SUMMARY

AUGUAR. Feasibility of City Gas Network Development Project (Case: Pipeline Beji-Blok M). Supervised by MUHAMMAD FIRDAUS and SAHARA.

This research aims to analyze the feasibility of investment in development plan of city gas network from the aspects of company expenditure, internal and external factors affecting business performance and formulate alternative strategies for business development and the order of priority.

Based on capital budgeting methods, it is concluded that the project is feasible because the project has positive net present value (NPV) of Rp. 19.427 Billion at the determined discount rate. This NPV exceeds the present value of cash outflows. The project has internal rate of return (IRR) of 19.11%, higher than the company hurdle rate of 15.26%. Payback period (PP) or period of return on investment on this project is 4.19 years and well below the economics of the project period of 20 years. Furthermore, profitability index (PI) of the project is 1.19, showing that this project is feasible to run since PI is greater than 1.

Sensitivity analysis shows that NPV is very sensitive to gas price in which the overall project would come into break even if the price decreases by 7.5%. Meanwhile, the project economics still can tolerate the increase of gas purchase price of 18%, sales volume decrease up to 13.5% and investment costs increase up to 25%.

External factors analysis gets score of 3.261, above the average value of 2.5. This indicates that the company will be performing right work program by taking the advantage of the opportunities to overcome company’s threats. Internal factor analysis earns score of 2.541, above the industry average of 2.5. This indicates that there is still room for improvements in terms of operations, strategies, policies and procedures. Based on QSPM matrix analysis shows that the strategy of "aggressive market penetration by expanding city gas area into potential region with high commercial activities" has the highest TAS value of 10.943. This first strategy is very important to increase the market share supported by company's financial and government regulation. The second and third strategies are also very important to run. They are "doing long-term contracts with upstream gas business to ensure supply continuity" and "prioritizing the development of area close to distribution and transmission pipelines".

Keywords: investment feasibility, Jakarta, QSPM