SUMMARY

GIBRANIUS BERUTU. Capital Structure Optimization and Financing Strategy Formulation for Toll Road Project in Indonesia. Supervised by MUHAMMAD FIRDAUS and HENDRO SASONGKO.

The connectivity and inefficiency in the transportation sector have impacted on the high costs of transportation and logistics in Indonesia. Government of Indonesia putting the reduction of logistics costs toward improving the country’s infrastructure through toll road development as one of actions plan. Not all of the toll road investment packages are attracting to investors, thus the government’s support and investment strategies are needed. In the staging development scheme, the minimum investment feasibility is not attainable when the construction is completed at once. Staged development divided road into segments and it should be an alternative to generate traffic demand for assign minimum viability threshold. Government own the authority to determine initial tariff and its adjustment, therefore, investors have no power to set the price.

This research considered a toll road trace operating in West Java Province, Indonesia which was developing in staged development schedule since 2007. The first and second segment had been fully operating while the third segment will be constructed soon. This research aims to (1) analyze optimal capital structure of the staged development toll road project; (2) determine efforts necessary to guarantee financing for toll road project. The output of this study would be a beneficial for investor arranging the project funding policy.

Optimization analysis was done using “trial-error” method and Quantitative Strategic Planning Matrix (QSPM) taken as a tool for ranking finance strategies. Simulation output explained that optimum equity level for the third phase development was 24 percent using syndicated banks loan, while inflation assumption for revenue projection refer to PPJT, with no delay for project execution. IRR on equity stood at 18.26 percent, while IRR on project at 15.77 percent. Simulation output revealed that late start of construction schedule would escalate the investment cost and decrease viability of project. Financing strategy was classified into four dimension; there were demand, funding, construction and operational. Demand strategy and operational strategy were identified as the most attractive strategies for investor, since it were able to improve the certainty of return for long term investment.

Synthesis between capital structure optimization and funding strategy was found that long tenor and low interest rate debt would increase project cash flow capacity to returned back the investment and profit maximization for equity holders. Caution must be placed by investor for reach agreement about inflation assumption in PPJT. If it is taken too high, overestimate of revenue projection will be occured, as if the project is financially viable, but actually not.

Keywords: DER, feasibility, financing strategy, optimal capital structure, QSPM, toll road project