates in a market where competition in all segments is high. The management team has shown foresight and has responded rapidly to changing market dynamics, ensuring that the company continues to improve its current growth trajectory. Daraju's leadership has focused on backward integration, building its distribution network and investing in technology to maintain sustainability of its operations. These underpin the growth we see today. Overall, the company has had a good year, with growth in all aspects of its operations. The company's overall growth and new product roll-out have been impressive, given the tough market conditions. We have to work hard to sustain the growth trajectory.

Q5. What would you describe as the current challenges of ACA.

ACA is a leading PE firm, operating from offices in Lagos and Accra, with over \$1 billion assets under management and a proven record of adding value to investments. The firm is managing macro shocks similar to its peers in the industry. The firm has invested four private equity funds and one real estate fund over multiple economic cycles and is applying lessons learnt over these years in its current operations. ACA has delivered good returns to its investors in its prior funds and it is better positioned to do so in its current funds. 

Interview by Onoriode Akusu



Senior members of the ACA Group





AFRICAN CAPITAL ALLIANCE



VALUE-ADDING INVESTING | PARTNERSHIPS THAT WORK | LOCAL PRESENCE & NETWORKS

From *Nowhere*



To *Somewhere*



To *Everywhere*

