NAVIGATING FINANCIAL PERFORMANCE AND SUSTAINABILITY: EVALUATIONS OF LEADING COMPANIES ACROSS KEY ECONOMIC PERIODS ACROSS VARIOUS COMPANIES AND INDUSTRIES

Editor

Dr. Anurag Agnihotri

Navigating Financial Performance and Sustainability: Evaluations of Leading Companies Across Key Economic Periods across Various Companies and Industries

Editors

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PREFACE

In the ever-evolving landscape of global and domestic markets, understanding the intersection of financial performance and sustainability has become increasingly critical for businesses, investors, and policymakers alike. This book brings together a collection of in-depth analyses of financial outcomes across a range of companies, industries, and time periods, shedding light on how organizations navigate financial challenges while striving to meet sustainability goals.

The chapters within this volume offer a diverse array of case studies, each centered on a specific company or industry, with a focus on their financial performance across key moments in recent history. From the pre-pandemic era to the global upheaval of COVID-19 and into the post-pandemic recovery phase, these analyses provide a comprehensive view of how companies have adapted, responded, and evolved in the face of shifting market conditions. The chosen companies—spanning Indonesia's dynamic market to global giants—offer valuable insights into different sectors, including retail, infrastructure, telecommunications, and pharmaceuticals.

Each chapter employs rigorous financial analysis tools, such as the Piotroski F-Score, profitability ratios, and liquidity assessments, to evaluate and assess the financial health of these companies. These tools not only offer a snapshot of their financial stability but also highlight the long-term trends that can inform strategic decisions for investors and corporate leaders. Moreover, many of the studies explore the broader context in which these companies operate, examining how external factors such as geopolitical shifts, economic disruptions, and sustainability pressures have influenced their financial strategies.

The work presented here underscores the critical importance of sustainability in modern corporate strategy, as companies are increasingly held accountable for their role in addressing environmental, social, and governance (ESG) challenges. This book demonstrates how financial performance cannot be viewed in isolation but must be integrated with a company's long-term sustainability objectives to ensure both economic and societal resilience.

We hope that this book serves as a valuable resource for scholars, students, investors, and practitioners seeking a deeper understanding of how financial performance and sustainability intersect. The case studies and methodologies presented within these pages are intended not only to contribute to academic discourse but also to provide practical insights for those involved in corporate strategy, investment analysis, and financial decision-making.

I would like to extend my gratitude to the contributors for their insightful research and to the readers for their interest in this timely and important topic. The collaboration of thought leaders and the dedication to analyzing real-world financial outcomes make this book a critical addition to the ongoing dialogue about corporate finance, sustainability, and the future of business.

Dr. Anurag Agnihotri
Bursa – December 2024

CONTENTS

CHAPTER 1

The Intersection of Financial Performance and Sustainability Goals: Mayapada Hospital's Fınancial Outcome Analysis from 2018-2023

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ABSTRACT

Mayapada Hospital (MH), under the listed name PT Sejahtera Raya Anugrah Jaya Tbk (SRAJ), released its first-ever sustainability report in 2021, marking a significant milestone in its commitment to sustainable development goals. MH progressively enhanced its sustainability program initiatives, by 2023 MH Bandung opened Indonesia's first certified green hospital. This facility pioneered Life Cycle Assessment (SCA) screening in healthcare to minimize environmental impact while MH promoting equitable and inclusive workplace practice where women comprise 64% of the workforce. MH sustainability focus has been expanded since 2021 where the COVID-19 relevancy activities was high such as developed additional buildings that can accommodate >100 beds in 45 days, conduct more than 350,000 reliable and accurate PCR tests since June 2020. Foundation on creating Green Hospital Building was started in 2022 and implementation happened in 2023. These initiatives have correlated with significant financial growth, as demonstrated by a 27% average annual increase in sales and a 495% rise in operating income from 2020 onwards.

This research aims to assess MH's financial performance in alignment with its sustainability investment by analyzing secondary data from 2018 to 2023. Key financial ratios- profitability, activity, current and debt to equity- will serve as the primary metrics. Specific for the current ratio and debt-to- equity ratio, each of these analyses will provide insights into MH's liquidity and financial stability, illustrating the capacity to meet short-term obligations and manage the financial stability or risk profiles while investing in sustainability programs. Findings from this study are anticipated to contribute valuable knowledge for industry leaders, highlighting the potential benefits of incremental sustainability investments on overall financial performance within the healthcare sector.

Keywords: Sustainability, Fınancial Health, Healthcare Industry, Hospital Industry, Green Hospital

1. INTRODUCTION

The hospital is one of the important health facilities for Indonesian citizens, and it provides more complex medical services than primary healthcare centres. Hospitals play a vital role in diagnosis, treatment and long-term care for Indonesians who require intensive treatment. According to the Ministry of Health (Kemenkes), by the year 2020, Indonesia had a total of 2.985 hospitals, comprising 1.058 public facilities and 1.927 private institutions (Kemenkes, 2020). This condition creates a competitive state in the hospital industry (Rachmawati, E., et al., 2024). Specifically for private businesses that include private hospitals, government regulation also creates more complexity to operate, especially for the implementation of sustainability development goals (SDGs). The government of Indonesia has officially approved Regulation No. 51/POJK.03/2017 from the Financial Service Authority (FSA), which requires sustainability reporting to be implemented by 2019 (Financial Service Authority of Indonesia, 2017). This regulation provides a framework for evaluating how the private sector in Indonesia is integrating the United Nations Sustainable Development Goals (SDGs) (Kuswantoro, H., et al., 2020).

The concept of sustainability emerged as a clear objective encompassing social, environmental, and economic dimensions during the late 1970s and into the 1980s (Caradonna, 2014). In 2015, the United Nations (UN) launched the Sustainable Development Goals (SDGs) as a worldwide initiative focused on eliminating poverty, protecting the environment, and ensuring that by 2030, all individuals can enjoy peace and prosperity. The 17 SDGs are interrelated, recognizing that actions in one area can affect outcomes in another, and that development must align with social, economic, and environmental sustainability. Reflecting this notion, corporate management has progressively transitioned from a focus on profit to one centered on sustainability (Kuswantoro, H., et al., 2020). However, several factors become hindrances to the implementation such as management decisions, partnerships, lack of understanding to interlink SDGs with operations, and the most important is the allocated investment.

The common perception of SDGs implementation is more expensive operational activities that have an indirect impact on financial performance. According to Baldassarre et al. (2017), the innovative holistic approach to business strategy places greater emphasis on generating additional profits by prioritizing social and environmental results alongside economic benefits. This become a sign that there is still a gap of understanding on the impact of financial health with the implementation of SDGs. Focusing on Mayapada Hospital (MH), a privately held hospital that just released a sustainability report for 2021, this study developed to investigate the intersection of financial performance and SDGs using secondary data from before (2018-2020) and after (2021-2023) sustainability report was released. The financial aspect was analyzed along with operational aspects following the methodology from the Ministry of State-Owned-Enterprise (SOE) No.KEP-100/MBU/2002. The findings indicate that the financial health of MH was slightly improved from less healthy to healthy. Through this, MH started to expand the SDG activities further to the journey of green hospital implementation from the initial focus on contribution to society, building inclusive workspace, providing quality healthcare education, water management, waste management and energy & emission management.

This study contributes to the suggestion and justification for healthcare industry leaders that SDGs implementation has positive impacts on the company or organizations' financial health. In particular, this study contributes to expanding literature and providing evidence on SDGs implementation impact in the healthcare care industry, especially the privately held organizations.

2. LITERATURE REVIEW

Financial is an important factor in supporting private company growth. The companies are urged to enhance their profitability by improving their activity ratio (Daryanto, 2018). Financial performance can be assessed using financial ratio analysis, which, as stated by Babalola & Arbiola (2013), quantifies the relationship between two values through a ratio. For a ratio to be significant, it must indicate a relationship of economic importance. The Ministry of SOE (2002) notes that the evolving business landscape in a more open economic environment requires the implementation of performance evaluation tools and systems that can propel companies toward greater efficiency and competitiveness.

