
CHAPTER 1 – INTRODUCTION

1.1 Background

The Covid-19 (SARS-CoV-2) pandemic which began to be detected in China at the end of 2019 and swept all corners of the world has a very serious impact, especially from the health aspect. WHO data shows that the commulative cases that have occurred have touched 768,560,727 cases of which 6,952,522 cases caused death.

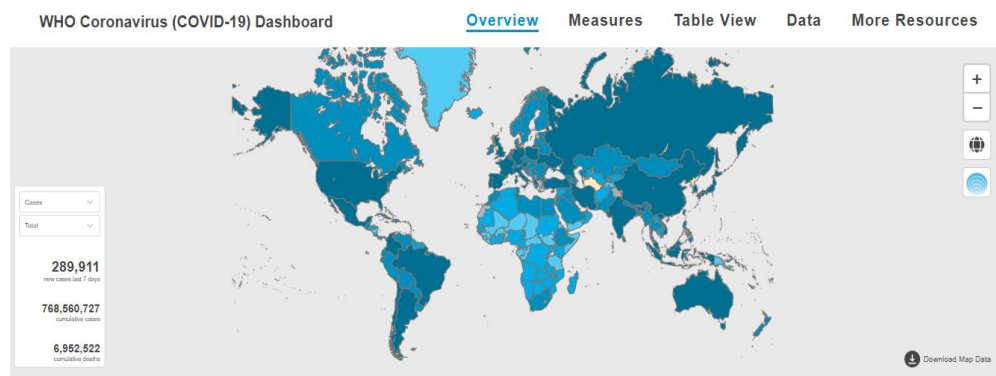


Figure 1. 1 WHO Coronavirus (COVID-19) Dashboard

Source: <https://covid19.who.int/> accessed 01 Aug 2023

The highest number of cases occurred in Europe at around 275 million cases, followed by Western Pacific at 205 million cases and ranked third was America with 193 million new cases, followed by South East Asia with 61 million cases. In Indonesia alone, according to data from the Indonesian Ministry of Health, the number of people exposed to Covid-19 reached 6,811,945 confirmed cases, where patients who recovered from Covid-19 were 6,641,275 cases and patients who died were 161,870 people. The total vaccines that have been administered by the World Health Organization have reached 13,492,032,177 vaccine doses and in Indonesia alone the target target of vaccine recipients is 234,666,020 Indonesian population. The 1st vaccine has reached 203 million people, then the 2nd vaccine has reached 175 million people, then the 3rd vaccine has reached 69 million people and the 4th vaccine has reached 3.4 million people.



Figure 1. 2 Indonesia COVID-19 Update

Source:<https://covid19.go.id/artikel/2023/06/28/situasi-covid-19-di-indonesia-update-28-juni-2023>

The hard efforts made by WHO in tackling Covid-19 are beginning to show results where starting in early 2023 conditions have improved much even in Indonesia now that the Endemic period is in effect and heading towards a comprehensive recovery. The success of health recovery is certainly thanks to the hard work of all stakeholders in all corners of the world and high commitment from the entire global community. President Joko Widodo stated that the government officially revoked the Covid-19 pandemic status and then starting June 21, 2023, Indonesia was declared to have switched from a pandemic period to an endemic. At the same time, WHO also revoked the status of Public Health Emergency of International Concern.

The change in status certainly has a positive impact and gives hope for a better recovery in the global economy and especially in Indonesia. The National Economic Recovery Program (PEN) as part of the government's efforts in responding to the impact of the Covid-19 pandemic where the government focuses on the affected economic sectors by providing fiscal stimulus and support for the business sector and workers. Increasing investment in the infrastructure sector is also intensively carried out by the government in the era of President Jokowi where the construction of toll

roads, provincial roads, village roads, in order to increase connectivity and support the acceleration of the movement of goods and services, dam construction and irrigation in order to strengthen food security and several other supporting infrastructures.

