Volume:6 Issues: 32 [March, 2021] pp. 128 - 139]
International Journal of Accounting, Finance and Business (IJAFB)
eISSN: 0128-1844
Journal website: www.ijafb.com

INVESTMENT ANALYSIS OF INTEGRATION PROJECT (CASE STUDY: PT BANDUNG XYZ)

Joseph Radiant, S.T.[1]
Ahmad Danu Prasetyo, S.T., M.S.M., Ph.D [2]

[1]School of Business and Management, Institut Teknologi Bandung (SBM-ITB), Indonesia,
(E-mail: joseph-radiant@sbm-itb.ac.id)
[2]School of Business and Management, Institut Teknologi Bandung (SBM-ITB), Indonesia,
(Email: ahmad.danu@sbm-itb.ac.id)

Article history			**To cite this document:**
Received date	:	8-1-2021	Radiant & Prasetyo (2021). Investment Analysis of Integration Project (Case Study: Pt Bandung XYZ). *International Journal of Accounting, Finance and Business (IJAFB)*, 6 (32), 128 - 139.
Revised date	:	9-1-2021	
Accepted date	:	9-3-2021	
Published date	:	31-3-2021	

Abstract: *This study aims to determine the investment analysis of integration project at PT Bandung XYZ and analyse the most sensitive variable to the feasibility study of the project. PT. Bandung XYZ is one of the creative industry players in the city of Bandung, West Java with its flagship product ABC Sandals. The company has plans to integrate the factory and warehouse locations into one area which is currently in a different location. This investment classified as an investment in a replacement project. The research methodology includes an internal analysis from the company side, an external analysis that looks at the conditions of the creative industry in Indonesia and financial replacement feasibility study analysis to determine the capital budgeting variable Then, a risk analysis will be carried out to determine the variables that affect the feasibility of the project. We found that; this project is feasible to do with the Net Present Value (NPV) variable of IDR 3,993,723,014, Internal Rate of Return (IRR) of 33.87%, Payback Period for 3 years and 4 months and a Profitability Index (PI) of 1,96. Risk analysis shown that the probability of the NPV is smaller than zero is 0.26%. The results of this study are expected to provide the investment analysis so that the company can choose the best decisions and strategy to improve their business related to every risk in this project.*

Keywords: *capital budgeting, creative industry, investment, replacement project*

Introduction

Creative economy, based on the Republic of Indonesia Creative Economy Bill, is the materialization of added values based on science, culture, and technology from an intellectual property born of human imagination (BEKRAF, 2019). The main resource of the creative economy is innovation, which is the quality of inventing and developing new ways of thinking, as well as unique goods that provide real-world solutions to current problems. Creative economy is described by John Howkins, the so-called "father of the creative industry," as a new economic system that deals with ideas and capital (Howkins, 2002). Indonesia's creative industry increase rapidly in growth. It shows that the economics of Indonesia can innovate and compete with other countries. There are around 8,203,826 creative industries throughout Indonesia in 2016 (BEKRAF, 2019). By creative industry, Indonesia's economy has good prospects in the future, especially in the globalization era. Creativity and innovation are needed

Volume:6 Issues: 32 [March, 2021] pp. 128 - 139]
International Journal of Accounting, Finance and Business (IJAFB)
eISSN: 0128-1844
Journal website: www.ijafb.com

in order to keep the business profitable and sustainable. Based on the Ministry of Trade of Republic Indonesia in 2009, the creative industry is an industry that comes from the use of skills, creativity and talents possessed by individuals in creating welfare and employment opportunities (Sindo, 2019). Based on data from the Indonesian Creative Economic Agency (BEKRAF) and the Central Statistics Agency (BPS) in 2019, the creative economy sub-Gross Domestic Product (GDP) value has continued to increase since 2010 until 2019 (BEKRAF, 2019). The higher the GDP contribution of the creative industry, the higher the role of the creative industry in national economic growth.

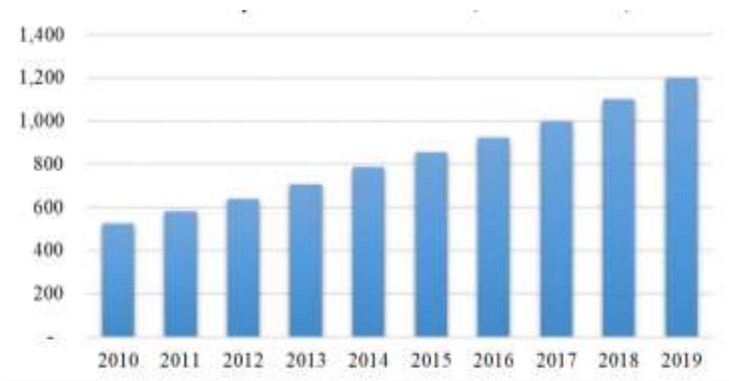

Figure 1: GDP Economy Creative 2010-2019 (In IDR trillion)
Source: (BEKRAF, 2019)

