



Kawanasi is a 7-year-old company based in Jakarta that sources Kenari nuts from the Kayoa people, one of the indigenous groups living on the Spice Islands in the eastern part of Indonesia, around 1,600 km east of Bali. This region of Indonesia is known for its fertile volcanic soil and is home to lush rainforests. The company flavors the nuts and packs them for sale to both retail and wholesale buyers. Retail packs carry the East Forest Kenari Nuts brand.

The company is the first organic certified Kenari nuts producer, and has been certified by EU, USDA, and JAS (the Japanese equivalent of USDA). In 2023, East Forest Kenari nuts won the Best New Product Awards at Biofach, an internationally acclaimed organic exhibition. This recognition should accelerate consumer acceptance of this new product.

Kawanasi has been operating profitably since 2019 and has accumulated ~\$575k of net worth. Due to their business cycle – advance and upfront payment to local collectors for nuts which are then processed before local and export sales, the company requires working capital facilities to bridge this gap in cash flow. In 2023, Kawanasi signed a contract with a large local supermarket chain to supply its stores. In Q4 2023, Kawanasi will begin exporting to the US and EU, and they hope to secure a larger inventory of nuts for this business expansion. The company is seeking a \$100k working capital loan from the Reciprocity Fund to finance the purchase of more raw materials.

IMPACT OVERVIEW

Impact Summary	
Additional income for beneficiaries from Kenari nuts, a valuable non-timber forest product, leading to forest protection. Training in sustainable agriculture and better product handling, raising quality standards.	
No. of beneficiaries	200 persons
% Women	60

COMMUNITY

	Country
	Indonesia
	Municipalities
	The Spice Islands, Eastern Indonesia
	Communities
	Kayoa

Impact Background

Kawanasi sources their Kenari nuts from the Spice Islands in Eastern Indonesia. Among them are Maluku Island, located on the east of Sulawesi and west of New Guinea, and Alor Island, the largest island in the Alor Archipelago and is one of Indonesia's 92 officially listed outlying islands. It is located at the eastern end of the lesser Sunda islands, which from the west include islands such as Bali and Komodo. The Spice Islands are fertile with volcanic soil and have a very rugged terrain. The rugged terrain on the island also means it has an abundance of tropical rainforests.

The Kayoa people are the main tribal group living on the islands Kawanasi sources Kenari nuts from. They mainly speak two native languages – Makian and Bacan. They are used to the rich forests and seas that have surrounded them for centuries. Although they have not participated much in the formal economy, they have lived well off natural resources. More recently, younger generations have been enticed to join mining companies, and a trend may soon be established if we do not provide a way to protect the forest while being empowered economically.

Fragile rainforests, including those on Maluku and Alor Island, that act as the world's carbon sinks are at risk of being lost to illegal logging and mining and being converted to oil palm plantations. In June 2023, Indonesia decided to legitimize oil palm plantations in areas zoned as forest land, drawing sharp criticism for undermining efforts to curb deforestation. As it is, around 3.3 million hectares - about a fifth of the 16.8 million hectares of oil palm plantations in the vast archipelago, are in forest areas.

Forest areas are ceded to conglomerates to turn into monoculture plantations when indigenous communities to whom the forest is home struggle to make a living. This struggle drives younger generations away from their families of origin to seek employment in the cities, splintering the family unit.

Illegal gold mining that uses mercury poses another present threat to rainforests. Even though mining with mercury is banned in Indonesia, opportunistic community miners continue to use it to the detriment of human and animal health. Mercury often enters the human body through the fish they eat. The guardians of the forests need a more sustainable means of making a good living from what the forests generously provide.

Impact Delivery

Kenari trees are native to northern and eastern islands and regions of Indonesia. They thrive in the wild, especially on volcanic soil and can grow to be more than 40 meters tall. The economic value of these trees comes from its fruit, which needs to be double-shelled and have a final skin removed before getting to the Kenari nut. The nut is mild-tasting and has a buttery mouth feel. In terms of nutritional value, Kenari nuts have higher protein, phosphorus, potassium, magnesium, manganese, and iron compared to macadamia nuts, its closest-tasting nut counterpart.