	2020	2021	2022e	2023f	2024f	2025f	Percentage point differences from January 2023 projections	
							2023f	2024f
World	-3.1	6.0	3.1	2.1	2.4	3.0	0.4	-0.3
Advanced economies	-4.3	5.4	2.6	0.7	1.2	2.2	0.2	-0.4
United States	-2.8	5.9	2.1	1.1	0.8	2.3	0.6	-0.8
Euro area	-6.1	5.4	3.5	0.4	1.3	2.3	0.4	-0.3
Japan	-4.3	2.2	1.0	0.8	0.7	0.6	-0.2	0.0
Emerging market and developing economies	-1.5	6.9	3.7	4.0	3.9	4.0	0.6	-0.2
East Asia and Pacific	1.2	7.5	3.5	5.5	4.6	4.5	1.2	-0.3
China	2.2	8.4	3.0	5.6	4.6	4.4	1.3	-0.4
Indonesia	-2.1	3.7	5.3	4.9	4.9	5.0	0.1	0.0
Thailand	-6.1	1.5	2.6	3.9	3.6	3.4	0.3	-0.1
Europe and Central Asia	-1.7	7.1	1.2	1.4	2.7	2.7	1.3	-0.1
Russian Federation	-2.7	5.6	-2.1	-0.2	1.2	0.8	3.1	-0.4
Türkiye	1.9	11.4	5.6	3.2	4.3	4.1	0.5	0.3
Poland	-2.0	6.9	5.1	0.7	2.6	3.2	0.0	0.4
Latin America and the Caribbean	-6.2	6.9	3.7	1.5	2.0	2.6	0.2	-0.4
Brazil	-3.3	5.0	2.9	1.2	1.4	2.4	0.4	-0.6
Mexico	-8.0	4.7	3.0	2.5	1.9	2.0	1.6	-0.4
Argentina	-9.9	10.4	5.2	-2.0	2.3	2.0	-4.0	0.3
Middle East and North Africa	-3.8	3.8	5.9	2.2	3.3	3.0	-1.3	0.6
Saudi Arabia	-4.3	3.9	8.7	2.2	3.3	2.5	-1.5	1.0
Iran, Islamic Rep. ²	1.9	4.7	2.9	2.2	2.0	1.9	0.0	0.1
Egypt, Arab Rep. ²	3.6	3.3	6.6	4.0	4.0	4.7	-0.5	-0.8
South Asia	-4.1	8.3	6.0	5.9	5.1	6.4	0.4	-0.7
India ²	-5.8	9.1	7.2	6.3	6.4	6.5	-0.3	0.3
Pakistan ²	-0.9	5.8	6.1	0.4	2.0	3.0	-1.6	-1.2
Bangladesh ²	3.4	6.9	7.1	5.2	6.2	6.4	0.0	0.0
Sub-Saharan Africa	-2.0	4.4	3.7	3.2	3.9	4.0	-0.4	0.0
Nigeria	-1.8	3.6	3.3	2.8	3.0	3.1	-0.1	0.1
South Africa	-6.3	4.9	2.0	0.3	1.5	1.6	-1.1	-0.3
Angola	-5.6	1.1	3.5	2.6	3.3	3.1	-0.2	0.4

Figure 1. 3 Real GDP

Source: <https://www.worldbank.org/en/publication/global-economic-prospects>

Accessed 31 Jul 2023

Apart from the impact of the pandemic which has put very strong pressure on economic growth, the war that continues to rage between Russia and Ukraine also has a significant impact on the slowing down of the world economy. The energy crisis triggered by soaring oil commodity prices has also triggered inflation that continues to rise and persist in the global economy. Global economic growth data released by the World Bank shows that global economic growth It will be in the range of 3.1% and is even predicted to tend to fall in 2024. Tightening monetary policy in order to control high inflation as well as very tight global financial conditions and very limited external demand have triggered economic movements that tend to slow down.

