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## Abstract

### Investment Feasibility Analysis on Business Expansion of Processed Leather Production of PT. Rahayu Indokulit Indah

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*The objective of this research is to analyse the feasibility of the investment on business expansion of PT. Rahayu Indokulit Indah through deep examination on business feasibility aspect, technical feasibility aspect, and financial feasibility aspect. The research was conducted using descriptive method on case study. The study on the business expansion was done based on qualitative and quantitative analysis through market and industrial environment aspects. Industrial environment analysis exploits Porter's five forces theory in enhancing competition ; 1997. Study on the technical aspect feasibility consists of study on production processes, production infrastructure, and employee utilization. Financial feasibility analysis was carried out based on analysis of consecutive three years company's financial condition, and also additional investment analysis to examine Net Present Value (NPV), Internal Rate of Return (IRR), Profitability Index or Benefit/Cost Ratio (B/C Ratio), and Payback Period (PBP). Revenue of the cash flow was calculated based on projected sales, forecasted using the past performance of sales and the future demand of leather product.*

*The result of the analysis proved that, based on business aspect, technical aspect, and financial approach, the project is feasible. Company's financial condition is growing positively. Company has good financial condition, its Current Ratio and Quick Ratio are improving year by year – toward liquid financial performance. The company's ability to book profit, based on Profit Margin and Return on Equity, is improving whereas PM and ROE (2003) was 7,86 % and 8,17% consecutively. Additional investment of Rp.6.107.911.000,-, which is 37 % of the amount or Rp.2.288.125.000,- is financed by bank loan/creditor, will be paid in five years. The result of investment differential calculation on business expansion – incremental analysis, using discount factor/ WACC of 13 %, is as follows : (a) NPV is positive Rp. 2.964.183.000,-, (b) IRR is 21,25 %, (c) B/C Ratio is 1,485, and (d) PBP is four years and two months. If sales decrease 5 % nor costs decrease 5 % are not significantly influenced feasibility of business expansion.*



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