For a researcher, the evaluation of financial performance is usually analysed by looking at the annual financial reports from a company. According to Ministry of SOE Decree No. KEP-100/MBU/2002, financial health is assessed using eight indicators: ROI, ROE, cash ratio, current ratio, collections period, inventory turnover, total asset turnover, and total equity to total assets ratio. On the other side, sustainability activities are analyzed by looking at the sustainability report. The Global Reporting Initiative (GRI) is an autonomous entity focused on sustainability reporting. Since 2000, it has created and continuously revised its guidelines for this purpose (Istianingsih et al., 2020; Zhang et al., 2021). In the MH's analysis, the sustainability report was not available until 2021. However, the efforts and data that align with SDGs were reported under annual report. While annual reports could be used as the medium for sustainability performance, the direction towards SDGs was not explicitly stated.

In Indonesia, the study to analyze the intersection of financial analysis and SDG in the private healthcare industry is still limited. Nonetheless, it is broadly acknowledged that disclosing efforts related to the Sustainable Development Goals (SDGs) brings a variety of advantages. These advantages include attracting responsible investments aligned with the SDGs (Gugler, 2015; Rasche, 2020), promoting the incorporation of SDGs into corporate strategies (Adams, 2017), and enhancing transparency within organizations. A considerable body of research presents compelling evidence linking sustainability reporting to financial performance (Muhammad and Muhammad, 2021; Nicolo et al., 2024. According to Hywood and Boihand (2021), the SDGs will need to be at the heart of value creation for business. This value creation wouldn't only measure profitability, but also the value towards society and environment. Figure 1 shows the MH's UN SDG compass.

Figure. 1 Maya Pada Hospital SDGs Compass 2023 (Source: MH Sustainability Report 2023)

3. RESEARCH METHOD

To examine the research analysis, the study used secondary data from the available past six years (2018-2023) annual financial report. The descriptive analysis is made to align with the decree of the Ministry of SOE Bo.KEP-100/MBU/2002. The analysis covers the financial aspect using a quantitative method and the operational aspect using a qualitative method based on predefined criteria. Each of the aspects has a specific weight that will become metrics to define the level of business health. The business health level follows the classification from the decree of the Ministry SOE as shown in Table.1

Table. 1 Classification of Business Health Level

Rating	Value Range	Healthiness level
AAA	TS>95	Healthy
AA	80<TS<=95	
A	65<TS<=80	
BBB	50<TS<=65	Less healthy
BB	40<TS<=50	
B	30<TS<=40	
CCC	20<TS<=30	Not healthy
CC	10<TS<=20	
C	TS<=10	

Source: Decree from the Ministry of State-Owned Enterprises No. KEP-100/MBU/2002

Both financial and operational aspect scores will be added and divided by the total score of 85 (70 from the financial and 15 from the operational aspect) using the formula below.

Total weighted score = (Financial Aspect Score+ Operational Aspect Score)/ Total combined weight at 85 x 100%

The result will be compared with the value range and rank based on Table 1 to define the healthiness level. This method will show a correlation between SDGs and financial performance by comparing before and after data of MH released their sustainability report in 2021.

3.1 Financial Aspect

The financial aspect using the quantitative method has a total score of 70 contributed from eight financial indicators and where the healthcare industry belongs as shown in Table 2.

Table. 2 The indicator and score

Indicator	Score
Profitability ratio	
Return on equity (ROE)	20
Return on investment (ROI)	15
Liquidity ratio	
Cash ratio	5
Current ratio (CR)	5
Activity ratio	
Collection period (CP in days)	5
Inventory turnover (ITO in days)	5
Total asset turnover (TATO in days)	5
Solvency ratio	
Total equity to total asset (TETA)	10
Total	70

Source: Decree from the Ministry of State-Owned Enterprises No. KEP-100/MBU/2002

3.1.1 Profitability Ratio

The profitability ratio consists of two elements such as ROE and ROI. This reflects the connection between the asset and the equity of shareholders in producing the company's profit. Below, Table 3 presents the evaluation scores for both ROE and ROI.

$$ROE = (\text{Net income} / \text{Total equity}) \times 100\%$$

$$ROI = ((\text{EBIT} + \text{Depreciation}) / \text{Capital employed}) \times 100\%$$

Table 3. Evaluation metrics for ROE and ROI

ROE (%)	Score	ROI (%)	Score
15<ROE	20	18<ROI	15
13<ROE<=15	18	15<ROI<=18	13,5
11<ROE<=13	16	13<ROI<=15	12
9,0<ROE<=11	14	12<ROI<=13	10,5
7,9<ROE<=9	12	10,5<ROI<=12	9
6,6<ROE<=7,9	10	9<ROI<=10,5	7,5
5,3<ROE<=6,6	8,5	7<ROI<=9	6
4,0<ROE<=5,3	7	5<ROI<=7	5
2,5<ROE<=4	5,5	3<ROI<=5	4
1,0<ROE<=2,5	4	1<ROI<=3	3
0<ROE<=1	2	0<ROI<=1	2
ROE<0	0	ROI<0	1

Source: Decree from the Ministry of State-Owned Enterprises No. KEP-100/MBU/2002

Research question 1: What is the correlation of SDG implementation with profitability?

3.1.2 Liquidity Ratio

The liquidity ratio reflects a company's capacity to meet its short-term liabilities using cash, current assets, and revenue from sales. The assessment scores for ROE and ROI are presented in Table 4 below.

$$\text{Cash ratio} = (\text{Cash and cash equivalent} / \text{Current liabilities}) \times 100\%$$

$$\text{Current ratio} = (\text{Current asset} / \text{Current liabilities}) \times 100\%$$

Table 4. Cash Ratio and Current Ratio Evaluation Score

Cash ratio (%)	Score	Current ratio (%)	Score
Cash ratio >=35	5	125≤ Current ratio	5
25≤Cash ratio<35	4	110≤ Current ratio<125	4
15≤Cash ratio<25	3	100≤ Current ratio<110	3
10≤Cash ratio<15	2	95≤ Current ratio<100	2
5≤Cash ratio<10	1	90≤ Current ratio<95	1
0≤Cash ratio<5	0	Current ratio<90	0

Source: Decree from the Ministry of State-Owned Enterprises No. KEP-100/MBU/2002

Research question 2: What is the impact of SDG implementation towards MH's ability to pay obligations?

3.1.3 Activity Ratio

The activity ratio consists of three indicators. The collection period is used to monitor the company's cash flow and ability to pay the due-date debt. Inventory turnover shows the frequency of inventory being sold over a period of time. Table 5 below shows the assessment score of CP and ITO.

CP = (Total account receivables/Total sales revenue) x 356 days

ITO= (Total inventories/ Total sales revenue) x 365 days

Table 5. CP and ITO evaluation score

CP (days)	Adjustment (days)	Score	ITO (days)	Adjustment (days)	Score
CP≤60	CP>35	5	ITO≤60	ITO>35	5
60<CP≤90	30<CP≤35	4,5	60< ITO≤90	30<ITO≤35	4,5
90<CP≤120	25<CP≤30	4	90< ITO≤120	25< ITO≤30	4
120<CP≤150	20<CP≤25	3,5	120< ITO≤150	20< ITO≤25	3,5
150<CP≤180	15<CP≤20	3	150< ITO≤180	15< ITO≤20	3
180<CP≤210	10<CP≤15	2,4	180< ITO≤210	10< ITO≤15	2,4
210<CP≤240	6<CP≤10	1,8	210< ITO≤240	6< ITO≤10	1,8
240<CP≤270	3<CP≤6	1,2	240< ITO≤270	3< ITO≤6	1,2
270<CP≤300	1<CP≤3	0,6	270< ITO≤300	1< ITO≤3	0,6
300<CP	0<CP≤1	0	300< ITO	0< ITO≤1	0

Source: Decree from the Ministry of State-Owned Enterprises No. KEP-100/MBU/2002

Total asset turnover indicates the company's ability to measure the efficacy of assets in generating sales. Table 6 below shows the assessment score of TATO.