In 2019, based on BEKRAF data, fashion creative industry has 18% of total creative industry GDP contribution to national GDP (CNBC, 2019). The existing fashion trends in Indonesia represent a reflection of social and economic status which is usually identified as popularity. Fashion has recently become a profitable industry in Indonesia, seeing that its growth is always increasing. Fashion is not only a primary need, but has become a lifestyle necessity and has even become a standard for one's identity so that it is able to encourage the growth of this industry more rapidly. The fashion sub-sector consists of creative activities which include the production, consultation and distribution of products such as clothing, footwear and other accessories. In this research, author will focus in sandals as one of product in creative fashion industry. Sandals is one of the fashion items that almost everyone has. Various types and colors of sandals are adjusted to the style of the users themselves, the enjoy or relaxed and casual impression attached to the sandals has made sandals more and more popular with many people. Sandals are also a part of Indonesian culture. There is evident from Indonesian culture the Indonesia has many type traditional sandals such as bakiak, geulis kelom, tarajak, tarajak bestong, selop, and anyaman (Ulfa, 2017). There is value contained in a pair of sandals ranging from function, trend, and lifestyle.

PT Bandung XYZ

PT. Bandung XYZ was founded in 2010 and located in Bandung, West Java Indonesia. One of their best products is ABC Sandals. ABC Sandals is the first product of the company that also established in 2010. The company was a pioneer in sandals industry in Indonesia by its modern and stylish design. The idea of creating sandal is because at that time, many people very hype about fashion trend in shoes. The shoes trend caused many local creative industries in Bandung produce with shoes with many various type of shoes. Instead of following the trend, the company choose the opposite way by focus in sandals business. The company started to design and create their own paw-covering leather that known as sandals. As time progresses on, ABC Sandals have been evolving and still raising standards for sandals to create more innovations.

Volume:6 Issues: 32 [March, 2021] pp. 128 - 139]
International Journal of Accounting, Finance and Business (IJAFB)
eISSN: 0128-1844
Journal website: www.ijafb.com

For its product, comfort, ergonomic, creative, imaginative and contemporary, ABC Sandals reflect five core elements. The operational activity is very important in order to ensure the company always meet the increasing of demand. Currently, the company has three main activities in their operational activities, factory, warehouse, and store. The number of production will depend on the demand of each stores. Currently, the company still lease the factory area and store area but the company fully owned the warehouse area. For each main activity, the company has each place. The company plan to strengthening their operational activities by putting together the production process and warehouse into one location. The purpose is to reduce the operational expense in warehouse and factory. According to the historical data of income statement from previous five years, the operational expense tends to increase from 2018-2020. Based on the findings of uptrend of operational expense, the company will be focusing on how to reduce the operational expense.

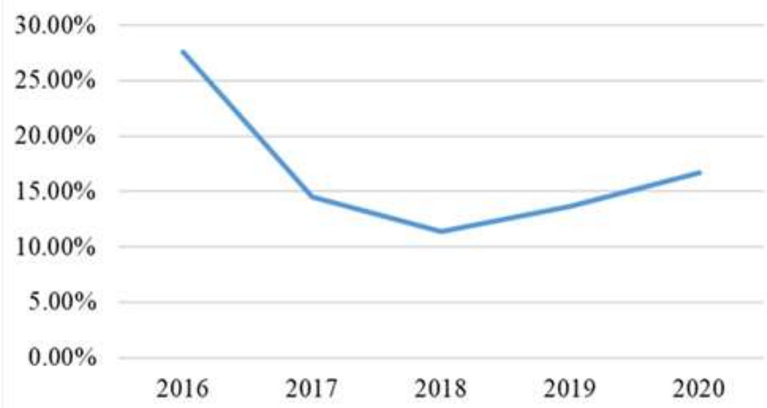

Figure 2: Operational Expense
Source: (COMPANY'S DATA, 2020)

Therefore, the author will conduct financial feasibility study of integration project between factory and warehouse by moving into the new areas. The financial feasibility study will be based on four indicators of capital budgeting in order to know this project whether accepted or not by comparing cash flows between existing and planning g condition. The existing condition is the company still with the current condition and the planning condition is when the company decide to the investment and moving their factory and warehouse into new area Moreover, the company already decide to do this strategy because the company have got the new area as their integration area for factory and warehouse in 2021. The objectives of this research is to solve the business issue that faced by PT. Bandung XYZ to know whether the integration project between factory and warehouse feasible or not and also determine the most sensitive variable to the net present value of the project.

