

EXECUTIVE SUMMARY

Pineapple leaf is a byproduct of pineapple plantations and is usually treated as waste or in the least as a substance for fertilizer. So far, the leaves mostly have not given any economic benefit to pineapple farmers. Pineapple leaf fiber (PALF) can be extracted and processed as raw material for yarn. PALF yarn then can be utilized as either cloth or decoration material.

There are (and were) PALF industry players in Indonesia, however, they are usually small-scale businesses with limited capacity and high production cost per unit, making their price to be still relatively unattractive to market. The existing players also has yet to come up with a technology to produce high quality yarn. According to our survey, there has not been any PALF yarn production trial in industry size due to the uncertainty in their marketability.

PT SOBAK PALF Indonesia (SOBAK) aims to answer the above concerns by pioneering the production of high quality PALF yarn and through inclusive share capital which will include pineapple farmers cooperatives as its shareholders.

SOBAK's factory is planned to be established in Pekalongan area in order to shorten raw materials distance and preserve their freshness prior to processing and also to be in close proximity to existing customers. This is in line with SOBAK's overall strategy which is Focused Cost Leadership.

SOBAK products will strive to substitute synthetic yarn, in conformity with one of the Strategic Development Goals (SDGs) by 2030 to fully utilize natural materials. Therefore, multinational clothing chains and export destinations will be two of our targeted end-users for our customer segments.

SOBAK plans to reach between 20s to 70s billion Rupiah in sales annually, with average EBITDA margin of 62%. As a company engaged in a still relatively unpopular business, SOBAK's marketing strategy will be focused on two activities: exploiting existing customers such as Ridaka and building awareness to prospective customers, including end-users.

As a startup, which will have a limited capacity in its early operations, SOBAK will have a slim organization structure, with president director in charge of marketing as well as overall running of the company. Employees, especially in lower levels, will have a salary above the regional minimum wage.

Initial investment is estimated at 26 billion Rupiah, consisting of Rp 22.7 billion capital expenditure to set up the factory, including land acquisition, building cost,

machinery purchase and installment, and purchase of vehicles and other equipment, and Rp 3.3 billion initial working capital.

We have also conducted feasibility analysis on our current financial projection to determine whether or not the business is feasible. Feasibility is conducted using 3 scenarios, optimistic, most likely and pessimistic, using assets scrap value as the terminal value. The result of our feasibility analysis is a positive net present value (NPV) of Rp 22.3 billion and internal rate of return (IRR) above calculated cost of capital, 15,66%. The payback period is estimated below 5 years.