TATO= (Total revenue/ Capital employed) x 100%

Table 6. TATO evaluation score

TATO (%)	Adjustment (days)	Score
TATO>120	TATO>20	5
105<TATO≤120	15<TATO≤20	4,5
90<TATO≤105	10<TATO≤15	4
75<TATO≤90	5<TATO≤10	3,5
60<TATO≤75	0<TATO≤5	3
40<TATO≤60	TATO≤10	2,5
20<TATO≤40		2
TATO≤20		1,5

Source: Decree from the Ministry of State-Owned Enterprises No. KEP-100/MBU/2002

Research question 3: Is there any downside to the business productivity of MHs while implementing SDGs?

3.1.3 Solvency Ratio

The solvency ratio reflects a company's capacity to meet its total liabilities. A lower ratio suggests inefficiency in asset utilization and indicates that the company's net worth is relatively low from the perspective of investors. Table 7 below shows the assessment score of total equity to total assets (TETA).

TATO= (Total revenue/ Capital employed) x 100%

Table 7. TETA evaluation rating

TETA (%)	Score
TETA<0	0
0≤TETA<10	4
10≤TETA<20	6
20≤TETA<30	7,25
30≤TETA<40	10
40≤TETA<50	9
50≤TETA<60	8,5
60≤TETA<70	8
70≤TETA<80	7,5
80≤TETA<90	7
90≤TETA<100	6,5

Source: Decree from the Ministry of State-Owned Enterprises No. KEP-100/MBU/2002

Research question 4: Is SDG implementation affecting the ability of MH to cover its obligation?

3.2 Operational Aspect

The operational aspect using the qualitative method has a total score of 15 contributed by pre-defined operational indicator. The assessed indicators include elements of activities considered to be the most dominant in supporting the success of operations in line with the SDGs aspects. The data was taken from the annual report (2018-2020) and sustainability report (2021-2023). The reason for the difference in data source shows the strengthened focus on SDG happened in 2021. However, before that, the path towards SDGs implementation was made in 2018-2020 shown in the annual report. Table 8 below shows the pre-defined indicator and score of the operational aspect.

Table 8. Operational Aspect Evaluation Score

Indicators	Coverage	Score
Contribution to patient and society	Access to health education, health support (insurance, free treatment, free medication, vaccination), and health facilities related to lifestyle; i.e sports centre, covid centre, etc)	5
Contribution to improving human resource quality and workplace	Training, gender equality, recruitment, inclusive, healthy & safe workplace	5
Journey to become a green hospital	Environmentally friendly medical facilities, waste treatment, water management, energy & emission management	5
TOTAL		15

Source: Adoption from Decree from the Ministry of State-Owned Enterprises No. KEP-100/MBU/2002

The operational aspect score is weighted using a qualitative weighted score and categorized based on execution level. Each coverage is analyzed through each year's annual or sustainability report of MH. Table 9 below shows the level and weighted score to assess the execution level of the operational aspect.

Table 9. Operational Aspect Evaluation Weight Score and Level

Level	Definition	Weighted score
Very good (BS)	At least meet the normal standard or exceed it, whether measured in terms of quality (time, standards, etc.) or quantity (productivity, yield, etc.)	100% x operational aspect score
Good (B)	Approaches the normal standard or slightly	80% x operational aspect score

	below it but shown improvement in terms of both quality (time, standards, etc.) or quantity (productivity, yield, etc.)	
Sufficient (C)	Still far from the normal standard when measured in terms of quality (time, standards, etc.) but shows improvement in quantity and quality	50% x operational aspect score
Lacking (K)	No growth and significantly below the normal standard	20% x operational aspect score

Source: Adoption from Decree from the Ministry of State-Owned Enterprises No. KEP-100/MBU/2002

Research question 5: is there any impact before and after the implementation of SDG on total business?

4. RESULT AND DISCUSSION

4.1 Profitability Analysis

MH's profitability shows progressive growth from 2018 to 2021. Based on each year's annual reports, a specific event has been stated as the highlight and major contribution to this growth. The company performed some strategic measures to capture the opportunities and win the competition. One of the growth factors in 2018 was driven by the strong emphasis on expansion. MH believe the wider hospital network will increase profitability, as shown by the start of operational activity in 3 out of 7 hospitals and the other 4 were under construction. This focus continued in 2019 when MH Jakarta Selatan and MH Tanggerang raised to be the biggest business contributor. The downfall was because of the fire accident, and the application of safety training for employees became effective shown by the proactiveness and agility of employees in handling the situation. The hospital's recovery undermined its profitability this year. The COVID-19 pandemic became a dillematic situation for MH though this became the biggest factor in business growth. Healthcare services for COVID-19 patients became more profitable than other units. The growth was not maintained in 2022, the main reason was MH started another expansion in Kuningan and Surabaya with an additional focus on building a path for green hospitals. SDGs were strongly implemented this year and the main highlight in 2023 the inauguration of MH Bandung by President Joko Widodo marked as one of the highlights that contributed to profitability growth.

The trends of ROE shown in Figure 3 are in line with the major highlights. However, we can see that the ratios are still below the standard from the Decree of ROE at 15%. This is majorly caused by the increase in investment without proper sales growth. Another factor is the increase of the unapproriate retained earnings from 2018-2020 which decreased at 38% in 2021 VS 2020 and gradually decreased in 2021-2022. Even though MH was never able to achieve the 15% standard, the growth in 2021 was promising and MH’s progressive growth of sales every year since 2018, impacted the growth of equity, yet the decline was deeper than 2020 in 2022-2023.

Similar trends happened with ROI. The steady growth from 2018 and 2019 contributed by the sales growth from hospital expansion, increased salary allowances and other operating activities. Followed by the COVID-19 pandemic the revenue and assets utilization in 2020-2021 was increased. While the revenue is still growing in 2022 and 2023, the ROI has decreased compared with 2021. The significant downfall of ROI in 2022 was because of another expansion and focus on building the green hospital that has not yet shown significant revenue contribution to the total business. However, the ratio at 17% still promising even though slightly below the minimum standard of the decree for ROI at 18%. This demonstrates that SDGs in the investment of human resources and building path to green hospitals mediates the relationship between SDG performance and company profitability (Khurram et al., 2024)

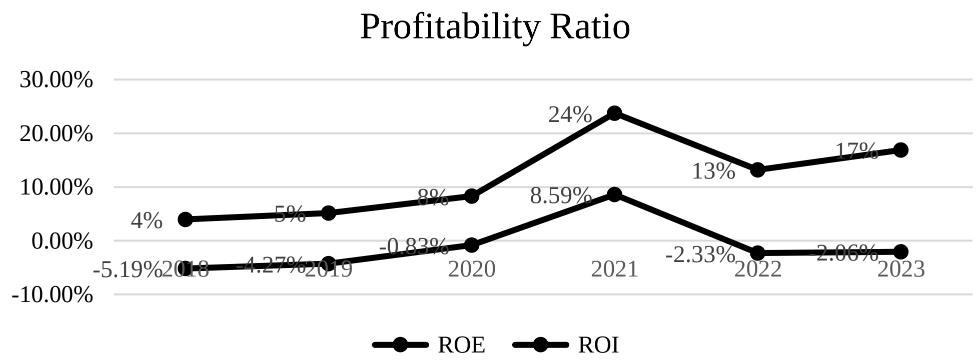

Figure. 2 Profitability ratio trends of MH 2018-2023 (Akbar 2024)

4.2 Liquidity Analysis

The group liquidity is mainly used to finance the group's operations which the funds are acquired from bank load and other payable. MH always closely monitors its capital position to ensure business continuity, investment in activities, and maximize the added value for stakeholders and the community. As shown in Figure 3, the peak in cash and current ratio happened before and after the SDGs report released in 2021. The cash ratio in 2020 increased due to the activation of the COVID-19- related activities. The SDGs program implementation related to good health and community give back showed with MH providing 350.000 PCR tests and providing care for 34.000 COVID-19 patients. The decline in 2021 happened due to the increase in capital expenditures in line with hospital expansions. This ratio also increased in 2022 to 45% primarily due to the increase in cash and cash equivalents from the bond issuance. Sımilar trends also happen with the current ratio. Figure 3 shows the current ratios of MH; 71%, 58%, 58%, 38%, 58%, and 78& respectively from 2018-2023. Current liabilities increased significantly in 2021 towards the push to expand the hospital to cover COVID-19 operations, which showed the commitment of MH to provide excellent care for patients in difficult situations.

