

Executive Summary

Indonesian domestic plastic consumption is reported to reach 5.6 million tons in 2017. Of that amount, imported plastic is estimated to reach 1.8 million tons. The previous data shows that flexible packaging cannot be fulfilled by domestic producers and still relies on imports from abroad. The need for plastic packaging in the food and beverage, beauty & personal care, and pharmaceutical industries is also increasing along with the growth of each of these industries. Although the market demand continues to increase, local plastic packaging manufacturing industry are facing three main challenges: the pressure for packaging costs efficiency; import dependency in raw material availability; and the growing appeal for environmental sustainability.

PT Integra Daya Persada, in this business plan, aims to solve the above issues by offering 7-layers with barrier plastic film for flexible packaging manufacturers. Compared to 3-layers and 5-layers film that are widely used in Indonesia currently, 7-layers barrier film has higher level of oxygen impermeability, which resulted in prolonged shelf life of the packed product. In addition, combining surface printing technology and this 7-layers barrier film would also potentially eliminate the need for lamination process in printing and converting companies, thus reducing plastic packaging material usage and production costs up to 40%.

The target market of this product would be food and beverage packaging industry and pharmaceutical medicine packaging industry, which has grown at 12-15% per year for the last 5 years. In these industries, plastic film is used for many packaging applications such as cooking oils, dried foods, frozen foods, infuse bag, etc. Each type of those packaging will require specific material which can be broken down to EVOH, Nylon, PA, or PE to produce multilayer plastic film. The market size of the multilayer barrier films by aforementioned materials are valued at USD 38 mil in 2018 and expected to grow 6.77% annually to reach USD 55 mil (19.69 kilo tons) by 2024.

To be able to enter this market, PT Integra Daya Persada offers its product to packaging printing converting companies in Indonesia as the main buyer of plastic film products. The company source plastic resins locally and abroad, converts the resins to 7-layers plastic film with film blown machine according to customer's specifications and procure the plastic film sheets in rolls to destination. Personal selling and direct selling become the main strategy to introduce the product and establish a relationship with the potential buyer. The company aims to capture 9-12% market share of the Indonesia's multilayer barrier film market within the next 10 years, with sales volume annual growth (CAGR) projected at 15% per annum.

PT Integra Daya Persada will be headquartered in the strategic area of Kawasan Industri Modern Cikande, on the land of 10,000 square meter with production capacity of 3,000 metric tons each year. The focus of the operational strategy is cost efficiency and lean manufacturing. The manpower for production and logistics department are kept to the minimum at 28 headcounts for the course of 10 years, while the inventory level is prepared for 2 months' requirements to ensure smooth operations and low inventory costs.

PT Integra Daya Persada sees human capital as a top priority for the company. Human capital plays an important role in achieving company's visions, missions, and strategic objectives. Starting with 6 departments and 43 employees in the first year, the company aims to recruit capable and competent people, to develop and to nurture them, so that they may achieve targeted performance. Incentives and bonuses are carefully tight with each department's KPIs to boost company's overall performance and profitability.

The financial projection is made in the period of 10 years (2020 - 2030). The initial construction project is assumed to start and finish in 2020, the manufacturing operations start from 2021 onwards and the planned expansion is expected to occur in 2025. The estimated total investment required to start this business is approximately IDR 50 billion for capital expenditure (buildings, land, and machines) and working capital (mostly inventory raw material), which will be financed from equity capital and longterm debt. Based on ten-year projection, the internal rate of return (IRR) is 35,03 % which is greater than the cost of capital (WACC) of 14,84 %. The payback period of this business plan is 8.3 years (compared to industrial benchmark of 5-10 year). The NPV calculation of this project gives the company valuation at IDR 127,944 billion. Based on feasibility analysis, PT Integra Daya Persada is a decent business for those looking for mid to long term investment. However, through sensitivity analysis, the company must always take precautions against critical factors that affects the price of raw materials and the external forces that have a huge impact on the rate of industrial market growth.