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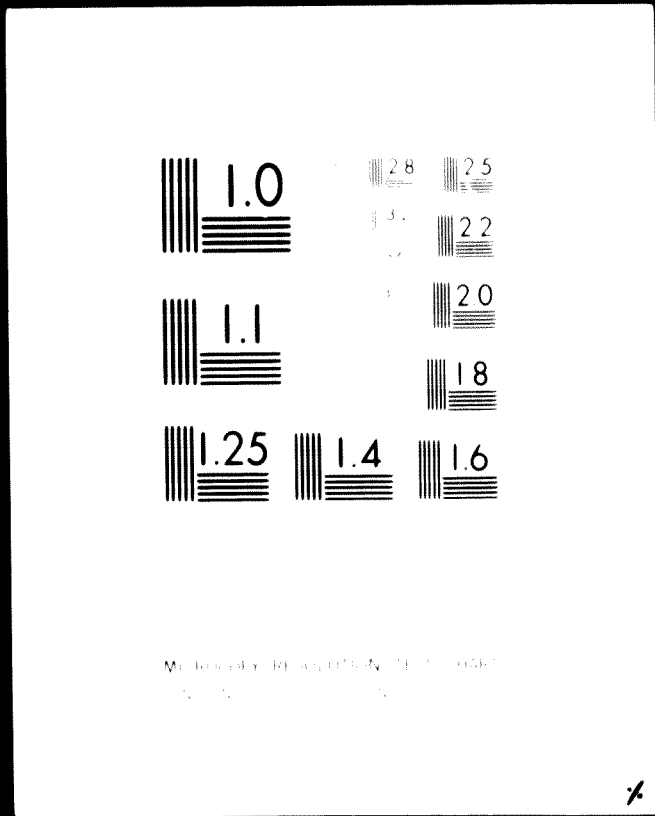
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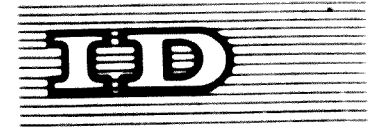
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PROJECT INFORMATION SHEET

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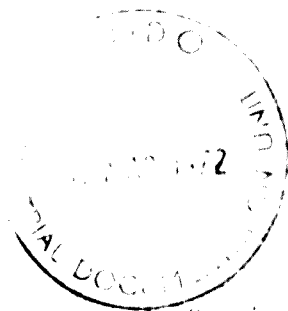
United Nations Industrial Development Organization

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

SINGAPORE, 3-11 November 1971

TARALIT ARTIFICIAL LEATHER

COUNTRY	Indonesia (Java)
PROJECT	Manufacture of Taralit Artificial Leather from Tarok Bark
FOREIGN CONTRIBUTION REQUIRED	Equity participation (open) Loan US \$1,206,000 Technical and managerial co-operation



<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.

TARALIT ARTIFICIAL LEATHER

I. INTRODUCTION

a) The Project

The proponents envisage the construction and operation of a modern plant for the manufacture of Taralit artificial leather from the bark of tarok trees, which will serve for insoles in shoe-making. Besides the Bata Shoe Factory in Djakarta there are many smaller factories all over Indonesia. The product will be a substitute for imported artificial leather, as well as for locally manufactured split leather, which is limited and more expensive. Promising export possibilities also exist to Far East Asian countries.

b) Foreign Contribution Required

Preliminary estimates put the total investment in the project at US \$1,747,500. Foreign equity participation is open to discussion, the total share capital to be about US \$541,500. A loan of US \$1,206,000 is sought for the purchase and installation of machinery. For optimum operation of the plant foreign technical know-how, management and marketing assistance will be required.

c) Government Attitude

The government views the project favourably, (import substitution, employment and new technical know-how) and declared this a pioneer project, participating in all legal incentives offered.

II. COMMERCIAL ASPECTS

- a) Of the proposed capacity of 35,000 sq. ft. or 6 tons per day of Taralit artificial leather, 50% is proposed to be sold on the local market and the balance to be exported to neighboring countries.

b) Total and Projected Consumption

The domestic consumption of natural leather (local production and imports), as well as exports are now being investigated by the Ministry.