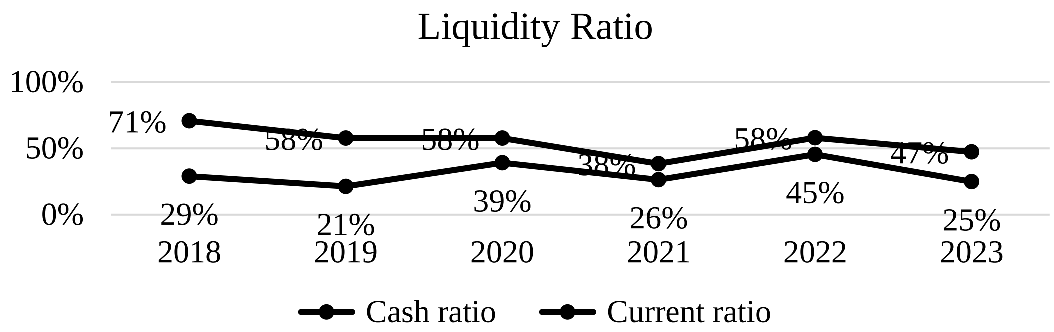

Figure. 3 Liquidity ratio trends of MH 2018-2023 (Akbar 2024)

4.3 Activity Analysis

Figure 4 shows increased trends in TATO and ITO in 2018-2019. This mainly happened because of higher sales volume. TATO continued to grow in 2020 by up to 21% because of better inventory management, while ITO in 2020-2023 decreased by 13, 9, and 7 days respectively because of the due to inventory stockpiling. One of the high inventories was on beds, PCR test kits and medicine for COVID-19 that were not only used for patient care but also as dedication to help communities and employees impacted by COVID-19. The collection periods show a downtrend since 2018-2023 at 59, 55, 66, 46, 60, and 59 respectively. This indicates good management in the sale of goods, collection of trade receivable and efficient use of resources including reducing waste and promoting more sustainable production processes. Even though there's a slight fluctuation happened in 2020, 2022, and 203 this still indicates the efficient management of MH's sales and receivable collection.

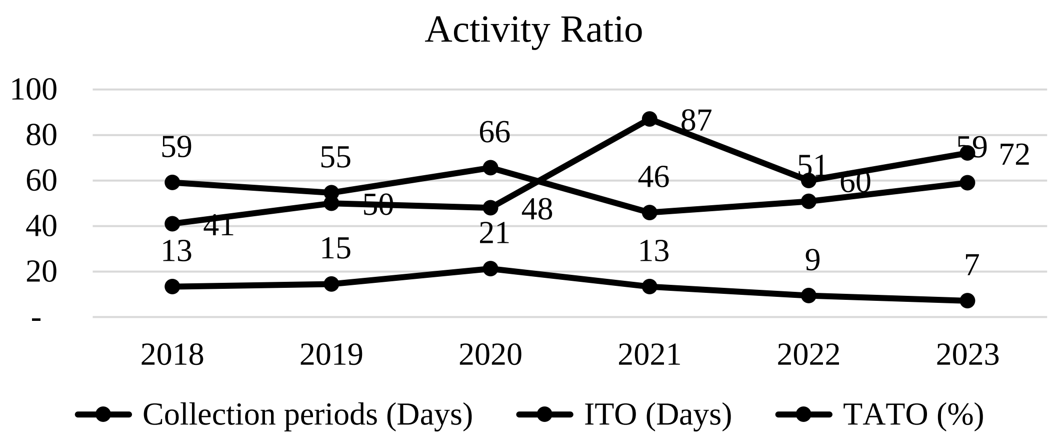

Figure. 4 Activity ratio trends of MH 2018-2023 (Akbar 2024)

4.4 Solvency Analysis

The solvency ratio helps to understand MH's effort to balance its debt levels to maintain financial health while pursuing growth opportunities, and one of them is SDG implementation. The study measures the TETA ratio which in the SDGs implementation context, the improvement can enhance MH's capacity to fund sustainable development projects, support green innovation, and contribute to a more inclusive workplace. According to Figure 5, the TETA ratio decreased gradually since 2018-2023 respectively by 67%, 57%, 40%, 40%, 33%, and 33%. In 2018-2019, the TETA ratio was on the high side (>50%). This means that a significant portion of the company assets is funded through shareholders' equity rather than debt. Looking at the SDGs-related activity based on the annual report, MH still building the foundation and long-term investment focus on hospital expansion and a more inclusive workplace. On the other side, the TETA ratio in 2020-2023 was on the low side, meaning that the liabilities increased and already showed an annual stagnant pattern. This indicates the increased financial risk, however, it aligns with SDGs implementation, especially in building the path to green hospitals. The waste, water and energy management gradually became a focus during 2020-2023. Potential upsides from this data could indicate MH's being active in leveraging debt to fuel rapid expansion and put SDGs at the heart of innovation.

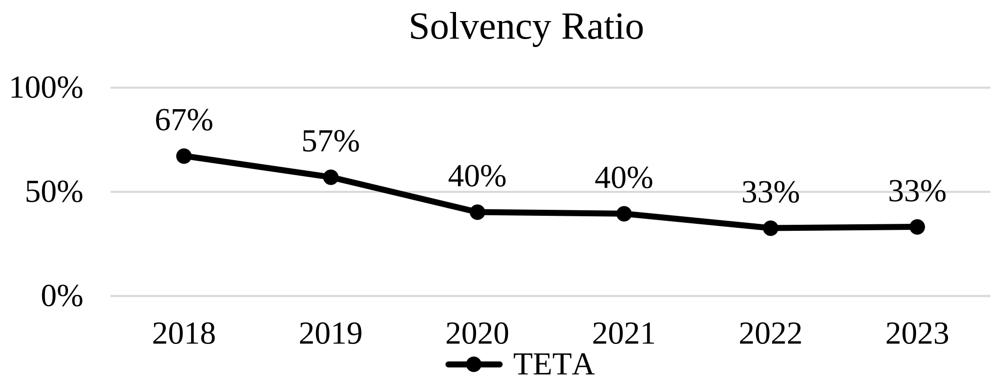

Figure. 5 Solvency ratio trends of MH 2018-2023 (Akbar 2024)

4.5 Operational Aspect Analysis

Operational aspect analysis came from the annual and sustainability report qualitative study based on predefined indicators in Table 8. There has been a lack of studies related to the evaluation of operational aspects of SDGs implementation, moreover, the indicators defined by using annual and sustainability reports were used as an evaluation basis. The scores gradually increased from 2018-2020 respectively by 4,5; 6; and 7,5 indicating that each year MH always improved their operational execution, they stated annual focus as the theme of their annual report as shown in Table 10. The 2018-2019 theme was focused on expansion, increasing capabilities and commitment to providing better care for patients and the community also one step healthier to create better financial health while preserving Indonesia's health. The early sign of SDG implementation was there on the annual report where MH showcased a focus on building team capability, inclusive workplace for all genders and continuously providing health education to the community, however, it is still not fulfilling the four indicators.