Literature Review

Internal Analysis

By analysing the company's internal environment, the company can determine what and which actions take based on its unique resources, capabilities and core competencies. A company's resources, capabilities and core competencies are its competitive assets and determine whether its competitive power in the market place will be impressively strong or disappointingly weak (Thompson, 2018). Resource is a productive input or competitive asset that is owned or controlled by the firm (Thompson, 2018). Resource are also the source of a company's capabilities. Resource are divided into two kinds which are: (1) tangible resources (2) intangible resources. Tangible resources are defined as assets that can be seen and quantified (Thompson,

Volume:6 Issues: 32 [March, 2021] pp. 128 - 139]
International Journal of Accounting, Finance and Business (IJAFB)
eISSN: 0128-1844
Journal website: www.ijafb.com

2018). The company's revenue growth which is become important concern when in 2018, they recorded more than 500% in revenue in previous years and in 2019, they achieved 89% more than in 2018. Even, in 2020, the year of negative economy because covid-19 outbreak, the company recorded slightly decrease on its net sales rather than in 2019. Intangible resources are harder to discern, but they are often among the most important of a firm's competitive assets (Thompson, 2018). ABC Sandals' brand is very popular brands in creative sandals industry not only in Bandung area but also in Indonesia. The company has successfully gain the customer's attention and fully utilize the company's position as the pioneer of sandals with modern and stylish design in Indonesia. ABC Sandals become popular brand of sandals and become must have items among millennials customer. A capability is a company's ability to conduct any internal operation efficiently and effectively. Capabilities vary in form, quality and competitive importance with being more competitively valuable than others (Thompson, 2018). Capabilities emerge over time through complex interactions among tangible and intangible resource. The company's strength is their high experience in product knowledge to produce high quality sandals. This strength make company's position are better than their competitor in customer's perspective. Core competencies are those features that a company has that either can't be matched, or that will be difficult to be matched by other firms (Thompson, 2018). The main competency is the product quality and product innovation of ABC Sandals. Even, the product has higher price compare to the competitor, the company still become a top choice and brand when the customers wants to buy sandals.

PEST Analysis

Pertinent political factors include matters such as tax policy, fiscal policy, tariffs, the political climate affect certain types of industries (Thompson, 2018). Law factors include regulations and laws with which the company must comply such as minimum wage regulation and consumer laws. Regulations of creative industry include in Undang-Undang no.40 tahun 2008 which govern the classification of small medium enterprise (SME). The regulation classifies SME based on the total asset, annual gross profit of the company and number of employee. Economic conditions include the general economic climate and specific factors such as interest rate, the inflation rate, the rate of economic growth particularly affect every business industry (Thompson, 2018). Now, the economic condition really depends on how the government handle the pandemic covid-19. In Q3 2020, private consumption fell at a lower rate of 4.0 percent year-on-year, following the 5.5 percent fall in Q2 (Focus Economics, 2020). This decline has a lot to do with the level of purchasing power of the people. The result of this decrease in purchasing power is reflected in the contraction of consumption and investment. This condition becoming a threat to every creative industry player because of the low level of consumption or purchasing power of people affected by Covid-19 outbreak. Sociocultural conditions include the societal values, attitudes, cultural influences, and lifestyles that impact demand for particular goods and services, as well as demographic factors that change over time (Thompson, 2018). As the fourth most populous economy in the world after China, India, and US, Indonesia has an estimated population of 273 million (Worldometers, 2020) with the number of millennials in Indonesia 63 million people in 2019 (IDN Research Institute, 2019). In Deloitte Survey about Indonesia Consumer Insight, most survey respondents preferred Local brands in the Clothing & Footwear category (Deloitte, 2020). The report suggests that this preference was shared by a robust 96 per cent of survey respondents, a substantial rise from 86 per cent in 2018. The majority 70-80% of survey respondents spend about IDR 0.1-0.5 million per month on Clothing & Footwear, with the proportion varying significantly by age group. Specifically, survey respondents aged 25-34 tend to allocate larger amounts to this product category, and tend to be more willing to purchase higher-priced items. Around 87 percent of the survey respondents

Volume:6 Issues: 32 [March, 2021] pp. 128 - 139]
International Journal of Accounting, Finance and Business (IJAFB)
eISSN: 0128-1844
Journal website: www.ijafb.com

suggested that they tend to buy clothing & footwear products on a quarterly basis in terms of frequency. Technological factors include the pace of technological change and technical developments that have effects to increase the revenue of the company (Thompson, 2018). From product selection, to check out, payment, and delivery process, the market is experiencing the introduction of new technological solutions that have been designed provide consumers with the convenience of conducting their transactions whenever and wherever.

