

EXECUTIVE SUMMARY

PT Andalan Inti Lestari (hereinafter referred to ANDIL) is a new company that will provide bio-degradable plastics bags for its business-to-business clients. ANDIL is scheduled to begin its operations on January 2, 2013. ANDIL will be a partnership, owned and operated by its founders, consisting of Akhmad Reza, Noven Mancelly, Dedy Budihardjo, Ivan Vivaldi and Lanny Tjahjono.

Today, citizens, governments, corporations, lenders, investors, and organizations are becoming more aware of and placing more pressure on the importance of a healthy environment. Bio-degradable plastics are plastics made from natural materials, which are renewable, such as tapioca, corn or potatoes and polymers that do not originate from crude oil. It is projected to be the solution to reduce and ultimately prevent the pollution of the environment caused by plastic bags.

ANDIL will provide environmentally friendly plastic bags to its market. ANDIL will seek major contracts with companies who are considered as the major retailers in Jabodetabek. The plastic bag specifications comply with international bio-degradable plastic standard EN 13432 or ISO 1485-5. Both standards measure the ability of material transformation (cassava) with water and micro-organism (as mediator) to become carbon dioxide (CO₂), water

(H₂O) and biomass within 6 months.

In general the plastic bag industry, especially those engaged in the business of shopping bags - represented by about a dozen major players - still rely on conventional plastic olefinic raw materials (HDPE and LLDPE). This industry is a large employer of a skilled and productive workforce.

Based on the Porter's Five Forces analysis of the industry, the existing plastic bag business falls in the unattractive category. However, with the emerging bio-degradable bags, the industry's life cycle will be saved and even pushed to further rapid growth.

The company's knowledge and awareness of the driving forces behind the increasing demand for bio-degradable plastic bags will remain invaluable to the future existence of the shopping bag industry.

ANDIL will differentiate its market position in two specific ways i.e.:

1. The product, which is unique, made from cassava starch, being able to decompose easily in nature, but having the strength comparable with conventional plastic bags.
2. A branding and marketing strategy, which will be aggressively and effectively applied in cooperation with the government, emphasizing on its sustainable life cycle.

The initial start up capital for ANDIL is estimated to be IDR 12 Billion. Investment funds will be used to acquire the land and building (including its renovation, if any), to purchase of machinery and equipment (including softwares) and other necessary tools. Marketing funds will be used for trade shows and advertisements purpose. In order to properly fund the start up of ANDIL, the financing package consists of personal equity of its founders in amount of IDR 2.4 Billion each person.

ANDIL sales projections are to achieve in the first year IDR 4.300 Billion, in the second year IDR 9.864 Billion and IDR 16.769 Billion in the third year. In the fourth year of operation (most likely scenario), ANDIL estimated to achieve its pay back period (NPV = IDR 26.19 Billion, IRR = 40.02 %). On the following years the company is expected to become more profitable as contracts and clientele increase and the company learns to become more efficient in its operations.