During and after the pandemic era, health education initiative was implemented with multiple formats and collaboration with partners from insurance, banking and communities. This shows the focus on serving patients and communities became the fundamental focus for MH. The 2020 activities and developing human resources became more aligned with SDGs where MH created an employee wellness program and continued training hence the score is sufficient. The annual report 2021-2023 had theme continuity such as emerging stronger amidst challenges, defining tomorrow’s healthcare industry and transforming healthcare: patient centricity driving high performance. The main highlight of these years strongly implied the MH’s focus on SDGs. MH received the maximum score in this period, shown on the patient and community care where not only executed the fundamental MH but also did lean Six Sigma implementation and focus to ease the process using BPJS. The journey to becoming a green hospital became more advanced where MH opened the 1st green hospital and pioneered life cycle assessment (LCA) screening in healthcare to minimize environmental impact.

Table 10. Operational aspect assessment score result

Indicators	2023		2022		2021		2020		2019		2018	
	Level	**Score**	**Level**	**Score**	**Level**	**Score**	**Level**	**Score**	**Level**	**Score**	**Level**	**Score**
Pelayanan kepada pelanggan/ masyarakat	BS	5	BS	5	BS	5	B	4	C	2,5	K	1
Peningkatan kualitas SDM	BS	5	BS	5	BS	5	C	2,5	C	2,5	C	2,5
Journey to become a green hospital	BS	5	BS	5	B	4	K	1	K	1	K	1
Total		15		15		14		7,5		6		4,5

Source: Akbar 2024

4.6 Validation Testing

To assess the financial stability of MH in relation to the implementation of SDG activities, the validation was conducted using the Ministry of SOE Decree No. KEP-100/MBU/2002. Table 11 shows fluctuating financial aspects trends before and after the release of the sustainability report. The scores of 208-2020 respectively as 25,54; 27,5; and 29,6. The score significantly increased in 2021 during the peak of COVID-19 and entering the new baseline in 2022-2023 respectively at 36,08 and 36,58. After assessing the result, the study added a score of operational aspects and finally, the total score was converted to a total weighted score by using a formula of Total Weighted Score in the methodology section.

Table 11. Financial aspect assessment score result

Indicators	2023		2022		2021		2020		2019		2018	
	Ratio	**Score**	**Ratio**	**Score**	**Ratio**	**Score**	**Ratio**	**Score**	**Ratio**	**Score**	**Ratio**	**Score**
ROE	-2,06%	0	-2,3%	0	8,59%	12	-0,83%	0	-4,27%	0	-5,19%	0
ROI	17%	13,5	13%	12	24%	15	8%	6	5%	5	4%	4
Cash Ratio	25%	4	45%	5	26%	4	39%	5	21%	3	29%	4
Current ratio	47%	0	58%	0	38%	0	58%	0	58%	0	71%	0
Collection Period	59	5	51	5	46	5	66	4,05	55	5	59	5
Inventory turnover	7	1,8	9	1,8	13	2,4	21	3,5	15	3	13	2,04
TATO	72	3	60	3	87	3,50	48	2,5	50	3	41	2,5
TETA	33%	10	33%	10	40%	9	40%	9	57%	8.5	67%	8
Total Score		36,58		36,08		50,54		29,6		27,5		25,54

Source: Akbar 2024

Furthermore, the assessment results yield interesting and controversial insights. As shown in Table 12 the summary of assessment results, before releasing the sustainability report in 2028-2020 which also indirectly or directly means not fully focusing on SDGs, the category of MH falls under less healthy. MH financial health in 2021 already entering the healthy category, then MH decided to fully expand and implement SDGs activity through the investment in developing the first green hospital making the category in 2022 and 2023 less healthy.

Table 12. Summary of assessment result

Period	Year	Total Weighted Score	Value	Level	Category
Before	2018	36%	30<TS<=40	B	Less Healthy
	2019	39%	30<TS<=40	B	Less Healthy
	2020	45%	40<TS<=50	BB	Less Healthy
After	2021	76%	65<TS<=80	A	Healthy
	2022	61%	50<TS<=65	BBB	Less Healthy
	2023	62%	50<TS<=65	BBB	Less Healthy

Source: Akbar 2024

5. CONCLUSION

The overall result findings show a positive correlation between SDG implementation with financial health in the long run, however, the investment in implementing this at the beginning of SDG focus reduced the financial health of MH. Financial analysis aligned with earlier empirical studies; however, this research has its limitations and paves the way for further investigations within the largest private hospital sectors.

This study served its purpose of adding the literature on SDG implementation and its implication to financial performance within the health industry, therefore it is expected yo the industry leaders to strategize and build concrete milestones on SDG implementation and meet financial commitments to the shareholders.

6. RECOMMENDATIONS

The components in the study use the combination of secondary data and qualitative measurement that has a chance to not thoroughly cover all aspects of SDGs implementation. However, the analysis could be more complete by also completing the administrational aspect analysis of MH or even use multiple hospital data with various period definitions.

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CHAPTER 2

Assessing and Evaluating the Financial Health of PT Unilever Indonesia, Tbk: A Comparative Analysis Using the Piotroski F-Score Across Two Periods (2014-2018 and 2019-2023)

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ABSTRACT

Unilever Indonesia, a prominent player in the country's fast-moving consumer goods (FMCG) sector, faces significant challenges from changing consumer preferences and recent global disruptions. This study analyzes and evaluates the company's financial performance over two distinct five-year periods: A (2014-2018) and B (2019-2023), using the Piotroski F-Score as an analytical framework to assess shifts in financial health. The Piotroski F-Score uses nine indicators related to profitability, leverage, liquidity, and operational efficiency, offering a comprehensive view of financial stability. The analysis reveals a notable decline in the F-Score, falling from 7 (High Performance) in period A to 3 (Low Performance) in period B. This drop indicates financial pressure that affects profitability and operational resilience, resulting in a significant decline of 19.5% in share prices during period B, reflecting investor concerns about company's adaptability to deal with Covid-19 pandemic and fiercer competition from local brands. The findings highlight key concerns for stakeholders, especially investors and management, regarding market dynamics. Overall, the study emphasizes the necessity for adaptive financial strategies to navigate challenging economic circumstances, providing valuable insights into Unilever Indonesia's financial trajectory in a volatile environment.
Keywords: Unilever Indonesia, Financial Performance, Piotroski F-Score, Profitability, Leverage, Liquidity.

INTRODUCTION

A company's financial health is key to its long-term survival and shareholder satisfaction. This analysis goes beyond basic accounting figures to uncover the economic factors driving business value (Penman, Financial Statement Analysis and Security Valuation, 2013). A comprehensive analysis using financial statement numbers (i.e P&L, Balance Sheet, Cash Flow) offers a clearer picture of a company's true performance and sustainability.
By analyzing financial statements, analysts can uncover a company's intrinsic value, focusing on key financial metrics while adjusting for non-operational factors. This approach provides a more accurate and reliable measure of a company's underlying economic performance (Graham & Meredith, 1937).
Additionally, financial health indicators such as profitability, leverage, liquidity, funding, and operational efficiency provide critical insights into how well a company can withstand external pressures, including regulatory changes, shifts in consumer preferences, and economic cycles. By analyzing and optimizing these indicators, companies can better position themselves within their industries, achieve sustainable competitive advantages, and improve overall performance (Porter, Competitive Advantage: Creating and Sustaining Superior Performance, 1985). In industries like consumer goods, where fluctuations are common, evaluating financial performance is essential for determining a company's ability to sustain operations, adapt, and grow its market share.
The Indonesian fast-moving consumer goods (FMCG) market continued to grow despite inflationary pressures, with value growth reaching 9% in 2022, up from 5% the previous year (Kantar, Watch On Demand: Indonesia FMCG Outlook, 2023). However, as unit sales increased more modestly at 2%, FMCG companies must stay updated to market trends and evolving consumer behavior to navigate inflation challenges. They also need to adapt their strategies to maintain competitiveness and meet the changing needs of consumers. PT Unilever Indonesia Tbk, a leading player in FMCG, places significant emphasis on maintaining its competitive edge. With a long-standing presence in Indonesia, the company continuously works to enhance its performance to stay ahead of competitors.
This paper undertakes an evaluation of the financial performance of Unilever Indonesia over two distinct periods: 2014-2018 (Period A) and 2019-2023 (Period B). The Piotroski F-Score, which assesses financial health through nine indicators related to profitability, leverage, liquidity, and operational efficiency, serves as the analytical framework for this study. The primary objective is to understand the shifts in financial stability and the implications for stakeholders.