Figure 1 Wild Kenari Trees on Fertile Volcanic Soil (Photo from Kawanasi Website)

Before the economic value of Kenari nuts was known, locals did not hesitate to chop Kenari trees for timber. Now, Kawanasi buys nuts sourced traditionally, reshaping their perspective of a natural resource they have on hand and lifting farmer incomes in the local community. Kawanasi goes a step further to source some flavoring ingredients from the locals, like palm sugar, cinnamon, and cacao. This encourages the local community to preserve the precious biodiversity within their forests, a behavior the younger generation would be quick to catch. A diverse forest also sequesters carbon at a faster rate, improving the environment.

Other social benefits Kawanasi creates are women empowerment and education. 60% of the village folks Kawanasi buys Kenari nuts from are women. Empowering women economically raises their social standing in a male-dominated culture. Kawanasi conducts regular training on the requirements of organic standards – harvesting, processing, and soil management. This education combines the local knowhow with international standards, raising the quality of the harvest.

The area where Kenari trees grow is often also high in mineral deposits such as nickel-cobalt, copper, coal, bauxite, gold, and silver, making them attractive targets of mining corporations. Locals can now say no to miners who encroach on their land because they are monetizing products from the forest and have an adequate means of making a living. The Ministry of Environment recently encouraged Kawanasi to sign a lease agreement with the locals to formalize their verbal agreements. Under this lease agreement, locals cannot cede their land to mining companies and will further secure Kawanasi’s supply chain and protect the forest.

Outcome

- Improvement of livelihood*
 - Kawanasi raises the income of the Kayoa people living on the Spice Islands in Eastern Indonesia when they buy sustainably harvested Kenari nuts from them.

- Environmental preservation*
 - Kenari trees are now preserved for nuts instead of being chopped for timber.
 - Biodiverse forests are protected from illegal miners and plantation developers, acting as effective carbon sinks for the planet.



LOAN OVERVIEW

Loan amount	\$100,000
Term	3 years
Structure	2 years interest only, paid quarterly, followed by 4 quarterly payments of principal and interest.

Financial overview

2022 Revenue	\$549k
Outstanding loans as of May 2023	\$300k
Net assets as of May 2023	\$574k

Company information

Legal name	PT. Kawanasi Sehat Dasacatur
Incorporation date	2016
Corporate address	Jl. Industri Raya 2 Blok I No. 14. Kawasan Industri JATAKE, Tangerang, Banten 15135, Indonesia.
Nature of operations	Processing of kenari nuts sourced from forests on the Spice Islands for export and local markets.
Website	www.kawanasi.com

Transaction Overview

After a 4-year registration process, Kawanasi’s Kenari nuts have recently been approved by the European Commission (EC) and European Food Safety Authority (EFSA), making Kawanasi and Kenari nuts the first to receive such approval from Indonesia. It has identified France, Germany, Finland, and Netherland as countries it will export to, via wholesalers and chocolatiers.

Kawanasi will also begin exporting to the US in Q4 2023, after a successful exhibition in ExpoWest in Anaheim in early 2023. It has targeted WholeFoods Market, Wegmans, and Natural Grocers as stores who will carry their products.

These developments mean Kawanasi needs to secure a larger supply of Kenari nuts from the indigenous people they work with. Payment is made in cash, as a great majority of the beneficiaries remain unbanked. To hedge the price of nuts, and reserve a greater quantity of nuts, Kawanasi needs to prepay the suppliers.

Kawanasi is seeking working capital from The Reciprocity Fund. We propose a 3-year facility, requiring interest payments for the first two years and principal and interest repayments in 4 equal quarterly tranches in year 3. This will give the company time to build internal working capital from its profitable operations.

