

## Executive Summary

Most lubricants are produced from some fractions of crude oil. This mineral-based lubricants have several disadvantages: (1) increasing of crude oil price will affect the lubricant price; (2) with accelerating world oil reserves depletion, the availability of mineral-based raw materials is also declining; and (3) spillover creating contamination to the environment because it is not easily degraded.

PT Biolubricant Indonesia (PTBI) develops bio-lubricants produced from castor oil. Compared to mineral-based lubricants, bio-lubricants have several advantages: (1) environmental friendly — easily degraded; (2) not driven by price and availability of crude oils; (3) higher lubricity; and (4) provides stronger bond to metal surface due to its polar structure.

PTBI plans to establish four divisions: (1) a castor plantation; (2) a production facility of castor-bean-to-castor-oil; (3) production facilities of bio-rolling oil and bio-multi-purpose grease; and (4) a marketing and sales division.

For the castor plantation, PTBI will develop a “plasma-core” partnership with remote communities living nearby the core plantation in the province West Nusa Tenggara in south eastern part of Indonesia. These communities will supply the castor bean to PTBI. In return, PTBI will provide castor seeds, training, and product quality standards. The partnership will enable PTBI to secure raw material supplies and at the same time it will contribute directly to the communities by offering profitable business opportunity.

PTBI will focus on producing bio-rolling oil and bio-multi-purpose grease. PTBI will sell the products at a price lower than mineral-based lubricants, and will offer more benefits by providing customers with technical assistance. In 2010, the market sizes for

rolling oil and and multi-purpose grease in Indonesia were 2,400 metric tons p.a. and 6,000 metric tons p.a., respectively. During the year 2006–2010 both market grows at approximately 5% p.a. PTBI projects revenue of IDR 7,903,500,000 in the first half-year of operations, and aims to reach IDR 47,755,676,613 in the 8<sup>th</sup> year with an average of 24% annual growth.

PTBI will adopt a focused cost strategy. PTBI can gain low production cost of bio-lubricant due to the cooperation with the local farmers to internally produced castor oil.

From the financial perspective, NPV will be IDR 23,685,446,397 and PTBI will raise a 37.07% internal rate of return. The payback period is expected to be 5.80 years. From those figures, it can be concluded that this business is worth proceeding as it creates high shareholders' value.

