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# 2013 BEST of the BEST

TOP 50 BEST COMPANIES

RP 50,000

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Harijadi Soedarjo

**2. JASUNDO TIGA PERKASA 1**

MANUFACTURING  
**SALES:** RP 418 BIL  
**MARKET CAP:** RP 654.8 BIL

The firm focuses on producing business forms and printed products, including credit and debit notes, checks, labels and cards.

**3. METROPOLITAN LAND**

PROPERTY  
**SALES:** RP 1 TLN  
**MARKET CAP:** RP 5.1 TLN

The company is engaged in property development, hotel operation, shopping center operation, tourism, trading, and healthcare services.

**4. MITRA INVESTINDO**

MINING  
**SALES:** RP 150 BIL  
**MARKET CAP:** RP 236 BIL

The firm is engaged in marketing and trading of granite. The mine is located in Bintan. The company markets its product to both local and international markets.

**5. ACE HARDWARE INDONESIA 1**

RETAIL  
**SALES:** RP 3.1 TLN  
**MARKET CAP:** RP 12.5 TLN

The company is the nation's largest chain of hardware stores by number. This year, the company is investing Rp 150 billion to open 15 more stores.

**6. SUMMARECON AGUNG**

PROPERTY  
**SALES:** RP 3.5 TLN  
**MARKET CAP:** RP 15.2 TLN

Founded in 1975 by Soetjipto Nagaria, the company has built a reputation as one of the leading property players in Indonesia, especially in the development of townships.

**7. HEXINDO ADIPERKASA 2**

HEAVY EQUIPMENT  
**SALES:** RP 6.7 TLN  
**MARKET CAP:** RP 3.6 TLN

Hexindo started in January 1989. It is the second largest listed heavy equipment company in the country and sole distributor of Hitachi brands in Indonesia.

**8. BUMI SERPONG DAMAI 1**

PROPERTY  
**SALES:** RP 3.7 TLN  
**MARKET CAP:** RP 30 TLN

Part of the Sinar Mas group, the company is the second largest listed property player in the country. Its Bumi Sepong Damai project is the single largest township with development area of over 6,000 hectares.

**9. J.A. WATTIE**

**SALES:** RP 682 BIL • **MARKET CAP:** RP 1.3 TLN  
 PLANTATIONS

**D**on't put all your eggs in one basket. PT Jaya Agra Wattie, a listed plantation company has done that by growing both rubber and palm oil, with production split almost evenly between the two. This strategy allowed the company to be one of the few plantation companies that recorded a profit last year, in the time of low commodity prices.

The company last year recorded revenues of Rp 682 billion; up 126% from Rp 301 billion in 2008. Meanwhile net profit was Rp 150 billion, a decrease of 17% from Rp 181 billion last year, though since 2008 its net profit has grown 62% from Rp 93 billion. Currently the company has a market capitalization of Rp 1.3 trillion and share price has been stable at Rp 350 for the past year (although the shares have declined 25% from its offering price in a 2011 IPO). For the ability to maintain promising growth the company was awarded as one of the Best of the Best companies in 2013.

In theory, the company hopes that a decline in the price of one of its commodities could be offset by stable or rising prices in its other commodity. In reality, the strategy usually works but is not foolproof: last year, both rubber and palm oil prices fell. For rubber, prices fell 33% from Rp 41,200 to Rp 30,800/kg while palm oil decreased 4% from Rp 7,400 to Rp 7,100/kg.

● = NUMBER OF PREVIOUS YEARS ON THE BEST OF THE BEST LIST



Though both dropped, the company could still keep its growth steady, as its palm oil production increased 67% from 27,166 to 45,357 tonnes a year, while rubber output rose 8% from 9,886 to 10,693 tonnes a year.

With Rp 682 billion revenue last year, 51% was from palm oil while rubber contributed 47%. Meanwhile in 2011 when the rubber prices were healthier, rubber contributed 65% and palm oil 35% from revenues of Rp 647 billion. Because of its mix, the company also could maintain its rubber plantations after the crisis in 2004 when the price of rubber slumped and many other plantations switched to palm oil. "We maintained our rubber plantations because we believed in their potential and our vast experience with them," Harijadi Soedarjo says.