Porter's Five Forces Analysis

New entrants into an industry threaten the position of rival company because it will add the competitive pressure (Thompson, 2018). Whenever new firms can easily enter a particular industry, the intensity of competitiveness among firms increases (David, 2011). The government regulation to facilitate every entrepreneur to open the SME become threat of new entrants to join the creative sandals industry and increase the competition. Whether the suppliers of industry members represent a weak or strong competitive force depends on the degree to which suppliers have sufficient bargaining power to influence every condition that will benefit the suppliers (Thompson, 2018). The bargaining power of suppliers affects the intensity of competition in an industry, especially when there is a large number of suppliers, when there are only a few good substitute raw materials, or when the cost of switching raw materials is especially costly (David, 2011). In creative sandals industry, every player is incapable of integrating backward or self-manufacture items that the industry has been buying from the suppliers. In many industries, firms are in close competition with producers of substitute products in other industries (David, 2011). Companies in one industry are vulnerable to competitive pressure from the actions of companies in a closely related industry if consumers see the products of the two companies from same industry as good substitutes (Thompson, 2018). In this creative sandals industry, good substitutes are readily available in terms of attractively priced. Competitive pressures from buyers will increase when they have strong bargaining power (Thompson, 2018). When customers are concentrated or large or buy in volume, their bargaining power represents a major force affecting the intensity of competition in an industry (David, 2011). The price sensitivity of buyers will drive the power of buyers in the industry analysis. The currently economic condition is make every people to think twice about which brands or products that they want to buy. Rivalry among competing firms is usually the most powerful of the five competitive forces (David, 2011). The strongest of industry analysis often the rivalry for buyer patronage among competing sellers of a product or service (Thompson, 2018). In the creative sandals industry, rivalry intensifies as the number of competitor increase. Not only the competition from local brands but also the foreign brands increase the competition between every player in the creative sandals industry.

Feasibility Study

A feasibility study is an analysis that takes all of a project's relevant factors into account including economic, technical, legal, and scheduling considerations to ascertain the likelihood of completing the project successfully (Kenton, Feasibilty Study, 2020). The cost of debt is the financing cost associated with new funds raised through long term borrowing (Lawrence J. Gittman, 2015). The interest payment paid to lender are tax deductible for the company, so the interest expense on debt reduces the company's taxable income. The cost of equity is the return a company requires to decide if an investment meets capital return requirements (Lawrence J. Gittman, 2015). The cost of capital represents the firm's cost of financing and the minimum rate of return that a project must earn to increase firm value (Lawrence J. Gittman, 2015). WACC also reflects the expected average future cost of capital over the long run. Liquidation value is the overall value of the physical assets of a company if it were to go out of business

Volume:6 Issues: 32 [March, 2021] pp. 128 - 139]
International Journal of Accounting, Finance and Business (IJAFB)
eISSN: 0128-1844
Journal website: www.ijafb.com

and sell its assets (Lawrence J. Gittman, 2015). Liquidation value is total book value of current assets and fixed assets minus cash and marketable securities. In this research, the liquidation value is more preferable than terminal value. The main reason is based on interview with the company is the longest time of the priority product maximum six years and the company will change or upgrade its product. Discounted cash flow (DCF) is a valuation method used to estimate the value of an investment based on its expected future cash flows (Lawrence J. Gittman, 2015). DCF analysis attempts to figure out the value of an investment today, based on projections of how much money it will generate in the future. Free cash flow to the firm (FCFF) represents the amount of cash flow from operations available for distribution after accounting for depreciation expenses, taxes, working capital, and investments (Lawrence J. Gittman, 2015). Identifying cash flows for replacement decisions is more complicated because the company must identify the incremental cash flow that would result from the proposed replacement. The cash flows of any project include three basic components, an initial investment, operating cash flows and liquidation value as terminal cash flow (Lawrence J. Gittman, 2015). The initial investment in the case of the replacement is the difference between the initial investment needed to acquire the new asset and any after tax cash inflows and outflows expected from liquidation of the old asset. The operating cash flows are the difference between the operating cash flows from the new asset and old asset. The terminal cash flow is the difference between the after tax cash flows expected upon liquidation value of the planning and existing condition. When estimating cash flows associated with a proposed capital expenditure, the company must determine any opportunity cost. Opportunity costs are cash flows that could be realized from the best alternative use of an asset that already in place (Lawrence J. Gittman, 2015). Then, the calculation of changes net working capital is also needed. Since there is no investment in equipment that could impact the increase or decrease from amount of capacity of production, then the changes of net working capital in this research is zero. Net present value (NPV) is the difference between the present value of cash inflows and the present value of cash outflows over a period of time (Lawrence J. Gittman, 2015). The calculations NPV starts from the cash flows of the company in financial projection. After combining three parts of cash flow, initial investment, incremental cash flow and terminal cash flow, NPV can be calculate by using planning condition discount rate. The internal rate of return is a metric used in financial analysis to estimate the profitability of potential investments (Lawrence J. Gittman, 2015). The internal rate of return is a discount rate that makes the net present value (NPV) of all cash flows equal to zero in a discounted cash flow analysis. The payback period refers to the amount of time it takes to recover the cost of an investment (Lawrence J. Gittman, 2015). Simply put, the payback period is the length of time an investment reaches a break-even point. The profitability index describes an index that represents the relationship between the costs and benefits of a proposed project (Lawrence J. Gittman, 2015). Risk analysis is the study of the underlying uncertainty of a given course of action and refers to the uncertainty of forecasted cash flow projection streams that caused from unexpected events that can occur in the future and influenced every base assumption of cash flow projection from the company (Investopedia, 2019). Sensitivity analysis is a way, given a certain number of variables, to predict the effect of a decision. By creating a given set of variables, it can determine how changes in one variable affect the NPV of the project. Scenario analysis is financial model on risk that occur from the calculations of sensitivity analysis. Scenario analysis is divided into four possibility of variables that can happen in the future such as worst scenario, base scenario as expected variables of financial projection, best scenario and Monte-Carlo scenario. Monte Carlo simulation is a model used to predict the probability of different outcomes when the intervention of random variables is present (Kenton, Monte Carlo Simulation, 2020).

