

## **Tire Firm To Build A Rubber Factory**

Multistrada Arah Sarana, one of the Indonesia's largest tire producers, will start construction of a \$10 million rubber-processing factory early next year to ensure the supply of raw material for its tire production. "With this investment, the company will have an integrated upstream and downstream business," Pieter Tanuri, the company's president director, said on Monday. "For the time being, we are talking about ensuring our own supply first, but if it is profitable to supply to the market, then we will expand it." The Jakarta-based company's plant, which is expected to be completed by 2012, will initially produce 20,000-24,000 tons of rubber that can be used in making about 10-15 million car tires each year. The company currently produces 7 million car tires and 4.7 million motorcycle tires. Annual car tire production is forecast to reach 13 million units a year in 2013 and 5 million for motorbike tires, also in 2013, Pieter said. He added that the rubber factory will be located near the 33,000-hectare site it recently purchased for a rubber plantation in East Kalimantan. He did not say whether the property was located on virgin forest. The company would use around Rp 400 billion (\$44 million) from its planned Rp 1.53 trillion rights issue later this month, to finance the planting of rubber trees, he said. The company is also looking for a strategic partner to help with its future expansion plans, Pieter said. "Of course, running a rubber plantation is not cheap. The Rp 400 billion will be enough to start with, but in the future we have to find a partner for this," Pieter said. He said for the plantation, it needs \$5,000-\$7,000 in investment per hectare, meaning it will need as much as \$231 million to finance its 33,000 hectares of land. The company will work on 5,000 hectares for the first two or three years, Pieter said. He expects help from Multistrada's new shareholder, Northstar Pacific Capital, to help in finding the right partner for the company. Northstar, a private equity fund co-founded by former investment banker Patrick Walujo and Glenn Sugita, bought a 20 percent stake in Multistrada in October. Shareholders voted on Monday to make Glenn a commissioner in Multistrada, which means he will be helping in supervising the company's board of directors. Multistrada was established in 1988 as Oroban Perkasa and later changed its name. Multistrada was transferred in 1999 after the East Asian financial crisis to the Indonesian Bank Restructuring Agency, a government agency that handled distressed assets, according to the company's Web site. Multistrada closed unchanged at Rp 500 in Monday trading on the Indonesia Stock Exchange (IDX). The shares have risen 51 percent so far this year.