On the other hand, according to the World Bank, Indonesia's economic growth condition is predicted to be in a fairly stable range in the range of 4.9% to 5.1%. This is certainly thanks to the government's efforts to control the inflation rate, monetary policy, handling the Covis-19 pandemic which is quite successful, massive infrastructure construction that creates jobs, changes in pandemic status to become endemic and government confidence in fundamentals that are strong enough to continue to grow in a situation that is still quite vulnerable. Bank Indonesia data shows that the Consumer Price Index (CPI) in May 2023 decreased compared to the previous month. From January 2023 to June 2023, inflation continues to improve from the range of 5.28% down to 3.52%.



Figure 1. 4 Inflation Update

Source: <https://www.bi.go.id/id/statistik/indikator/data-inflasi.aspx> accessed 31 Jul 2023

The economic growth that is still quite good and government policies in order to suppress inflation provide hope for business actors so that they can continue to develop their businesses and remain optimistic to be able to grow sustainably.

No	Tanggal	BI-7 Day
1	19 Oktober 2023	6.00 %
2	21 September 2023	5.75 %
3	24 Agustus 2023	5.75 %
4	25 Juli 2023	5.75 %
5	22 Juni 2023	5.75 %
6	25 Mei 2023	5.75 %
7	18 April 2023	5.75 %
8	16 Maret 2023	5.75 %
9	16 Februari 2023	5.75 %
10	19 Januari 2023	5.75 %

Figure 1. 5 Bank Indonesia 7 (Seven) Days Repo Rate

Source: <https://www.bi.go.id/id/statistik/indikator/bi-7day-rr.aspx>. Accessed 29 Oct 2023

According to the results of the Bank Indonesia Board of Governors' Meeting in October 2023, the BI7 days reverse repo rate (BI7DRR) increased by 25 basis points to 6.00%, the deposit facility rate by 25 basis points to 5.25% and the lending facility rate increased by 25 basis points to 6.75%. This will be an incentive for commercial banks to deposit their funds in Bank Indonesia. The interest rate hike is in order to maintain rupiah exchange rate stability due to increasing uncertainty in global conditions as well as in the context of preventive measures against the potential increase in inflation. The government targets inflation to be in the range of 3.0% in 2023 and 2.5+- 1% in 2024.

Conditions that continue to improve and provide bright hope encourage a Leading Heavy Equipment Company to continue to innovate with the jargon of Differentiation, Diversification & Digitalization to develop all its business lines, especially in the mining and new renewable energy sectors.

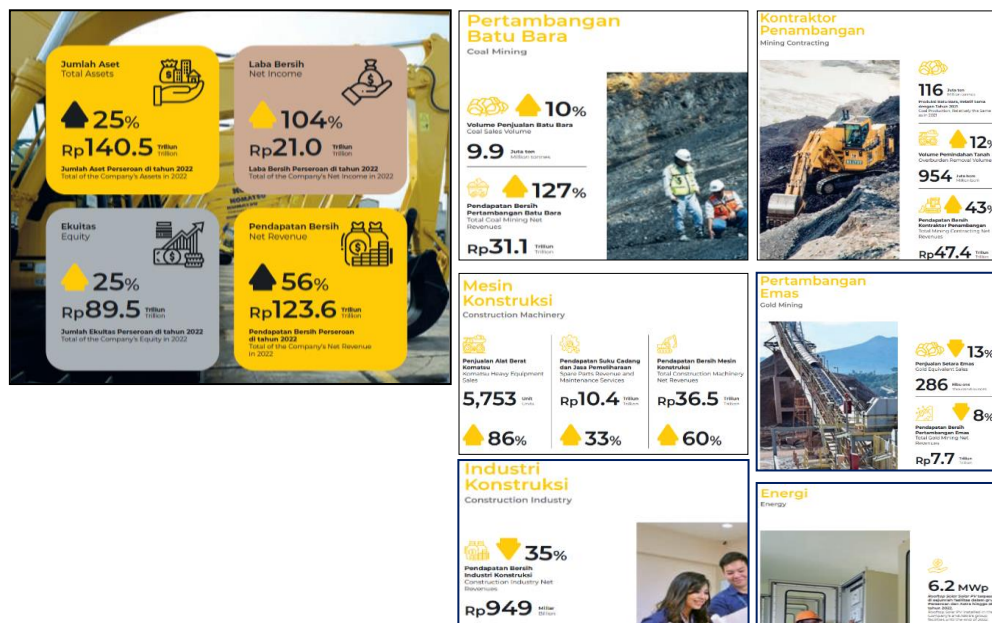


Figure 1. 6 Leading Heavy Equipment Company Annual Report 2022

Source: <https://www.unitedtractors.com/laporan-tahunan/> Annual Report of a Leading Heavy Equipment Company 2022 accessed 31 Jul 2023

