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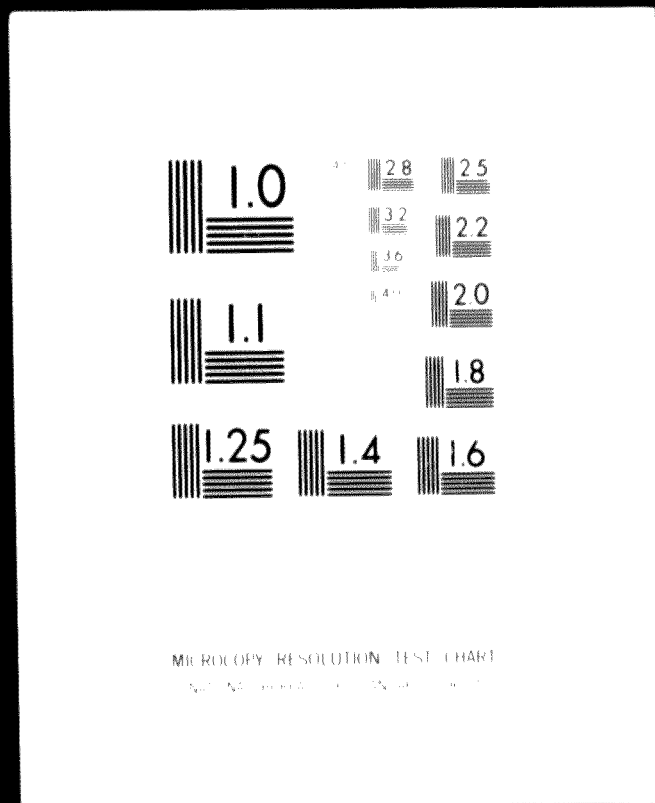
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PROJECT INFORMATION SHEET

United Nations Industrial Development Organization

INS-09-71

SECOND ASIAN MEETING TO  
PROMOTE INDUSTRIAL PROJECTS<sup>1/</sup>

SINGAPORE, 3-11 November 1971

ENGINEERING FILES

COUNTRY	Indonesia (Java)
PROJECT	Manufacture of 300,000 dozen steel files annually for the engineering trade (US\$ 832,000)
FOREIGN CONTRIBUTION REQUIRED	Loan of US\$ 332,000 (alternatively part in equity participation)



<sup>1/</sup> Sponsored by: The Economic Commission for Asia and the Far East (ECAFE)  
The United Nations Industrial Development Organization (UNIDO).

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IMPORTANT NOTICE

The basic purpose of this meeting is to provide an Exchange or Market Place for the initiation of contacts on specific industrial projects between their proponents from the Asian countries and potential suppliers of capital, finance, equipment or know-how, as the case may be, from the industrialized countries.

This Project Information Sheet has been prepared as a basis for such contacts. Its purpose is not to present detailed information about the project but to provide the recipient with an outline sufficient to determine tentative interest in principle. Any further available information on the project will be furnished on request to interested parties at the Meeting.

Experience has shown that industrialists frequently prefer to carry out their own further investigations in detail into projects in which they are interested, but assistance from UNIDO in these matters can be rendered to the Asian country concerned on request.

This Information Sheet contains only the information supplied to UNIDO by the proponent of the Project. UNIDO can therefore take no responsibility for its accuracy.

ENGINEERING FILES

I. INTRODUCTION

. The Project

The proponents of the project envisage the construction and operation of a new plant for the manufacture of 300,000 dozen /year of steel files (flat, half round, round bastard and taper) for the engineering trade. This production programme, representing the first stage, should increase to 510,000 dozen/year at the completion of the second stage within 5 years. The technical and production know-how will be provided by experts of J.K. Raymond Mills, Bombay, successfully manufacturing for many years already such engineering files and exporting them to Indonesia and other South East Asian Countries. It appears that quality and pricewise these files compete well with the leading Nicholson products.

. Foreign Contribution Required

The total investment for the first stage, including working capital, amounts to US\$ 832,000. A foreign loan of US\$ 332,000 is sought, however, as an alternative; part of this amount could be subscribed in equity.

. Government Attitude

As all engineering files, sold in Indonesia, are imported, the government in its drive for import substitution welcomes the plan for domestic manufacture of these essential products for the engineering and construction industry. Preliminary discussions show that the Government considers granting to the project "pioneer status", which would bring considerable advantages to the project (see "Incentives").