LITERATURE REVIEW

Financial Statements and Analysis

In the 17th Edition of Intermediate Accounting by Donald E. Kieso, Jerry J. Weygandt, and Terry D. Warfield (2019), financial statements are defined as formal records that present a company's financial activities and conditions over a specific period. They serve as a primary means of communicating financial information to external stakeholders, such as investors, creditors, and regulators. The primary financial statements include Balance Sheet (or Statement of Financial Position), Income Statement, Statement of Cash Flows and Statement of Changes in Equity.
Financial statement analysis assesses a company's financial health, performance, and stability to inform decision-making for stakeholders (Penman, 2013). Key techniques used in financial statement analysis include:

- Ratio Analysis: Evaluates relationships between various financial metrics to gauge performance and compare with industry benchmarks.

- Trend Analysis: Examines historical data to identify patterns or trends over time, providing insight into growth, stability, and areas for improvement.
- Comparative Analysis: Compares a company's financial performance to industry standards or similar companies.

Financial Ratio Analysis

Financial ratio analysis is an essential tool for evaluating a company's financial health, performance, and valuation. Penman (2013) categorizes ratios into five key types: Profitability Ratios, Liquidity Ratios, Solvency Ratios, Efficiency Ratios, and Market Ratios. Each category serves a specific purpose in assessing the short- and long-term viability of a company.

Penman emphasizes that ratio analysis should be conducted within the broader context of the company's business model, industry, and economic environment. Rather than relying on any single ratio, <u>using a combination of ratios provides a more complete and accurate assessment of a company's financial performance</u>. This comprehensive approach allows for a nuanced understanding of financial health and better informs valuation and investment decisions.

The Piotroski F-Score

The Piotroski F-Score was developed by accounting professor Joseph Piotroski in his 2000 research paper, "Value Investing: The Use of Historical Financial Statement Information to Separate Winners from Losers." The F-Score is a scoring system that evaluates a company's <u>financial strength based on combination of nine ratios</u> divided into three categories: profitability, leverage/liquidity, and operational efficiency. Each criterion earns a score of 1 or 0, with a total score of 9 indicating the strongest financial health (O'Shaughnessy, What Works on Wall Street: The Classic Guide to the Best-Performing Investment Strategies of All Time, 2011).

Using the Piotroski F-Score across multiple periods offers a structured, quantitative approach to evaluating financial health. By analyzing the F-Score over two distinct periods, the goal is to measure the evolution of a company's financial stability. This method enables investors and analysts to look past short-term performance fluctuations, focusing instead on long-term financial resilience and operational efficiency.

METHODOLOGY

This research adopts a descriptive approach with a quantitative methodology, emphasizing numerical evaluation. The data is analyzed using a method that maintains impartiality in the review of financial statements. Secondary data is employed, sourced from the audited financial reports of PT Unilever Indonesia Tbk's over two separate periods: 2014-2018 (Period A) and 2019-2023 (Period B).

The analysis is carried out using the Piotroski F-Score, a scoring model developed to evaluate a company's financial robustness and forecast its future performance. The Piotroski F-Score assesses nine factors within three categories: profitability, leverage/liquidity, and operational efficiency that can be described as:

Profitability

1. Net Income
    - Definition: Net income represents the residual profit generated by a company after deducting all operating expenses, interest expense, and taxes from its total revenue.

For example, if a company has a net income of $10 million, it means that after paying all costs, the company has retained $10 million in profit. Positive net income indicates profitability, while a negative value suggests a net loss.

- Formula (Kieso, Weygandt, & Warfield, 2019):

  Revenue
  (Less) Expenses
  (Less) Interest
  (Less) Tax
  Net Income

- Score: 1 if Net Income is higher than the previous year, otherwise 0.

2. Return on Assets (ROA)
   - Definition: ROA measures a company's ability to efficiently use its assets to generate profit, indicating how well it converts its investments into earnings.
     For example, an ROA of 5% means that for every $100 in assets, the company generates $5 in profit. A higher ROA indicates more efficient asset use, translating into better profitability.
   - Formula (Gillingham CPA, 2015):

$$\textbf{ROA} = \frac{\text{Net Income}}{\text{Total Asset}} \text{ x } 100\%$$

- Score: 1 if ROA is higher than the previous year, otherwise 0.

3. Operating Cash Flow (OCF)
   - OCF is the cash generated from a company's main operations.
     For example, If a company's OCF is $8 million, it means $8 million of cash was generated from its core operations. Positive OCF shows that the business can sustain itself with cash generated internally, whereas a negative OCF may signal cash flow problems.
   - Formula (Kieso, Weygandt, & Warfield, 2019):

     Net Income
     (Add) Non-Cash Expenses
     (Less) Increase in Working Capital
     Operating Cash Flow

   - Score: 1 if OCF is higher than the previous year, otherwise 0.

   Note: Non Cash Expenses (Depreciation, Amortization, etc). Working Capital (Current Asset-Current Liability)

4. Quality of Earning (QoE)
   - QoE assesses the quality of a company's earnings by comparing accounting profit (net income) to cash profit (operating cash flow). A higher QoE indicates that the earnings are supported by actual cash flow rather than accruals.
     For example, if QoE is 1.2, it means the cash generated is 120% of the reported net income, suggesting strong, cash-backed earnings. A QoE < 1 could indicate reliance on accruals, meaning earnings may be less sustainable.
   - Formula (Kieso, Weygandt, & Warfield, 2019):

$$\textbf{Quality of Earning} = \frac{\text{Operating Cash Flow}}{\text{Net Income}} \times 100\%$$

- Score: 1 if QoE is higher than the previous year, otherwise 0.

Leverage, Liquidity, and Source of Funds

5. Decrease in Leverage (Long Term Debt to Asset)

- Definition: This ratio measures a company's reliance on long-term debt relative to its total assets, indicating whether it has reduced its debt burden.
  For example, a leverage ratio of 40% means that 40% of the company's assets are financed through long-term debt. A decreasing ratio year-over-year shows that the company is reducing its debt dependence, which can improve financial stability and reduce interest expenses.
- Formula (Gillingham CPA, 2015):

$$\textbf{Long Term Debt to Asset} = \frac{\text{Long Term Debt}}{\text{Total Asset}} \times 100\%$$

- Score: 1 if Leverage is lower than the previous year, otherwise 0.

6. Increase in Current Ratio

- Definition: The current ratio measures a company's ability to pay short-term debts using current assets.
  For example, a current ratio of 2.0 means the company has $2.0 in current assets for every $1 of current liabilities, suggesting sufficient liquidity to cover immediate debts. A current ratio below 1 might indicate liquidity issues.
- Formula (Gillingham CPA, 2015):

$$\textbf{Current Ratio} = \frac{\text{Current Asset}}{\text{Current Liability}} \times 100\%$$

- Score: 1 if Current Ratio is higher than the previous year, otherwise 0.