According to annual report data, this company posted net revenue of 123.6 trillion rupiah which was supported by all the company business lines which included the construction machinery business line of 36.5 T then followed by mining contractors worth 47.4 T and in third place supported by coal mining business lines worth 31.1 T and in fourth place gold mining worth 7.7 T then in last place construction business lines contributed 949 billion rupiah. In addition, the company is also aggressively developing new business lines in the energy sector which will certainly be an important additional portfolio for the company and all stakeholders.

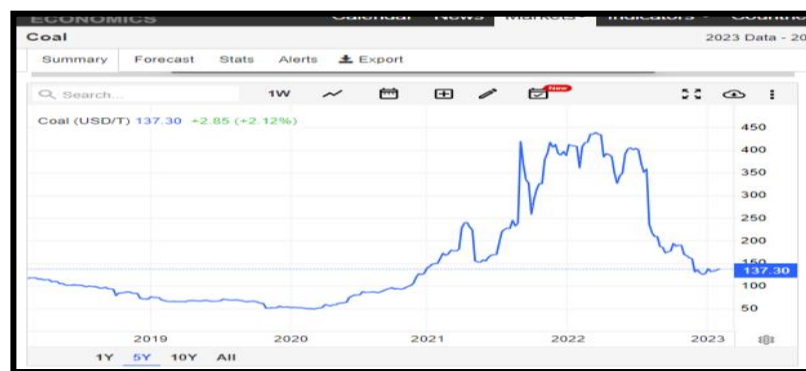


Figure 1. 7 Coal Price update

Source: <https://tradingeconomics.com/commodity/coal> accessed 01 Aug 2023

The development of coal prices in the last 5 (Five) years has fluctuated quite significantly, which has peaked in 2022 with prices in the range of USD 400 per ton. Prices corrected again starting at the beginning of 2023 and reached a bottom in the price range of USD 137/ton in July 2023 and tend to be sideways.

The correction in coal prices does not discourage mining concession owners from continuing to spur production and even continue to increase every year. PT XYZ is the largest coal mining authority holder in East Kalimantan where the managed location area reaches 90,938 Ha and has a resource of 9,275 billion tons. PT XYZ has set a production target that continues to increase from year to year and will peak in 2025 with a production target of 62 million tons.

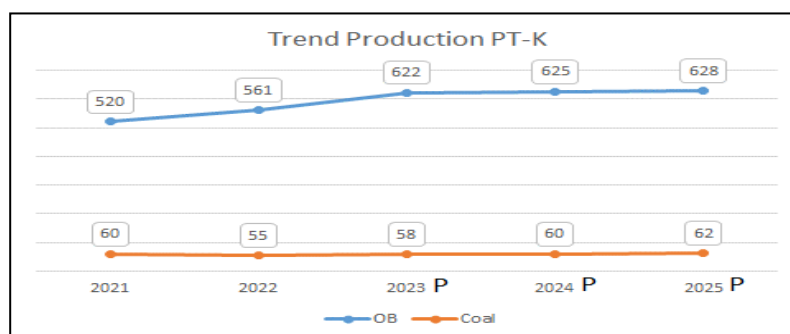


Figure 1. 8 Trend OB & Coal Production

Source: Data Internal

PT PK as PT XYZ's main contractor received additional projects with quite challenging production targets. The new project starts in 2022 with production at 2.8 million tons of coal. In 2023, PT PK's production in the new project is projected to reach 3.7 million tons of coal with OB at 46.2 million Bcm. Production will continue to grow in 2024 and 2025 and will reach 50.9 million Bcm OB.

