

EXECUTIVE SUMMARY

Salt is a versatile substance used in various activities, such as household consumption and production processes in numerous industries. Unfortunately, Indonesia has not been able to fulfill the domestic salt demand, especially for industrial purposes. The largest salt demand comes from an industrial process called *chlor-alkali process* (CAP). One of the industries that utilize salt through chlor-alkali process is pulp and paper industry. Since the pulp and paper industry has demonstrated positive growth, the amount of salt required for this industry is also expected to increase. The increase in demand opens an opportunity for the national salt industry to provide the salt required for the pulp and paper industry.

PT Pure Salt Indonesia (PTPSI) is a newly established company that offers Neptune, the high quality industrial salt. Neptune will be an alternative for imported industrial salt. The type of industrial salt that will be provided by PTPSI is solar salt. This type of salt is acquired by processing sea water through evaporation, resulting in crystallized salt.

PTPSI will provide high quality industrial salt for pulp and paper industry purposes. In the first year of sales, PTPSI is planning to achieve a sales volume of 303,552 tons per year, valued at 174,254,025,600. In the sixth year of sales, PTPSI is expected to reach its optimum production capacity, resulting in higher sales volume of 376.518 tons per year, valued at Rp. 243.267.904.665. PTPSI is targeting pulp and paper companies in Java, Sumatera, and Kalimantan Islands.

PTPSI's marketing strategy is based on relationship marketing concept. Initially, PTPSI will actively introduce the company nationwide, and also to the related

industry. The purpose is to establish PTPSI as the pioneer manufacturer of high quality industrial salt in Indonesia. PTPSI mainly applies the relationship management concept by forming *Integrated Account Management Team*. The team is basically a task force, consists of staffs from marketing and operations departments. To maintain the relationship with its customers, each team will be assigned to the same customer since the initial communication, and throughout the contract period. This method is expected to strengthen the relationship and customer's trust to the team and PTPSI in general.

Since the core strategy of PTPSI is focused cost, the operations strategy will be focused on minimizing the *loss* and *waste* by optimizing all resources owned by the company, both human resources and the supporting equipments. PTPSI is expected to operate in a high level of productivity in order to control the cost of production. Therefore, PTPSI applies the concept of *Kaizen* through 5S and *Fishbone Diagram* methods.

To ensure the level of product quality and availability, PTPSI will run an integrated system of salt field and washing plant operations. There are two key stages in solar salt production process. The first stage is processing sea water in the salt field through evaporation, resulting in crystallized salt. The second stage is the crystallized salt washing process in the washing plant.

The focus of human resources strategy of PTPSI is well-defined job analysis. By clearly defining the job analysis, each staff will recognize and be really focused to his/her responsibilities, resulting optimum output for the company. Well-defined job analysis also enables the company to prepare the exact training programs to support the staff development, thus, the company development.

PTPSI will require the initial investment of Rp. 670 billion. The initial investment consists of pre-operational costs, salt field construction, washing plant construction, jetty construction, office construction, and other facilities costs in Kupang and the office CBD BSD Serpong. The fund for these initial investments will be acquired from two sources, the equity and loan. The equity sources are: 1) company founders (Rp. 124 billion), 2) government (Rp. 217 billion), and 3) private equity investor (Rp 279 billion). While the long term loan is amounted to Rp 50 billion.

In order to determine whether or not the business is feasible, PTPSI has performed investment feasibility analysis. This investment feasibility analysis is calculated in the 15-year financial projection. To provide the possible circumstances related to the financial projection, a business feasibility analysis has also been conducted. The business feasibility analysis consists of risk analysis and economic feasibility. The risk analysis is calculated using three scenarios, optimist, most likely, and pessimist scenarios.

The economic feasibility analysis uses NPV (Net Present Value), MIRR (Modified Internal Rate of Return), and Discounted Pay Back Period approaches. The analysis shows that in the most likely scenario, NPV results the positive value of Rp. 1,149 trillion, MIRR value is 26,50% with the Discounted Payback Period of 5.95 years. The risk investment analysis shows that the NPV covariance is 0,609, while the return, as expressed in *expected* MIRR, has the covariance of 0,59. Therefore, it is concluded that this business is feasible, with medium risk level.