

EXECUTIVE SUMMARY

The consumption of furniture has grown greatly with CAGR of 8,43% in the last 7 years. In year 2017 Indonesia has produced 975.775 CBM (Cubic meter) wood panel board and imported 449.673,03 CBM of it. However, 31,56% of Wood panel board in Indonesia's market is still dominated by foreign products whereas the growth for domestic production has decreased as it can be reflected by the decrease of CAGR for -16,4% in the last 4 years. This kind of reduction is caused by the increasingly strict law enforcement by the government in the last few years. The government cuts the illegal wood trade and requires companies to only use legal wood for industry. In 2016, the consumption for furniture has reached 7.1 Trillion Rupiah and the imported Wood panel board has grown with the CAGR of 2,19% and projected to reach 501.100 CBM in 2022. The imported wood panel board is believed to have higher quality and higher safety compared to the domestic product despite having more expensive price than domestic wood panel board. Clearly, Indonesian are facing towards more quality and safer product than ever. With both of the problems in industry, PT. Mitra Indah Palapa (MIP) offers a solution by providing health-friendly (not wood) and stronger composite panel board. With the newest technology and research, MIP is able to provide that composite panel board made of the coconut waste. As Indonesia is one of the biggest coconut producer in the world, MIP utilizes the waste of coconut derivative product such as: coco fiber and cocopeat. This health-safety and stronger composite panel board made of coconut waste is called "Cocoboard".

With Cocoboard, MIP benefits furniture companies by increasing their product competitive advantage with better performance, more eco-friendly, and less emission material. MIP is located in Lampung, Indonesia. The location is critical for sustainable growth because it is located close to the availability of raw materials, port and target market that operates in West Java. MIP forecasts to generate profits in the first year of operations with net income margin of 0,13% from a revenue of Rp 42,7 billion. That margin is expected to increase to 16,91% from a revenue of Rp 322,1 billion in year 5 of most likely scenario. The revenue is expected to increase at a CAGR of 49,79% in the first 5 years of operations. The projected sales and revenue increase are driven by the expected rapid demand growth by the end customers and the maximization of company's production capacity. In the other hand, the increase in net income margin is driven by variable cost reductions from economies of scale and declining need for marketing expenses. With all the calculations based on most likely scenario, MIP shows that MIP will achieve payback period of 4 years and 8 months with potential return of 59% and 13,63% WACC during its operation in 5 years ahead.