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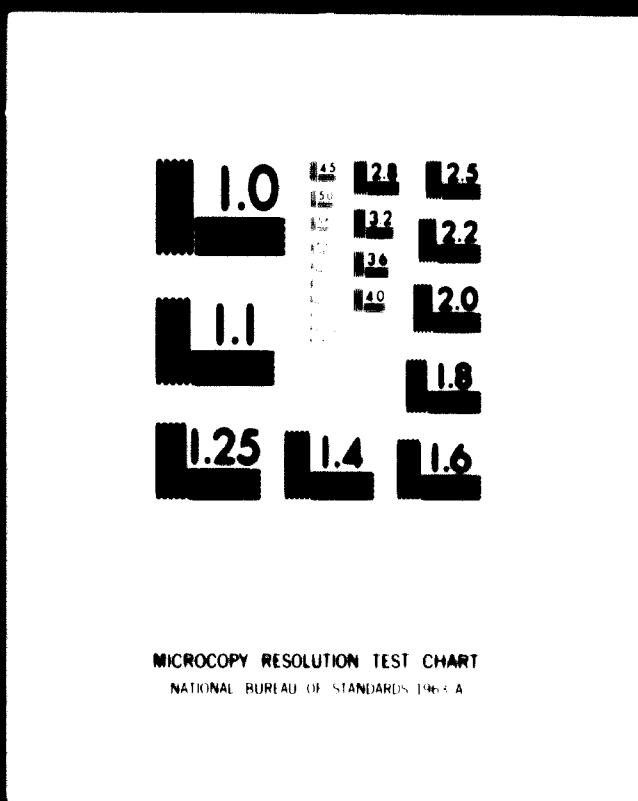
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Distr.
LIMITED
IPPD/INS/22
3 September 1973
ORIGINAL: ENGLISH

United Nations Industrial Development Organization

Third Asian Meeting to Promote
Industrial Projects
Kuala Lumpur, Malaysia, 14-21 November 1973

Project Information Sheet

STRAW HATS FOR EXPORT

| | |
|--------------------------------------|--|
| COUNTRY | Indonesia |
| PROJECT | Factory to Produce Straw Hats for Export Annual Capacity: 1,500,000 pandan hats 500,000 panama hats Total Investment: US\$ 300,000 |
| FOREIGN CONTRIBUTION REQUIRED | Marketing Equity Participation Working Capital |

Sponsored by: The Economic Commission for Asia and the Far East (ECAFE) and
the United Nations Industrial Development Organisation (UNIDO).

14.73-6123

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.

STRAW HATS FOR EXPORTS

I. THE PROJECT

Straw hats made out of Pandan and Panama straw have been produced for many generations in Indonesia and have found favourable acceptance in foreign markets. However, it is felt that the export potential is far from being fully realized at present.

The project proponent envisages therefore the establishment of a plant to manufacture straw hats for export at an annual rate of $1\frac{1}{2}$ million pandan and $\frac{1}{2}$ million panama hats. For this purpose he wishes to collaborate with an international hat maker to obtain the necessary financing and marketing.

Incentives

Tax holiday, export incentives and various Government assistance programmes are offered as incentives to new industries, details of which are listed in the country information sheet on Indonesia.

II. COMMERCIAL ASPECTS

The project proponent has conducted a pilot operation on exports to West Germany and France in which several hundred thousands of unfinished pandan and panama hats were sold to hat makers for further processing. The proponent plans now to have the finishing work such as cutting, dyeing, styling and other operation undertaken in the proposed plant while the weaving of the unfinished products would be carried on the basis of home industry.

Prices F.o.b. Djakarta are expected to be approximately US\$ 7 per dozen for pandan and US\$ 14 per dozen for panama hats. Abundant production of raw material and low cost labour will enable marketing of these products at most competitive prices.

Profitability expected (US\$)

| | <u>During Tax Holiday</u> | | | <u>After Tax Holiday</u> |
|--|---------------------------|--------------------|-------------------|----------------------------------|
| | <u>First Year</u> | <u>Second Year</u> | <u>Third Year</u> | |
| Sales | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 |
| Cost of goods sold | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 |
| Interest | 16,000 | 8,000 | - | - |
| Depreciation | 15,000 | 15,000 | 15,000 | 15,000 |
| General and Admini- stration, incl. | | | | |
| Transportation | <u>100,000</u> | <u>100,000</u> | <u>100,000</u> | <u>100,000</u> |
| | 1,131,000 | 1,123,000 | 1,115,000 | 1,115,000 |
| Profit before tax | 369,000 | 377,000 | 385,000 | 385,000 |
| Tax 45 % | <u>-</u> | <u>-</u> | <u>-</u> | <u>173,000</u> |
| Net profit | 369,000 | 377,000 | 385,000 | 212,000 |
| Amortisation of working capital | <u>100,000</u> | <u>100,000</u> | <u>-</u> | <u>-</u> |
| Net profit after debt service | <u>269,000</u> | <u>277,000</u> | <u>385,000</u> | <u>212,000</u> |

III. PHYSICAL ASPECTS

A suitable project site of about 2.5 acres near Tasikmalaya, West Java, can be purchased for US\$ 12,500.