Methods

Research method is a methodology that provides of the information data to obtained and then processed and analysed. In this research, the author using primary data by interview the owner of the company to analyses the internal analysis. Meanwhile, for external analysis, the author collects secondary data to analyse PEST and Porter's Five Forces. Then, the author will do replacement feasibility analysis by compare and calculate the incremental cash flow if the company do and do not the integration of factory and warehouse. The calculation for the new factory will include the efficiency cost and net working capital for existing and planning condition. Therefore, we can calculate the all indicator of capital budgeting to determine that the project feasible or not. Last, the author will conduct risk management that contains three analyses such as sensitivity analysis, scenario analysis and Monte Carlo Simulation. Then, Monte Carlo simulation will be conduct to find the possibility of positive and negative NPV by generate random number of NPV with normal distribution.

Discussion and Conclusion

In this project, the company's investment planning is categorically as a replacement investment. Replacement project is type of investment that the company doing to change the old equipment, factory, building without any additional capacity and type of product. The financial model will be projected for six years. The main reason is the strategic and experience of management that the average of maximum age of product will be six years. The valuation also will be based only to thirty-one of current product of the company that become their main resource of income. Every assumption in this feasibility analysis based on primary data from strategic and targeted by management.

Table 1: Project Assumptions

Assumption	Base	Condition	Year 2021-2026
Number of Days in a Year	Management Strategic Plan(days)	Existing	365
		Planning	365
Maximum Direct Material Percentage to Price per Unit	Management Strategic Plan (counter)	Existing	2.5
		Planning	2.5
Minimum Direct Material Percentage to Price per Unit	Management Strategic Plan (counter)	Existing	2
		Planning	2
Quantity Sold Growth Priority Product Increase per Year	Management Strategic Plan (Percent)	Existing	60.00%
		Planning	60.00%
Inflation Rate	Average Inflation Rate 2016-2019	Existing	3.39%
		Planning	3.39%
UMP Average Growth	Average UMP Growth West Java 2016-2019	Existing	9.00%
		Planning	9.00%
Quantity Sold Growth Non Priority Product Increase per	Management Strategic Plan (Percent)	Existing	10.00%
		Planning	10.00%
Efficiency Target Management on GA Expense	Management Strategic Plan (Percent)	Existing	0.00%
		Planning	20.00%

Source: (PROCESSED DATA, 2020)

In this research, cost of debt calculation only shown in planning condition. The existing condition projection doesn't need debt because there is no investment strategy by the company. In this research, there is no benchmark from the public company in Indonesia that most similar to the company especially in the same industry and same product output. Therefore, to define the cost of equity of the company, the author using return on equity of the company in 2020 because there is big uncertainty about when the Covid-19 will be end. In this research, the company want to optimize their capital structure by minimizing their cost of capital for their planning condition. By determine the 70% long term value ratio from bank as debt source of financing and 30% from equity.

Table 2: WACC

Condition	WACC Calculation	Weight	Cost	Weighted Cost
Planning Condition	Cost of Debt (After Tax)	70.00%	9.38%	6.56%
	Cost of Equity	30.00%	34.74%	10.42%
	WACC	16.99%		
Existing Condition	Cost of Debt (After Tax)	0.00%	9.38%	0.00%
	Cost of Equity	100.00%	34.74%	34.74%
	WACC	34.74%		

Source: (PROCESSED DATA, 2020)

The purchase price of new area for integration of plant and warehouse is IDR 6,500,000,000. Then, the old asset of warehouse of the company will sold by target management in IDR 2,800,000,000 with book value IDR 1,000,000,000. There will be deductible in tax because there is capital gain that generated by the company by selling an old asset with higher market value than its book value. Then, we subtract the cash flows that generated from old and new asset or existing and planning condition of the company by using FCFF method to find the incremental cash flows. Last, the calculation of liquidation value as terminal cash flow. By using book value in existing and planning condition from balance sheet projection, we can find the opportunity cost that could be realize from old asset. The we can calculate the liquidation value by sell all asset that company have except cash and marketable securities.