7. No New Shares Issued

- Definition: This criterion checks if the company has avoided diluting its shares by issuing new stock. Avoiding new issuance means the company has not diluted ownership and hasn't needed external equity to fund operations, signaling potentially strong cash flow and internal financing ability.
- Score: 1 if no new shares were issued in the last year, otherwise 0.

Operating Efficiency

8. Increase in Gross Margin

- Definition: Gross margin reflects the percentage of revenue that exceeds the cost of goods sold (COGS), indicating production efficiency and profitability.
  For example, a gross margin of 30% means that for every $100 in sales, the company retains $30 after production costs. A higher gross margin year-over-year suggests improved production efficiency or pricing power.
- Formula (Kieso, Weygandt, & Warfield, 2019):

$$\textbf{Gross Margin} = \frac{\text{Gross Profit}}{\text{Revenue}} \times 100\%$$

- Score: 1 if Gross Margin is higher than the previous year, otherwise 0.

9. Increase in Asset Turnover

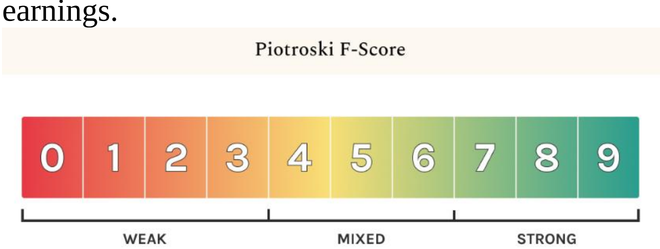
- Definition: Asset turnover measures a company's efficiency in using assets to generate sales.
  For example, an asset turnover ratio of 2.0 means that every \$1 in assets generates \$2 in revenue. Higher asset turnover suggests more efficient use of assets, often leading to higher profitability and better operational efficiency.
- Formula (Gillingham CPA, 2015):

$$\textbf{Asset Turnover} = \frac{\text{Revenue}}{\text{Asset}} \text{ x } 100\%$$

- Score: 1 if Asset Turnover is higher than the previous year, otherwise 0.

Scoring

The Piotroski F-Score scoring method gives each criterion a score of 1 if the company meets the criterion and 0 if it does not. The scores for all criteria are summed to give a total score between 0 and 9, with higher scores indicating stronger financial health and quality of earnings.



Interpreting the F-Score (Hyde, 2013):

- High F-Score (7-9): Indicates a strong financial position. Companies with high scores are generally considered financially healthy and are likely to outperform the market.
- Medium F-Score (4-6): Indicates an mixed financial position. These companies may have mixed financial health indicators and could perform moderately.
- Low F-Score (0-3): Indicates a weak financial position. Companies with low scores are considered financially distressed and may underperform or face financial difficulties.

Comparative Analysis Over Two Distinct Periods Using the Piotroski F-Score

Using the Piotroski F-Score for comparative analysis across two periods offers a structured, quantitative view of a company’s financial evolution. This method is combined with compound annual growth rate (CAGR) in each observed period (e.g., Period A and Period B) to compare and provide insights into improvements or declines in financial health between periods (Suseno, 2024). The process is as follows:

1. Calculate the F-Score for Each Period

Determine the F-Score for each period by assigning 1 point for each criterion if the 5-year CAGR is positive and 0 points if the CAGR is negative (except for Long Term Debt to Asset and Outstanding Shares). This calculation is based on nine components, including profitability, leverage, liquidity, and operational efficiency. A higher F-Score indicates stronger financial health over the years.

2. Analyze Individual F-Score Components for Each Period

Evaluate each of the nine F-Score components (e.g., net income, return on assets, operating cash flow, leverage, etc.) for both periods. This allows to identify which areas have improved or declined. For example, if profitability increased in Period B, but leverage worsened, it would highlight specific areas where the company strengthened or weakened.

3. Evaluate Trend in F-Score

Assess the Trend, for instance a higher F-Score in the more recent period (Period B) signals improving financial health. Conversely, a declining F-Score indicates weakening performance in these areas, which may need further investigation to understand the causes behind the downturn.

RESULT AND DISCUSSION

1. F-Score Result and Analysis for Each Period

Profitability

1. Net Income: table 1 shows a decline in Period B with a CAGR of -10.2% compared to 11.3% in Period A. This suggests lower profitability in the recent period due to a combination of declining revenue, cost pressures, and inflationary effects. The revenue decline is possibly due to fiercer competition, especially with local brands, shifts in consumer demand (e.g., downtrading to lower-priced products, a customer boycott in Q4 2023 due to geopolitical tension in the Middle East), and the impact of Covid-19, which has lowered customers' purchasing power.

Table 1: Net Income, Revenue and Net Income % for period A and period B

Key Financial	Period	Y5	Y4	Y3	Y2	Y1	CAGR	Score
1. Net Income (Rp bn) (Higher is Better)	Period A	9,109	7,005	6,391	5,852	5,927	11.3%	1
	Period B	4,801	5,365	5,758	7,164	7,393	-10.2%	0

Key Financial	Period	Y5	Y4	Y3	Y2	Y1	CAGR
Revenue (Rp bn)	Period A	41,802	41,205	40,054	36,484	34,511	4.9%
	Period B	38,611	41,219	39,546	42,972	42,923	-2.6%

Key Financial	Period	Y5	Y4	Y3	Y2	Y1	CAGR
Net Income (% Revenue)	Period A	22%	17%	16%	16%	17%	6.1%
	Period B	12%	13%	15%	17%	17%	-7.8%

Year	Y5	Y4	Y3	Y2	Y1
Period A	2018	2017	2016	2015	2014
Period B	2023	2022	2021	2020	2019

Source: Secondary Data Processed, 2024

2. Return on Assets (ROA): Table 2 indicates a clear contrast in the performance of Periods A and B. Period A demonstrates a relatively stable ROA, with a slight positive CAGR of 1.9%. This suggests consistent performance and efficient asset utilization. In contrast, Period B exhibits a declining trend, culminating in a negative CAGR of -6.6%. ROA 36% in Period B Y1 means that for every 1 dollar invested in assets, the company is gaining 38 dollar, while it was decreased to 28 dollar in Y5. This significant deterioration in the company's ability to generate returns from its assets is likely due to a combination of factors, including a decline in revenue and net income as shown in table 1, despite a relatively stable asset base.

Table 2: ROA for period A and period B

Key Financial	Period	Y5	Y4	Y3	Y2	Y1	CAGR	Score
2. Return on Asset	Period A	47%	39%	39%	39%	44%	1.9%	1
(Higher is Better)	Period B	28%	29%	29%	35%	36%	-6.6%	0

Source: Secondary Data Processed, 2024

3. Operating Cash Flow (OCF) in table 3 exhibits a negative CAGR of -4.8% in Period B, suggests a declining trend in operating cash flow compared to 5.2% in Period A that indicates a steady increase in operating cash flow over the five-year period.
   The declined in Period B suggesting reduced cash generation from core operations in the more recent period, also resulted from lower revenue and net income in period B (as shown previously in table 1). A decrease in cash flow can limit the company's ability to meet its short-term obligations, to invest in growth opportunities, research and development, or acquisitions and can increase the company's financial risk, making it more vulnerable to economic shocks and financial distress.

Table 3: OCF for period A and period B

Key Financial	Period	Y5	Y4	Y3	Y2	Y1	CAGR	Score
3. OCF (Rp bn)	Period A	7,915	7,060	6,684	6,299	6,463	5.2%	1
(Higher is Better)	Period B	7,118	8,061	7,902	8,364	8,669	-4.8%	0

Source: Secondary Data Processed, 2024

4. The quality of earnings ratio in table 4 was stronger in Period B, with a positive 6.0% CAGR, compared to a decline of -5.5% in Period A. This improvement indicates that the company's reported earnings are better supported by cash flows in recent period. For instance, QoE 1.5 in Y5 (2023) means that for every 1 unit of net income reported in 2023 (Y5), the company generated 1.5 units of operating cash flow indicates high earnings quality since cash flow exceeds reported net income. Unilever managed to keep its OCF declining rate lower (-4.8% as shown in table 3) than the decline in net income (-10.2% as shown in table 1), resulted to higher QoE.

