

EXECUTIVE SUMMARY

Indonesia has been aggressively closing its infrastructure gap in the past 5 years marked by the intensified construction of toll roads, railways, seaports, and airports. These immense activities create business opportunities. One of the opportunities is to locally manufacture bridge bearings which this business plan is looking at untapping. Bridge bearings are mandatory mechanical parts of any bridge or overpass structure which have the function of transferring load from the structure deck to its piers. Therefore, the bridge bearings will always be in demand for any infrastructure projects on land transportation.

There are many types of bridge bearings used in infrastructure. A couple of them are the elastomer and pot bearings. Elastomer bearing is the simplest form of a bridge bearing which is made from rubber reinforced by steel plates. This type of bearing is normally used for overpass structure that has short span and relatively small load. On the other hand, pot bearing is a more complicated type of bearing which is made from a cylindrical steel containing elastomer. This type is used in overpass structure that has long span and relatively bigger loads and suitable to be used for railways infrastructures. The pot bearings demand has so far been supplied from overseas since there is no local manufacturer in Indonesia. Whereas there are many local manufacturers of elastomer bearing to supply its demand in the country. This business plan therefore looks at building local manufacturing of both pot and elastomer bearings. A new company named PT Indobearing Produksi Pratama (Indobearing) is to be established to execute this business plan. Indobearing will therefore offer pot and elastomer bearing products as well as their installation services to the market. The five competitive forces analysis for the business opportunity has been conducted and shows conducive environment for Indobearing to grow. The business potential is also supported by the demand analysis that foresees increased demand for both pot and elastomer bearings in the next ten years.

Indobearing targets infrastructure construction market especially of bridges, railways and toll roads including each respective maintenance and repair works. In addition, Indobearing will target state owned construction contractors as its main customers. To penetrate the market, Indobearing will position itself as local manufacturer that offers quality, reliability, time efficiency, competitive price and installation service. In order to see how this position works in the market, Quality

Function Deployment (QFD) and customer value map are used. Both tools conclude that in order to gain market share, Indobearing shall prioritize standardized factory, efficient delivery time, use local attribute on its product and set product price at 5 to 10% less than competitors.

Indobearing operations goals will focus on delivering quality, operational cost efficiency and time efficiency. Indobearing therefore will invest in plant and automatic machinery, develop organization and production system as well as establish a solid supply network to reach production capacity of 2241 units and 8838 units per annum for pot and elastomer bearings respectively. To run daily business operation, Indobearing will establish working organization that covers management staff and factory personnel with good and fair compensation package as well as personal development plan.

Indobearing initial investment will be of IDR 30 billion which will be solely provided by company founders. The initial investment is to finance capital expenditure and working capital to initiate the business operation. Considering optimistic, most likely and pessimistic scenarios of this business, a coefficient of variance of 54.5% is obtained which shows that this business is of medium risk. Furthermore, most likely scenario shows that this business will have NPV of IDR 63.8 billion in 10 years, IRR of 32.1%, and payback period of 6 years 2 months. Indobearing net margin is expected to average at 23% and dividend payout ratio is set at 50% per annum. Moreover, sensitivity analysis using revenue and cost as variables shows that the NPV will be zero when the revenue drops by 45% and operational cost escalates by 23% from the planned estimates. It is concluded that local manufacturing of pot and elastomer bearings is therefore a good business opportunity to pursue in the rise of Indonesia infrastructures development.