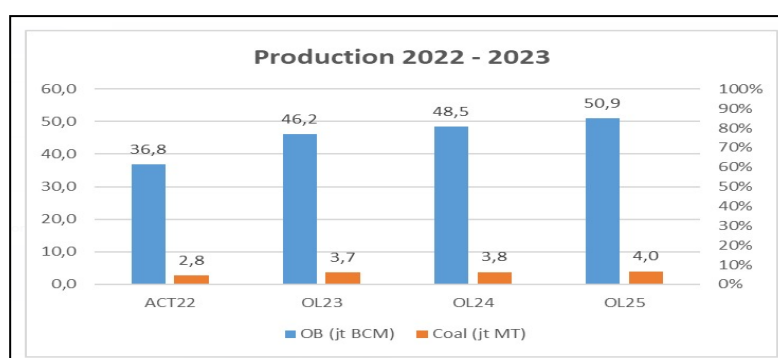


Figure 1. 9 Coal & OB Production at PTPK

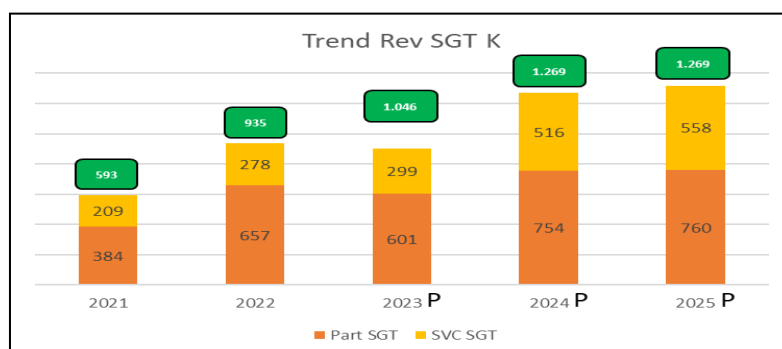


Figure 1. 10 Trend Revenue SGT K

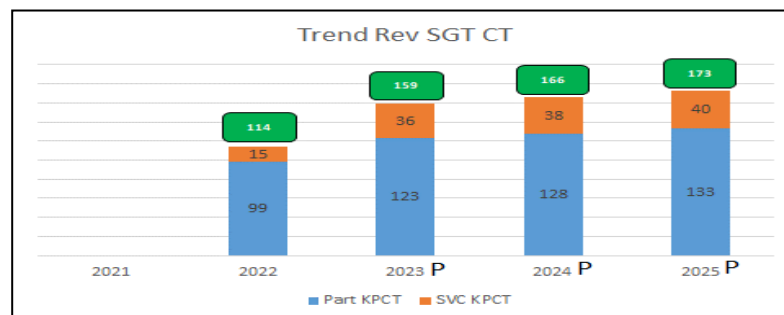


Figure 1. 11 Trend Revenue SGT CT

Source: Data Internal

The Company product support revenue trend continues to grow from year to year. In 2023 it is projected to reach the highest since the last three years and will reach revenue of around 1 trillion more. The projected revenue growth will continue to increase in line with PT XYZ's production target that continues to increase. Especially revenue service will experience a significant increase due to the change in policy from PT XYZ to rental scheme. This policy will provide a trigger of increased revenue of service.



Figure 1. 12 Infra Support

Source: Data Internal

The increase in PT PK production has not been matched by the readiness of support infrastructure such as warehouses and offices. The condition of the land for support infrastructure is still a green field and needs land maturation so that it is ready to

build support facilities. To build the support infrastructure, a more detailed study is needed so that it is expected to provide benefits for the Company both in the short and long term.

