



Analysis on the Feasibility of the Construction of Kasuzuke Processing Plant Project A Case Study for PT ABC

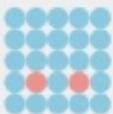
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The objectives of this study are (1) to evaluate the investment feasibility on the construction of Kasuzuke processing plant project, which focus on market and marketing aspects, technical and production aspects, management and organizational aspects and financial aspects, (2) to examine the requirements for investment budget, (3) to measure the financial risk of the investment, (4) to analyze the impact of the investment on the company financial condition, and (5) to examine the condition and the composition of the capital. The internal and external data are collected from some sources through direct interview and literature study. The capital budgeting decision methods used to evaluate the project are payback period (PBP), net present value (NPV), internal rate of return (IRR), and profitability index (PI). Sensitivity and break-even analysis are used to measure the risk of the project. The study also analyzes the company financial condition after the project is set up in comparison with the condition before the project.

The result of the study shows that the Kasuzuke processing plant project is feasible. With the exception of the company's policy on single buyer and legal matters, the non-financial aspects suggest optimistic signals at the project. The capital budgeting methods also give positive recommendations with the NPV is of Rp 1.539.019.000,-, the IRR is of 34,92%, the PBP is of 35 months and the PI is of 1,74. Based on the company's projected financial reports, there are significant improvements especially on profitability ratios, although the company has to reconsider of its investment loan term. In conclusion, the project will give financial benefit that exceeds the expectation of the company an also offers the opportunity to expand its business in the future.

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