Skilled labour is available at very low cost as practically all families in this area are specialized in the making of straw hats.

IV. FINANCIAL ASPECTS

| | |
|---------------------------------|----------------|
| Estimated capital requirements: | <u>US\$</u> |
| Land (2.5 acres) | 12,500 |
| Building 1,000 sq.m. | 50,000 |
| Machinery and equipment | 37,500 |
| Working Capital | <u>200,000</u> |
| Total | <u>300,000</u> |

The working capital in the amount of US\$ 200,000 is intended for the financing of inventory over a period of two months. It is expected that the foreign partner will arrange this financing through a loan with a maturity of two years. With regard to the equity financing in the amount of US\$ 100,000, the proponent proposes a 10 % local and 90 % foreign participation.

V. OTHER RELEVANT INFORMATION

Project presented by:

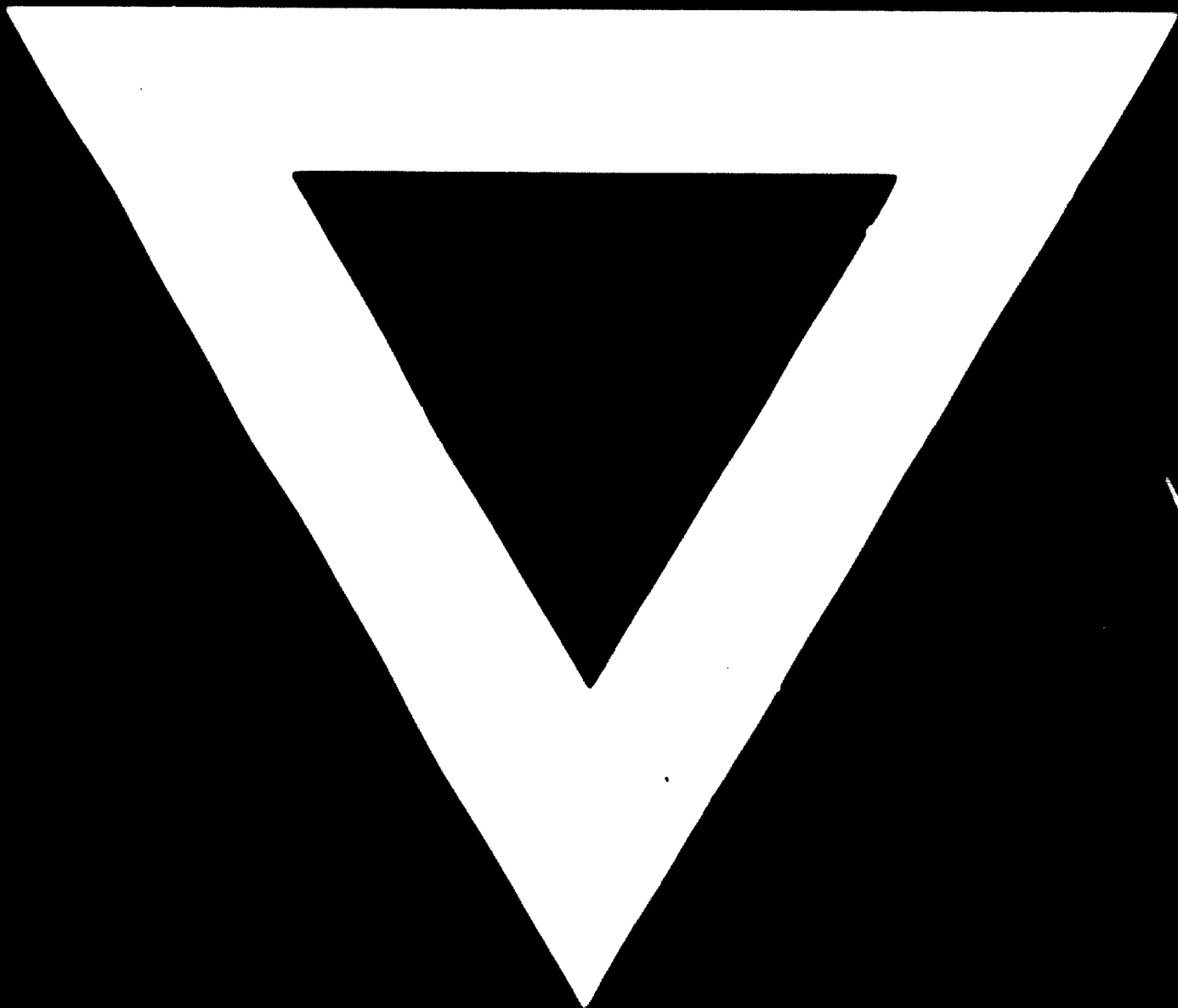
C.V..Dinar, Tasikmalaya, Indonesia

Manager: Mr. Roedinar Samsudi

Proposed legal structure: Private Corporation

Preliminary study

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