



## Investment Feasibility Analysis on Increasing Production Lines of Sport Shoes Industry, PT. X, West Java. Sucipto Prayitno.

PT. X is a sport shoes company, which will increase two more production lines to meet escalating shoe requisition. Increasing such production lines are needed because of recent capacity has already used as 100 %.

The problems in line with compliance to fulfill such requisitions confronting with limitation of production capacity are: (1) What is the best action should company carry out to fulfill such requisitions by buyer? (2) What is the impact of increasing production line on company condition? (3) What is the company strategy needed to provide profit for company in line with increasing production lines and how to durable enough to meet the possibility of in optimality capacity usage because of requisition shortage of significant rise in cost.

The purpose of this thesis is to examine financial feasibility of increasing production capacity planning, which will be done by PT. X, consist of: (1) Conducting company circumstances analysis, which contains internal and external factors of the company (2) Examining and analyzing whether from financial aspect, increasing production lines appropriate to be done or not (3) Examining the effect of decreasing selling volume and increasing production cost variable alteration on appropriate rising investment (4) Examining fund structure that provide the best profit to the share holder.

Methodology of research is conducting by case study approach, that this: (1) Internal and external company's circumstances analysis, by PEST and competition analysis (2) Comparing company financial condition if it conduct increasing production (3) Feasibility financial analysis on increasing production lines, by assessing differential of profit and lost on increasing production lines or not increasing production lines. Assessment is conducting by Net Present Value, Internal Rate of Return and Payback Period.

Based on PEST analysis, secure and organized condition could be change at time to be less favorable/conductive along the lines of escalating influence struggle by political elites/leaders. Such things are threat on production smoothness and distribution of commodity. The availability of labor with good character and proper skills are good opportunity for company.

The result of analysis on financial projection illustrates that company financial condition will be better if increasing production lines was conducted by increasing selling indicator and company asset, and better liquidity ratio, solvability, and rentability.

Feasibility analysis on increasing production lines, which is conducted in 9 scenario, show the result as: (1) Scenario A1, that is selling assumption reached 6,79 million pairs per year, with fund sources investment as 100 % from self financing. It indicates that increasing production lines is appropriate to be done and it results NPV positive as Rp 19.535,9 million, IRR 30,2 % and payback period of 3 years and 2 months (2) Decreasing selling quantum as 10 % (scenario A2, B2, and C2) or increasing labor cost as 20 % (scenario A3, B3, and C3) proven decrease of NPV and IRR and made longer payback period, however, investment remain suitable to be done. (3) Fund source, which provide the best

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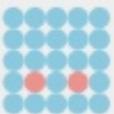


profit for share holder viewed from NPV and ROE come from loan as 100 % (scenario B1, B2, and B3) because less cost of capital and tax saving.

Based on analysis result, it could be concluded that founded on NPV, IRR and payback period indicator, the idea to increase production lines is appropriate to be done and it will increase company activity financial. In line with that, PT. X should invest its increasing two production line; therefore it will improve selling, profit and enhance financial condition.

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