

INVESTMENT ANALYSIS OF THREE YEARS *Eucalyptus pellita* PLANTATION: A CASE STUDY IN ACACIA FOREST INDUSTRIES, PITAS SABAH

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ABSTRACT

Eucalyptus pellita is popular for its fast growing and highly resistant characteristics. Acacia Forestry Industries Sdn. Bhd. (AFI) has recently invested in *Eucalyptus pellita* plantation starting in the year of 2012. The rate of forest plantation establishment has increased sharply in the past decade particularly in Asia and the Pacific. Species of *Eucalyptus* have been among the most important components of such plantation programmes because of its favorable characteristics (fast growing and highly resistant). In this study a financial analysis related to *Eucalyptus pellita* plantation was carried out. This study clarifies the plantation operations, costs involved in the plantation as well as the revenue about to make based on data provided. There are three objectives designed. First, develop an input and output model. Second, analyze the financial profitability of *Eucalyptus pellita* plantation raised by AFI and finally estimate the risks and uncertainties on the profitability of this species. A form was designed in order to collect the secondary data from the company. Then, tools such as NPV, BCR and IRR were calculated in formula by using Microsoft Excel. Then, a sensitivity analysis was carried out to evaluate the stability of this plantation investment by creating some reasonable criteria or situations. As a result, the NPV showed a high value of RM 622, 684.50 at discount rate of 6% followed by an IRR at high 10.12% which means that it takes the discount rate to be 10.12% to become zero. BCR also showed a good result, 1.42 which is more than 1 indicating this investment is going to make a profit in the rotation of 12 years. Some assumptions of the probable risks options are identified to test the sensitivity of this investment. This study is expected to have a positive contribution to the researchers and investors in the future.