Harijadi, 50, got his MBA from Golden Gate University in San Francisco. He started working in the company as an assistant to the director 26 years ago and became the president director 13 years ago. Harijadi is the

**THE GLOBAL CONSUMPTION OF RUBBER IN 2012 REACHED 11 MILLION TONNES AND IS PREDICTED TO INCREASE 6% TO REACH 12 MILLION TONNES THIS YEAR. BY 2020 DEMAND COULD REACH 17 MILLION.**

youngest son of the late Soedarjo, who owned the company for 45 years.

The company was first established as Handel Maatschappij James Alexander Wattie and Company Ltd in Surabaya 92 years ago with rubber, coffee and tea plantations, with the name later changed to just Jaya Agra Wattie, known usually as J.A. Wattie. In 1958 the company was taken over by the government and then put back in private hands a decade later in 1968 when Soedarjo took over. In 1987 he formed a joint venture with shipping tycoon Hadi Surya to run the company.

Harijadi's older brother, Soetikno Soedarjo, become president commissioner replacing Hadi Surya in May last year. Soetikno is best known as the co-founder of the luxury brands group Mugi Rekso Abadi (MRA) group. In April the Soedarjo family bought back its shares from Hadi Surya, placing the company once again in their hands. The family's ownership increased to 70% worth about Rp 940 billion, while the public holds 30%.

According to Harijadi, rubber and palm oil are very different crops. Rubber has a higher gross margin than palm oil, and last year the company recorded a 45% gross margin for rubber and 33% for palm oil. Rubber trees can also grow without fertilizer; the production also can be controlled easily as rubber trees can be tapped anytime, and the processed rubber can be stored, while the fruit of palm trees must be harvested or will spoil.

Apart from price volatility, weather conditions and the availability of new land are two other variables for the company. The company last year missed its targets for planting new crops due to land acquisition problems and heavy rainfall. Rubber planting hit only 81% or 3,650 hectares of the target, while the palm oil planting hit 57% or 2,000 hectares of the target. "Right now buying good land is difficult and getting more expensive," Harijadi says.

That said, the company still has room for growth. At the end of last

year, 5,096 hectares of rubber were already mature and productive, while another 8,044 hectares are in the developing phase, with the total area it has for rubber at 39,154 hectares. For palm oil it has plantations located in Kalimantan with a total area of 35,186 hectares. At the end of last year 23,088 hectares of palm oil plantations had been planted. To process its production the company has six rubber sheet factories, two crumb rubber factories, and one palm oil mill. Last year 85% of output was sold to the domestic market and the rest exported.

Harijadi is upbeat about the potential of rubber, as the global consumption of rubber in 2012 reached 11 million tonnes and is predicted to increase 6% to reach 12 million tonnes this year. By 2020 demand could reach 17 million. The appetite for rubber will gradually increase as many tire producers such as Gajah Tunggal, Multistrada and Hankook are eyeing expansion. "I believe in the future the consumption of rubber will increase, especially for the automotive industry," Harijadi says.

According to a Bahana Securities research in February 2013, the company is poised to surpass its 2012 rubber production target of 7,000 tonnes, up 5% for the year and targets palm oil sales of 37,000 tonnes, up 37% for the year. Going forward, increased production from its newly matured areas coupled with increased productivity from its existing estates will mean strong growth ahead for the company.

The company hopes to expand its plantations, either through using its landbank or by acquiring new land. This year the company plans to plant 5,500 hectares of rubber and 3,652 hectares of palm oil. In the next 10 years it aims to have a total of 100,000 hectares of land for palm oil and rubber. For this year it allocated Rp 530 billion for expansion. "We hope to be a significant player in rubber," Harijadi says, "but we will also maintain our balanced portfolio."

BY YESSAR ROSENDAR