

EXECUTIVE SUMMARY

PT.Sahabat Alam Jaya (SAHAJA) is a new comer in latex coagulant business. Located in accessible area in South Sumatera province, PT.SAHAJA is focusing on adding value to paddy husks by converting them into natural-latex-coagulant called liquid smoke. Liquid smoke was originally developed using palm kernel shell and first developed in South Sumatera province. The reason it was developed was due to high level of bad odor produced by coagulated latex around plantation. Liquid smoke is famous of ability to overcome this bad-odor problem as well as its ability to produce standardized coagulated latex. Producing standardized coagulated latex has become farmers and industries' objectives, since only by doing so both parties could gain higher price in market. In addition, liquid smoke is also safe, while commonly used coagulants are dangerous and corrosive.

This business opportunity was first discovered after careful and sharp studies on its industry and humongous supply-demand gap. Although the industry is still at embryonic stage, analysis on Indonesia's future rubber downstream industry shows promising number of average growth rate 3.4%, meaning demand of latex coagulant is assured. In 2012, demand of latex coagulant already reached 44 million liter or USD 44 million, with 75% of it is covered by commonly-used formic acid. To be able to benefit from this opportunity, PT.SAHAJA is using focus cost generic strategy, In its first year, PT.SAHAJA plant is able to cover 5% national market share of liquid smoke, with equivalent of IDR 14 billion.

Equipped by mainly salespersons, PT.SAHAJA aims to cover all retails and "Koperasi" nearby rubber plantation. Using retails and "Koperasi" become one way to provide good availability for target consumer: rubber farmers. As PT.SAHAJA's product get closer to target market, acquiring cost for them gets lower and thus giving PT.SAHAJA better chance to tackle competition and substitution.

Act as second mover, PT.SAHAJA is armed with marketing and distribution ability to overcome liquid smoke's first mover business. While it only focused on South Sumatera, PT.SAHAJA builds 2 plants and 1 representative office covering South Sumatera, Jambi, and Bengkulu to target local rubber farmers. Due to its massive volume, PT.SAHAJA could achieve economies of scale and offer more competitive price in market. In eighth year, PT.SAHAJA will be able to cover 17% of national market share.

Since PT.SAHAJA aims to bring standardized coagulated latex with competitive price and good availability, it is very critical to have standardized liquid smoke and consistent supply of

paddy husks. Quality control is used to ensure PT.SAHAJA's liquid smoke to be able to meet SNI's standard of bahan olahan karet (bokar). Partnership with local rice mills are the step stone to PT.SAHAJA's success. Continuous supply to channels nearby plantation is also important to ensure high level of penetration. To meet this objective, PT.SAHAJA distributes its product by itself. South Sumatera, Jambi, and Bengkulu are chosen as PT.SAHAJA's location as a part to ensure proximity to target. All of this are the PT.SAHAJA's way to achieve effective and efficiency, thus reflects focus cost strategy.

PT.SAHAJA will not only put business profit ahead, but also its people and surrounding environment. Using corporate culture, CInTA, and zero-waste policy, PT.SAHAJA ensures the well being of all stake holders. CInTA (Compassion, Integrity, Teamwork, and Achievement) will support PT.SAHAJA aim to be effective as well as benevolence towards other. Zero-waste environment will also be a way to support effective working condition.

To finance this business, owner needs to invest twice: IDR 21 billion in pre-opening year and IDR 23 billion in third years to fund second plant and operating expense. 100% owner equity is used for 1st funding while 30% owner equity & 70% family financing are used for the 2nd funding. Most-likely NPV calculation for 8th year of projection is 63 billion, with expected MIRR is 39%. This MIRR number is above PT.SAHAJA's cost equity of 17%. In addition, PT.SAHAJA's payback period is 3.81 years. PT.SAHAJA starts to share dividend on its 3rd operating year using residual system. This is to ensure operational activities are funded by retained earnings, while the rest goes to shareholders.