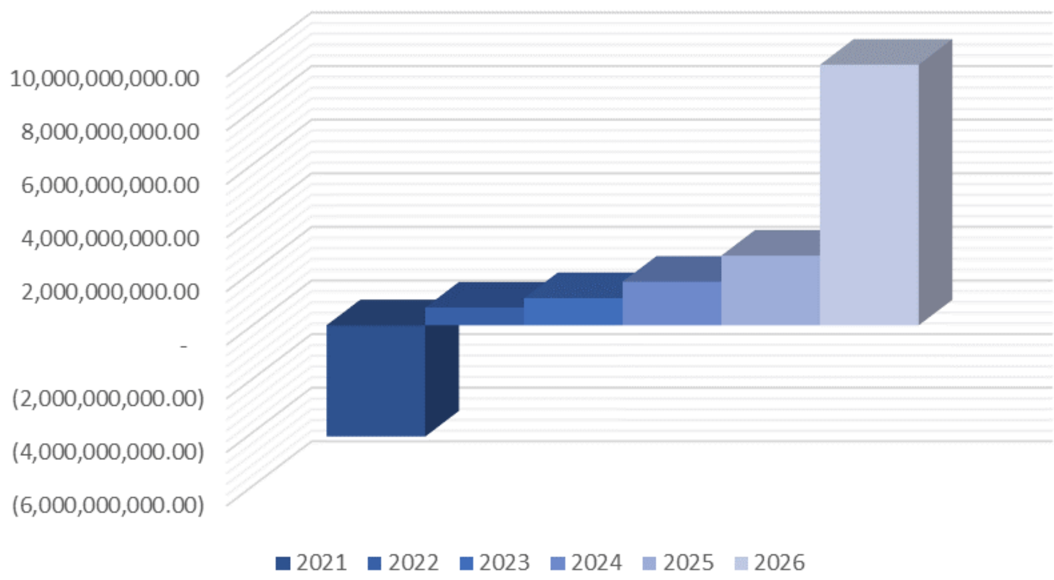

Figure 3: Cash Flow Projection (In IDR)

Source: (PROCESSED DATA, 2020)

Volume:6 Issues: 32 [March, 2021] pp. 128 - 139]
International Journal of Accounting, Finance and Business (IJAFB)
eISSN: 0128-1844
Journal website: www.ijafb.com

The calculations NPV starts from the cash flows of the company in financial projection. After combining three parts of cash flow, initial investment, incremental cash flow and terminal cash flow, NPV can be calculate by using planning condition discount rate. Based on calculations, IRR of the replacement project of the company is 33,87%. The result of 33,87% of IRR is higher than 16,99% of WACC. Payback period of the replacement project of the company is 3,33 years. The profitability index of the investment project of the company is 1,96.

Table 3. Capital Budgeting

Capital Budgeting Variable	Value
Net Present Value	IDR 3,993,723,014
IRR	33,87%
Payback Period	3,33
Profitability Index	1,96

Source: (PROCESSED DATA, 2020)

Based on calculation of sensitivity analysis, there are three variables that have absolute value more than 20% swing such as minimum direct material percentage to price per unit, efficiency target management on general and administrative expense and growth priority product from management target.