At present no artificial leather is produced in Indonesia (except for a small pilot plant), however excellent sales possibilities exist for artificial leather on the local and export market, mainly due to the price, which is much lower than that of natural leather.

c) Proposed Prices

Taralit Artificial Leather, per sq. ft.	US \$0.10
Imported Artificial Leather, per sq. ft.	0.20
Local Natural Leather (split leather) per sq. ft.	0.15

III. PHYSICAL ASPECTS

a) Plant Capacity

A small pilot plant (half-manual, half-machine) produces at present about 200 kg of Taralit Artificial Leather per day of a lesser quality than desired. With the use of new methods and up-to-date automatic machines the quality will be up-graded to be fully competitive with natural leather.

b) Location

The location of the factory is proposed to be at Pulo Gadung, Djakarta, but may be reconsidered.

c) Land

A total of 10 hectares of land is proposed, of which at present 4 hectares will be used for the factory and yard, 6 hectares to be in reserve for future expansion.

d) Labour

Besides administration and sales a total of 17 skilled and 54 unskilled workers will be required for production. Wages, depending on location of the plant, will be about US \$60-80 and US \$40-50 per month respectively.

e) Raw Materials

The main raw material is tarok bark of high grade (Artocarpus Elastica), which grows in abundance on Java (70 miles from Djakarta) and on West Sumatra. To produce 35,000 sq. ft. or 6 tons of Taralit Artificial Leather per day, 15 tons/day of tarok bark is needed, making in 288 days a total of 4,320 tons/year. This large quantity of voluminous raw material will probably make the re-location of the factory nearer to source necessary.

The raw material price of tarok bark is put at US \$22.10/ton, delivered.

Furthermore natural latex, 900 kg. a day, will be required, at approximately US \$0.40/kg.

Small quantities of additional chemicals must be imported.

f) Infrastructure

No detailed information can be given until the most suitable site has been selected.

g) Utilities

Same as infrastructure. However a diesel generator of 500 KVA is planned, the consumption of which will be about 1,000 l/day of diesel oil at US \$0.053 per liter.

IV. ECONOMIC ASPECTS

a) Importance

The implementation of the project will be of benefit to the economy of Indonesia for the reason, that:

- a raw material, not used so far, will be used for the manufacture of artificial leather
- the local market of natural leather will be supplemented by a new product
- 50% of the production of Taralit will be exported, bringing in additional foreign exchange

- employment for 71 workers and additional administrative staff is created
- new technical and production know-how is introduced into Indonesia.

b) Incentives

Being a pioneer project, the following incentives will apply:

- Income Tax exemption (from 3 to 5 years)
- Duty free import of machinery and spares
- Foreign capital repatriation
- Duty free import of chemicals

V. FINANCIAL ASPECTS

1) Composition of Investment

	<u>Local Cost</u>	<u>US \$</u> <u>Foreign Cost</u>	<u>Total</u>
a) Pre-investment cost	105,300	-	105,300
b) Assets:			
Land	70,000	-	70,000
Buildings	113,600	-	113,600
Machinery	-	1,206,000	1,206,000
c) Estimated working capital	<u>252,600</u>	<u>-</u>	<u>252,600</u>
	541,500	1,206,000	1,747,500
	=====	=====	=====

2) Proposed Financial Plan

	<u>Local Currency</u>	<u>US \$</u> <u>Foreign Exchange</u>	<u>Total</u>
a) Equity (open)	270,750	270,750	541,500
b) Loan	-	1,206,000	1,206,000
c) Supplier's credit	-	-	-
	<u>270,750</u>	<u>1,476,750</u>	<u>1,747,500</u>
	=====	=====	=====



VI. ADDITIONAL RELEVANT INFORMATION

a) Project Presented By:

Prof. H. Makmoen Soeleiman  
c/o P.T. Pranusa, Djakarta  
12 A, Djl. St. Sjahrir

b) Legal Structure

A private limited company is to be formed. Majority and minority status of partners to be discussed.

c) Documentation

A feasibility study has been prepared, a market study is still to be made and all available data and calculations should be re-checked with the foreign investor.

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