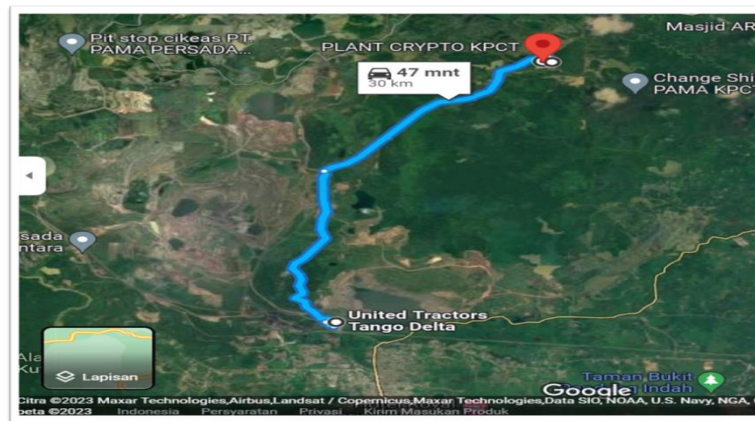


Figure 1. 13 Logistic Route

Geographically, the location of PT PK from the company support area with a distance of 47 minutes or about 30km. This is a challenge in itself because of the terrain conditions and roads traversed both for the movement of people and logistics. Uncertain weather conditions and the availability of alternative routes that are insufficient have an impact on the speed of movement of goods and services and will have an impact on long support lead times and incur higher costs.

Sales of product support growth from 2021 continues to experience a significant increase both in transactions with PT XYZ and PT PK. This is triggered by the continued increase in unit population and the intensity of unit maintenance needs. Spare parts sales continue to dominate this achievement and this is driven by the increasing need for spare parts for routine maintenance work including Ground Engaged Tools (GET) and Under Carriage. On the other hand, service sales also continue to improve because they are driven by the support scheme provided by the Company in the form of a full maintenance contract with PT PK.



PT XYZ's market share unit continues to improve where United Tractors shares 28% below Caterpillar and above Hitachi and Volvo. The growth of market share was driven by the growth of the rental business from units with small sizes to units with large sizes. In addition, the acquisition of a new project in the PT PK area adds to The Company business portfolio corporately because PT PK as the operational control holder in the new project continues to increase the unit population both for operational needs and supporting equipment. The dominance of the Company products in the new project will certainly have a significant impact on the Company business at the Site.



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1.2 Research Problem

The condition of the Company at Sangata site support infrastructure does not meet the requirements both from building conditions, space both for offices and warehousing, the growth of PT PK's business line in the PT XYZ area so that the Company as a distributor of heavy equipment must provide better support at PT PK's work site. In the other hand product support sales achievement quite steady in the past few years. Sales achievement to PT XYZ as mining owner quite constant due to realization of new machine investment is quite steady and no additional job or contract that the Company's capture during this period.

1.3 Research Objective

The objective of this research is to conduct a feasibility study is obtain approval from management. So we can build the proper infrastructure and facility in order to develop appropriate after-sales service especially facility support to customers and capturing all potential sales to boost site performance in the next year. In the other hand sustainability of business the Company Sangata site could be managed in positive trend. (F.K Crundwell, 2008)

1.4 Significant of Study

According to (F.K Crundwell, 2008) That life of the capital project will last in a few years even exceeds ten years. Cash flow will change from year to year so it needs to be anticipated due to inflation and other risks. So in general, investors hope that the money invested can be returned in a short span of time or as soon as possible. At this research need to deepen study of how to manage investments to be efficient and profitable from time to time, so the feasibility studies are needed. Investment as capital expenditure to build the new infrastructure support such as office and warehouse, especially at the Company Sangata site must be carefully calculated so potential risks can be minimized and even avoided.

Based on studies that have been conducted before, the research conducted today is more complete because the implementation of the project can be carried out with

management approval. All product support activities, both from the aspect of spare parts needs & unit repair needs that require mechanics, and support activities can be done dedicatedly and more intensely can be done together with customers.

1.5 Research Question

Some questions related to this research:

Question #1 : How to establish infrastructure support office and warehouse at site Sangata?

Question #2 : How to increase product support sales at site Sangata?

1.6 Hypothesis

Hypothesis #1 : The suitable infrastructure support is feasible to build at site Sangata.

Hypothesis #2 : Dedicated support infrastructure will have an impact on increasing product support sales at site Sangata.