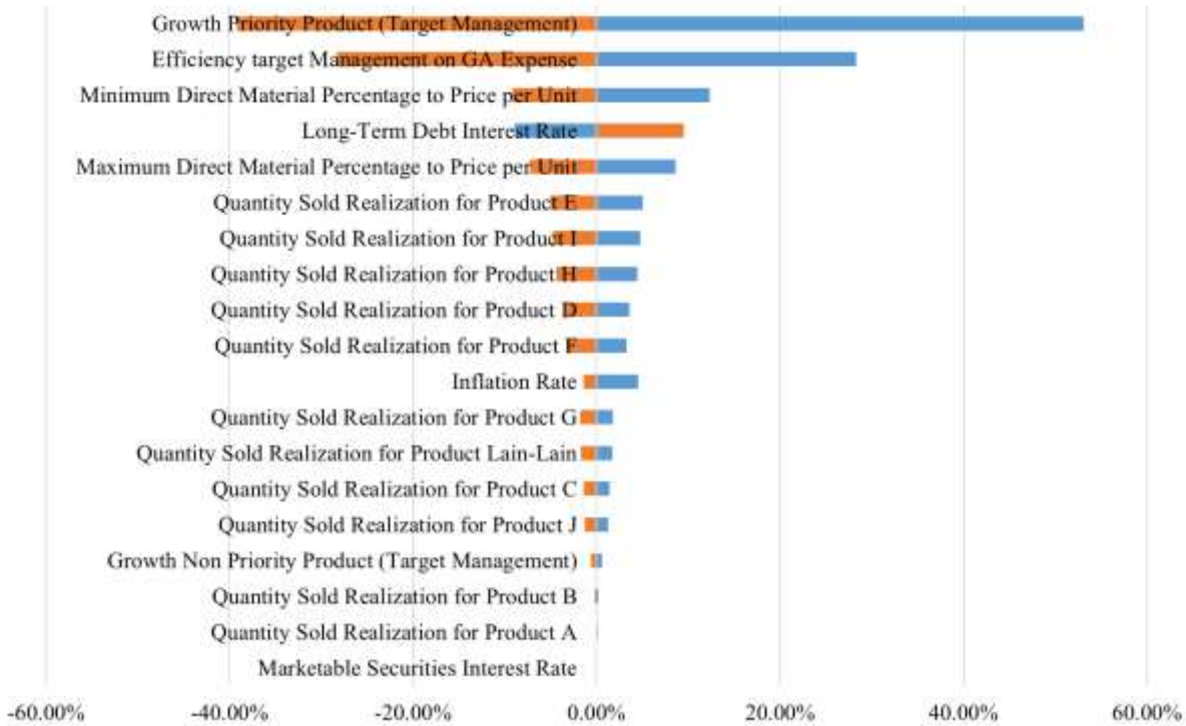

Figure 3: Tornado Chart

Source: (PROCESSED DATA, 2020)

Volume:6 Issues: 32 [March, 2021] pp. 128 - 139]
International Journal of Accounting, Finance and Business (IJAFB)
eISSN: 0128-1844
Journal website: www.ijafb.com

After we define all variable in scenario analysis with each scenario from sensitivity analysis, we can calculate the net present value of each scenario and the range between the worst and best scenario.

Table 4. Scenario Analysis

Variables	Scenario		
	Worst Case	Base Case	Best Case
Minimum Direct Material Percentage to Price per Unit	1.99	2.00	2.01
Efficiency Target Management on GA Expense	14.60%	20.00%	30.84%
Growth Priority Product (Target Management)	55.76%	60.00%	66.58%
Net Present Value	IDR 2,019,826,868.12	IDR 3,993,723,014.41	IDR 8,733,698,176.56
Range of Net Present Value	IDR 6,713,871,308.44		

Source: (PROCESSED DATA, 2020)

Based on Monte-Carlo simulation, the mean value is IDR 4,943,089,921.33 and the standard deviation value is IDR 1,770,906,466. Therefore, the probability of net present value is lower than zero is 0,26%.

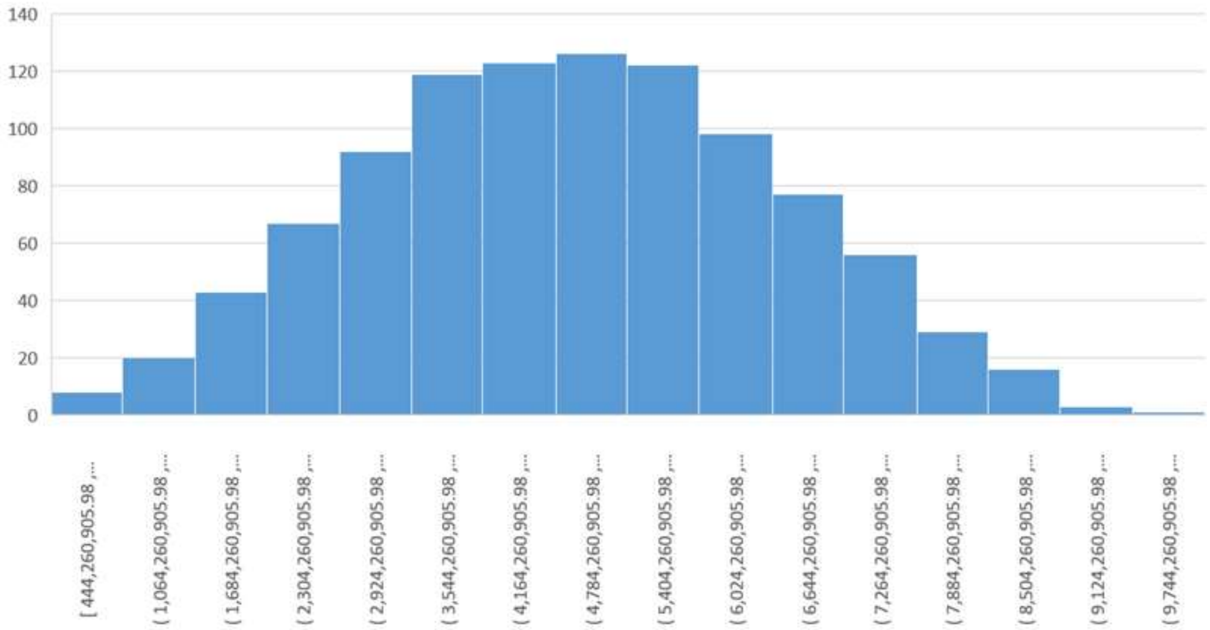

Figure 4: Monte-Carlo Histogram
Source: (PROCESSED DATA, 2020)