Financial Overview

PnL	2021	2022	2023F	2024F
Revenue	401.4	549.0	621.4	1,269.5
Cost of Sales	-283.1	-380.2	-424.2	-874.3
Gross Profit	118.3	168.8	197.3	395.2
Overhead costs	-90.4	-77.4	-112.4	-166.5
Net Profit	27.9	91.4	84.9	228.7
Financial performance metrics				
Annual revenue growth rate		37%	13%	104%
Gross profit margin	29%	31%	32%	31%
Net profit margin	7%	17%	14%	18%

Table 1 Profit and Loss Statement (Actual & Forecast in USD K)

Kawanasi runs a growing and profitable business. The 2023 forecast results were extrapolated from actual year-to-date results to May 2023. Given the latest business development discussed under the transaction overview, the company believes it will do better in the second half of 2023 compared with the first half.

Around 60% of the cost of goods sold is made up of payments to their suppliers, also their beneficiaries. The company also hires workers in their processing factory, out of which 75% are women.

The customer base is diversified geographically – the company sells locally and exports to the US, Canada, Singapore, New Zealand, and Japan. It will start shipping to the EU later this year. The top customers by sales in 2022 are Ranch Market (US), Bio C Bon (Japan), Seijo Ishi (Japan), and Ecoideas (Canada). Export sales currently make up ~60% of their total sales, but is expected to make up the bulk of their sales after they start exporting to the US and EU.

Balance Sheet	2021	2022	2023
Cash	36	34	19
Receivables	138	143	119
Inventory	32	65	89
Other current assets	29	0	25
Current assets	235	242	252
Current liabilities	183	239	247
Working Capital	52	3	5
Total assets	855	858	893
Total liabilities	408	319	319
Total equity	447	539	574
Financial position metrics			
Debt-to-Equity (D/E)	0.91x	0.59x	0.56x
Current Ratio	1.28x	1.01x	1.02x

Table 2 Balance Sheet (in USD K)

Receivables take up the majority of current assets. On average, it takes around 60 days for customers to pay Kawanasi. Liabilities are mostly a working capital loan from a local bank (\$230k). Kawanasi owns the land its processing facility sits on, which together is worth ~\$640k.

Because it pays its suppliers promptly, it only has a small amount of accounts payable (\$18k). It also has a term loan of \$60k which it took for its factory renovation and equipment, and an investment loan of \$13k which it used to purchase machinery.

Kawanasi has accumulated earnings over the years to reach a positive net worth position. With the latest developments above, the company is on track to grow its earnings. We are comfortable that operating cash flows can service our loan from TRF. An added comfort is its strong equity position with a healthy Debt-to-Equity (D/E) ratio.

The company needs a greater amount of working capital to fund its growth. By extending a loan that requires no principal repayment for 2 years, we believe this will help the company generate more working capital from its profitable operations.

Risk Assessment

Given the expected growth in exports sales in Q4 2023, we assessed the risk of inadequate supply of raw Kenari nuts. While Kenari trees grow abundantly on the islands, access to deeper parts of the forest is challenging. The entrepreneurs Felix and Debby have made two trips to the islands ahead of the harvest season to improve access to the forest by commissioning locals to clear paths so they can collect more nuts. They also commissioned more drying tables to be constructed so nuts can be hygienically dried. The years of relationship they have with local communities also help to mitigate against a supply risk.

The founders



Before founding Kawanasi, Felix, who has a background in psychology, worked in Malaysia. He has always had a passion for empowering the vulnerable through education. In Malaysia, he chose to provide free English and computer training to Indonesian migrant workers.

Debby used to work for a large US FMCG company in Indonesia. Since young, she has suffered from eczema which drove her to pursue a healthy lifestyle, using natural ingredients to remedy her condition. It was during their

trip exploring the most eastern parts of Indonesia that they were introduced to Kenari nuts by the indigenous locals they visited.

Further research, including lab tests to determine nutritional values of the Kenari nuts confirmed it as a viable means of expressing their passion through a viable business. Kawanasi was thus birthed and we believe the integrity of the founders and the potential of this new product will make this a worthwhile loan to extend.