

## **EXECUTIVE SUMMARY**

The needs for chemical goods to support manufacturing activities in Indonesia are growing rapidly, and among those chemical goods, Polyacrylamide is one of the prominent. Polyacrylamide is widely used to support manufacturers operation in several industries such as Sugar, Water Treatment, Paper, Gold Mining and Oil and Gas. In 2012, the demand for Polyacrylamide in Indonesia is approximately 8.000 ton, amounting to over 200 Billion Rupiah in value. To this date, Indonesia has no production facilities dedicated to produce Polyacrylamide. Hence, the demand for Polyacrylamide in Indonesia is fulfilled by imported products.

Polyacrylamide products supplied by the distributor and representative agent are usually standardized in specifications. In practice, those products might not be able to fulfill the specific needs of several customers. Therefore, production facilities to produce custom made Polyacrylamide are needed to fulfill those specific needs.

PT Dalvireka Chemicals Indonesia (DCI) is the first local producer of Polyacrylamide in Indonesia that is also sourcing its raw materials locally. By having its own production facilities, PT DCI will be able to produce Polyacrylamide products that are tailored to its customer needs. The use of local raw materials and local production sites will also means that PT DCI's customer will be able to get a swift and stable supply of Polyacrylamide compared to sourcing it from abroad or from distributors and representative agents. PT DCI implements Overall Cost Leadership Strategy. This strategy was picked to anticipate threats that might come from potential new entrants in Polyacrylamide producer strategic group.

Target markets of PT DCI are local medium and big companies from the five industries that used Polyacrylamide to enhance its operational activities. PT DCI uses direct distribution channels where PT DCI's sales force is dedicated to deliver the best products and services to the customer through personal selling. PT DCI sales force and customer services will also jointly aims to continue to provide more value to its customer by providing consultation services to pick the right products and in applying the products, hence enabling the customer to operate in a more efficient manner and ultimately reduce the customer operating cost.

For the next fifteen years, PT DCI is expected to have NPV of 13.9 Billion Rupiah and IRR of 26.65%, which is higher than the required cost of capital at 18.79%. The payback period for the business is expected to be 5.35 years (for the most likely scenario). Initial investment required for this business plan is 17.3 billion rupiah which will be fully financed by its shareholder. The financial projection of PT DCI also indicates that the company is able to generate net profit from the first year and achieve a positive FCFF in the second year. PT DCI also plans to distribute dividend to the shareholders with a dividend payout ratio of 80%, once the company achieve a positive FCFF.