Volume:6 Issues: 32 [March, 2021] pp. 128 - 139]
International Journal of Accounting, Finance and Business (IJAFB)
eISSN: 0128-1844
Journal website: www.ijafb.com

According to feasibility study replacement project for integration of plant and warehouse of PT. Bandung XYZ, it is seen that the project is feasible to be conducted. The strategy of company to reduce expense by doing the investment can be a catalyst for the company in order to achieve their vision to achieve international market. Cost reduction in general expense, the company must really use it to increase profit and retained earnings in order to continue to support the company's sustainability and of course continue to always innovate in the creative industry. With the high target by management for quantity sold target per year, the company should anticipate and prepare about their production capacity rate to meet the demand of the customer.

Future Research

The consideration to analyse better proportion for cost of equity. Since the company in high growth time, the return of equity of the company also increase as the company also growing in terms of net sales. High return of equity that become cost of equity in calculation can be some burden for the company in financial projection year. The company must achieve return of equity more than 34,74% in 2020 during financial projection in order to achieve the requirement of the owner company in this investment. Lower cost of equity will bring benefit to the company to lower the cost of capital of this investment.

References

BEKRAF. (2019). *OPUS Creative Economy Outlook 2019.* Jakarta: The Indonesian Agency for Creative Economy.

CNBC. (2019, July 14). *Gairah Industri Fashion Indonesia*. Retrieved from CNBC Indonesia: https://www.cnbcindonesia.com/lifestyle/20190712155341-35-84555/gairah-industri-fashion-indonesia

David, Fred. R. (2018). *Strategic Management Concepts and Cases.* New Jersey: Prentice Hall.

Deloitte. (2020). *Deloitte Consumer Insights, Dawn of the digital age in Indonesia.* Deloitte.

Dwijayanto, A. (2019, September 27). *Sampai akhir 2019, sumbangan ekonomi kreatif ke PDB capai Rp 1.200 triliun*. Retrieved from Kontan.co.id: https://industri.kontan.co.id/news/sampai-akhir-2019-sumbangan-ekonomi-kreatif-ke-pdb-capai-rp-1200-triliun

Focus Economics. (2020). *GDP contracts at milder pace in the third quarter*. Retrieved from Focus Economics: https://www.focus-economics.com/country-indicator/indonesia/consumption#:~:text=Consumption%20in%20Indonesia&text=Private%20consumption%20dropped%20at%20a,recorded%20in%20the%20prior%20quarter.

Howkins, J. (2002). *The Creative Economy.* Penguin Books Limited.

IDN Research Institute. (2019). *Indonesia Millenial Report 2019.* IDN Media.

Indonesia-Investments. (2020, November 4). *Economy of Indonesia Enters Recession: GDP Contracts 3.49% in Q3-2020*. Retrieved from Indonesia-Investments: https://www.indonesia-investments.com/id/news/todays-headlines/economy-of-indonesia-enters-recession-gdp-contracts-3.49-in-q3-2020/item9342

Investopedia. (2019, October 7). *Risk Analysis*. Retrieved from Investopedia: https://www.investopedia.com/terms/r/risk-analysis.asp

Kenton, W. (2020, July 1). *Feasibilty Study*. Retrieved from Investopedia: https://www.investopedia.com/terms/f/feasibility-study.asp#:~:text=A%20feasibility%20study%20is%20an,of%20completing%20the%20project%20successfully.

Kenton, W. (2020, December 27). *Monte Carlo Simulation*. Retrieved from Investopedia: https://www.investopedia.com/terms/m/montecarlosimulation.asp#:~:text=Monte%20Carlo%20simulations%20are%20used,in%20prediction%20and%20forecasting%20models.

Lawrence J. Gittman, C. J. (2015). *Principles of Managerial Finance*. Edinburgh: Pearson Education Limited.

Sindo. (2019, July Saturday). *Apa itu Industri Kreatif?* Retrieved from Koran Sindo: https://ekbis.sindonews.com/berita/1422093/34/apa-itu-industri-kreatif?showpage=all

Thompson, A. A. (2018). *Crafting and Executing Strategy*. New York: McGraw-Hill Education.

Ulfa, D. (2017, September 02). *Sudah Tahu Sandal-sandal Khas Indonesia? Tradisional Tapi Modis*. Retrieved from Good news from Indonesia: https://www.goodnewsfromindonesia.id/2017/09/02/sudah-tahu-sandal-sandal-khas-indonesia-tradisional-tapi-modis

Worldometers. (2020). *Indonesia Population*. Retrieved from Worlddometers: https://www.worldometers.info/world-population/indonesia-population/