II. COMMERCIAL ASPECTS OF THE PROJECT

There is no domestic manufacture of engineering files and the demands of the market are covered by imports exclusively. So far neither a local nor foreign company has applied for setting up a factory for these products. The import duty amounts to 30% of the CAF value, plus 5% sales tax.

a) Total Domestic Consumption (estimated)

Up to 500,000 dozen of various sizes and styles per year.

b) Imports (estimated)

300,000 to 500,000 dozen of various sizes and styles per year (USA, Japan, India, Taiwan).

c) Projected 5 Year Domestic Consumption  
600,000 dozen /year.

d) Prices

	in US\$ per dozen		
	4"	5"	12"
Imported, custom cleared -		2.25	18.15
Proposed price	1.53	1.96	14.68

e) Exports

In view of the demand for engineering files by the trade and a limited production as proposed, there are no plans for exports in the near future.

### III. PHYSICAL ASPECTS

a) Production Capacity

For the first stage of project implementation, a production figure of 300,000 dozen /year of engineering files has been planned consisting of 3 $\frac{1}{2}$ " to 12" of flat, half-round, round bastard and taper files. Within 5 years, at the completion of the second stage, the output is to increase to 510,000 dozen /year.

b) Location

The location of the proposed factory has not yet been decided, however it is assumed that for reasons of availability of skilled labour a plot of land, not far from Djakarta, will be bought and developed.

c) Land and Buildings

For the purchase of 2 to 3 hectares of suitable land US\$ 37,000 and for the building an amount of US\$ 90,000 has been budgeted.

d) Labour

Skilled labour for this particular type of production is scarce and will have to be trained and upgraded from the category of semi-skilled.

Semi-skilled labour is available at a monthly rate of US\$ 50 to 75, unskilled from US\$ 25 to 50.

e) Raw Materials

Raw materials, mainly a special type of steel, will have to be imported from Australia or Japan.

f) Infrastructure

No indications about the infrastructure can be given yet, however, when deciding for the land to be bought, the question of road, railway connections, water-supply, etc. will be considered fully.

g) Utilities

The same considerations, as mentioned above, prevail also for having electric power supply (if possible also industrial gas supply) and other facilities laid on for the project.

IV. ECONOMIC ASPECTS

a) Importance

Although engineering files represent only a small part of the overall import programme, the complete dependency on overseas supplies for these basic metal working tools has caused the government to be specially receptive to the proposed project. If, as indicated during negotiations, the government grants to the new company "pioneer status", the importance of the project to the economy of Indonesia will be officially recognized.

b) Incentives

The government will grant the following incentives:

- Tax holiday (corporation and dividend tax) for 4 years (in the first instance);
- Duty free import of machinery and spares;
- Duty free import of raw materials, semi-finished or finished goods used in the processing or for the operation of the company (f.i. office equipment, vehicles etc.) for a period not exceeding 2 years, if "pioneer status" is granted to the project;
- Repatriation of capital and profits (as stated in the relevant act, passed by parliament).

V. FINANCIAL ASPECTS

a) Composition of Investment (US\$)

	<u>Local Currency</u>	<u>Foreign Exchange</u>	<u>Total</u>
Pre-investment costs	-	30,000	30,000
Assets			
Land	37,200	-	37,200
Buildings	12,800	77,200	90,000
Machinery	-	241,000	241,000
Estimated working capital	-	<u>433,800</u>	<u>433,800</u>
Total	<u>50,000</u>	<u>782,000</u>	<u>832,000</u>

b) Proposed Financing Plan (US\$)

	<u>Local Currency</u>	<u>Foreign Exchange</u>	<u>Total</u>
Equity	50,000	450,000	500,000
Loan capital*	-	332,000	332,000
Total	<u>50,000</u>	<u>782,000</u>	<u>832,000</u>

\* As an alternative to the foreign loan sought of US\$ 332,000, equity participation for part of the amount is open for discussion.

VI. ADDITIONAL RELEVANT INFORMATION

a) Project Presented By

Mr. Harlan Bekti, President Bekti Corporation, Djakarta, acting also on behalf of the J.K. Singhania Group from India (J. K. Raymond Mills) and a Hongkong group of businessmen.

b) Legal Structure

For the joint venture enterprise a private limited company is to be formed.

c) Investment Authorization

A final investment proposal will have to be submitted for approval to the Foreign Investment Board and the Ministry of Industries (standard procedure).

d) Documentation available

A feasibility study, as well as a market study is available to potential investors.





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