

EXECUTIVE SUMMARY

The decreasing number of available fertile land and technology saturation are two major limitations in the Indonesian agriculture industry which have decreased the productivity rate and increased the price of fertile land. The rate of productivity is also affected by the Indonesian traditional farming system that has a high post-harvest inefficiency rate (the rate of loss grain) of 15%, compared to 6% in Thailand. In order to overcome the limitations, the application of biotechnology is needed. Modern biotechnology has successfully developed paddy biotech seeds, also called transgenic/GMO seeds, where these seeds can be planted on critical land available throughout Indonesia with a high rate of productivity.

PT Agro Kencana is a rice producer with an integrated business from plantation to packing and branding. The rice produced by the Company is made from modern biotechnology paddy seeds developed by the reputable Bayer Crop & Science. The seeds are tolerant towards dryness and pest, thus they are able to grow well on unproductive land.

The utilization of unproductive land would significantly lower the investment for land. The Company will use modern farming system that can lower the post-harvest inefficiency rate to 7%. The semi-automatic operation system implemented by the Company would lower the labor costs, which is one of the largest cost components in the operational costs. The speed of the Company's operation system enables harvesting activities to be done three times a year without being affected by weather changes, thus maximizing company revenues.

Rice is a staple food for Indonesian as well as a strategic product for Indonesia. Hence, the size of the market is very big and constantly increasing in accordance with the increase of the population. The Company will target 2 out of the 3 segments. The first segment is a taste-oriented segment and is targeted because it has the highest growth rate with the lowest intensity of rivalry. The second segment is a quality-oriented segment and is targeted because it has the largest market size.

The rice business is characterized with price competition between players. Thus, the Company's strategy in accessing the market is through competitive price which can be achieved by utilizing unproductive land, superior operational process, supported by competent human resource. The Company will grow its business by adding production capacity in order to boost sales and market share. At the end of year 6, Initial Public Offering will be undertaken as a way for the Company to give returns for the investment made by the investors in the early stages of the Company's business.

The success of the Company's business is reflected from the Net Present Value resulted from the business that reaches Rp. 82.9 billion. The first capital injection of Rp. 16.5 billion will be required in year 2011, while the second capital injection of Rp. 14.6 billion will be required in year 2012. The business has an IRR of 43.97%, 3 times the company's average cost of capital of 14.43%.

Investment in the Company will create an economic impact in the form of increased business income, as well as social impacts in the form of creation of employment and enhancement of the farmers' welfare. Hence, the Company's business has a very bright prospect because of the high availability of the unproductive land, the increased population, and the rise in the food's price would allow the investors to gain a higher and sustainable margin.