Table 4: QoE for period A and period B

Key Financial	Period	Y5	Y4	Y3	Y2	Y1	CAGR	Score
4. Quality of Earning	Period A	0.9	1.0	1.0	1.1	1.1	-5.5%	0
(Higher is Better)	Period B	1.5	1.5	1.4	1.2	1.2	6.0%	1

Source: Secondary Data Processed, 2024

Leverage, Liquidity, and Source of Funds

5. Long-Term Debt to Assets: as shows in table 5 Unilever Indonesia's leverage position better in Period A, with long-term debt to assets CAGR decreasing by -3.0%, whereas in Period B, this ratio increased by 2.6%, reflecting a higher reliance on debt in the recent period. Ratio of 12% in Period B Y5 means that 12% of the company's total assets are financed by long-term debt, increase from Period A Y5 of 4% of the company's total assets. Unilever increased its long-term debt to invest in assets at the beginning of Period B, as the company aimed to do expansion before the challenges of the COVID-19 era emerged.

Table 5: Long Term Debt to Asset for period A and period B

Key Financial	Period	Y5	Y4	Y3	Y2	Y1	CAGR	Score
5. Long Term Debt to Asset	Period A	4%	6%	7%	5%	5%	-3.0%	1
(Lower is Better)	Period B	12%	10%	12%	11%	11%	2.6%	0

Source: Secondary Data Processed, 2024

6. Current Ratio: as shows in table 6, Period A showed a modest growth of 1.1% CAGR in the current ratio, while Period B experienced a decline of -4.1%. This indicates a weakening of liquidity in the recent period, potentially hinder the company's ability to pay off immediate debts, limit its capacity to fund growth opportunities, and reduce its adaptability to market changes. Current Ratio of 55% in Period B Y5 means that a company has only 55 cents of current assets for every $1 of current liabilities. This is related to the slowing rate of business growth especially during Covid-19 pandemic, which reduces current assets while, on the other hand, increasing current liabilities.

Table 6: Current Ratio for period A and period B

Key Financial	Period	Y5	Y4	Y3	Y2	Y1	CAGR	Score
6. Current Ratio	Period A	75%	63%	61%	65%	72%	1.1%	1
(Higher is Better)	Period B	55%	61%	61%	66%	65%	-4.1%	0

Source: Secondary Data Processed, 2024

7. Outstanding Shares: as per table 7 there was no change in outstanding shares for both periods, indicating that Unilever Indonesia maintained a stable capital structure across these years, without significant issuance or repurchase of shares.

Table 7: Outstanding Shares for period A and period B

Key Financial	Period	Y5	Y4	Y3	Y2	Y1	CAGR	Score
7. Outstanding Share (mn)	Period A	7,630	7,630	7,630	7,630	7,630	0.0%	1
(No Movement Better)	Period B	38,150	38,150	38,150	38,150	7,630	0.0%	1

Source: Secondary Data Processed, 2024

Note: Unilever Indonesia underwent a stock split on Jan 2, 2020 (Y2, Period B). The stock split was executed at a ratio of 5:1, meaning that each share held before the split was converted into five shares after the split. This move was aimed at making the shares more affordable and increasing their liquidity in the market

Operating Efficiency

8. Gross Margin: table 8 shows Gross Margin remained relatively stable, with a CAGR 0.3% increase in Period A compared to a slight decline of -0.8% in Period B. This suggests a lower margin in the recent period, driven by material cost pressures and commodities inflationary effects, including annual increase in minimum labor wages.

Table 8: Gross Margin for period A and period B

Key Financial	Period	Y5	Y4	Y3	Y2	Y1	CAGR	Score
8. Gross Margin	Period A	51%	52%	51%	51%	50%	0.3%	1
(Higher is Better)	Period B	50%	46%	50%	52%	51%	-0.8%	0

Source: Secondary Data Processed, 2024

9. Asset Turnover: table 9 shows Asset turnover CAGR was -3.0% in Period A, in contrast to a 2.8% increase in Period B, suggesting that asset utilization efficiency improved in the recent period due to less asset expansion during the Covid-19 years, even though revenue was also declining.

Table 9: Asset Turnover for period A and period B

Key Financial	Period	Y5	Y4	Y3	Y2	Y1	CAGR	Score
9. Asset Turnover	Period A	2.1	2.2	2.4	2.3	2.4	**-3.0%**	**0**
(Higher is Better)	Period B	2.3	2.3	2.1	2.1	2.1	**2.8%**	**1**

Source: Secondary Data Processed, 2024

In summary, Unilever Indonesia faced challenges in profitability, liquidity, leverage, and asset utilization efficiency in Period B (2019-2023), indicating areas for potential improvement in its financial health and operational performance. Nevertheless, the company has demonstrated an improved quality of earnings and asset turn over in recent Period B.

2. Summary of F-Score Comparison between Period A and Period B

Table 10: Summary F-Score for period A and period B based on CAGR movement

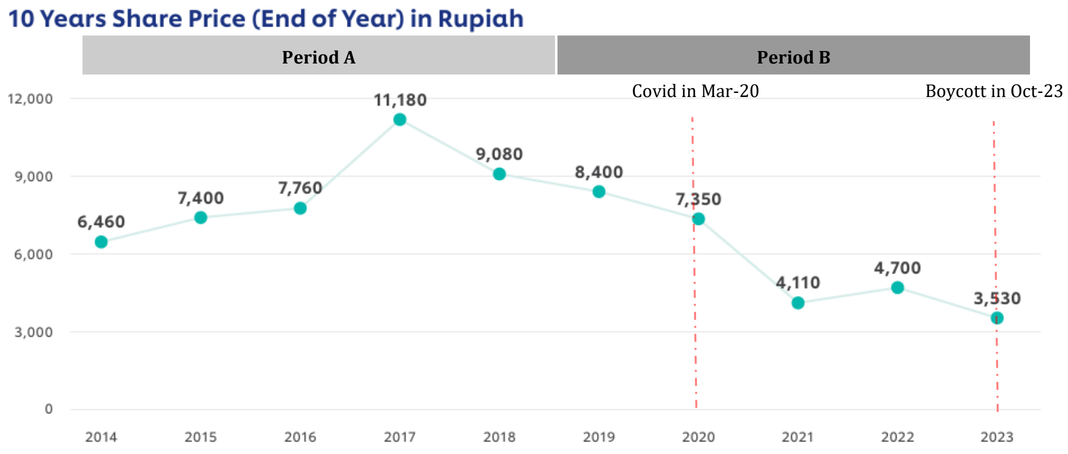
No	Key Financial CAGR	Period A (2014-2018)	Period B (2019-2023)
1	Net Income	Positive (+1)	Negative (0)
2	Return on Assets	Positive (+1)	Negative (0)
3	Operating Cash Flow	Positive (+1)	Negative (0)
4	Quality of Earnings	Negative (0)	Positive (+1)
5	Long Term Debt to Asset	Negative (+1)	Positive (0)
6	Current Ratio	Positive (+1)	Negative (0)
7	Outstanding Shares	No Movement (+1)	No Movement (+1)
8	Gross Margin	Positive (+1)	Negative (0)
9	Asset Turnover	Negative (0)	Positive (+1)
Total Score		**7 (High)**	**3 (Low)**

Source: Secondary Data Processed, 2024

Unilever Indonesia's financial health has deteriorated between Period A (2014-2018) and Period B (2019-2023), as indicated by a substantial decline in the Piotroski F-Score from 7 (High) in Period A to 3 (Low) in Period B as per table 10. In Period A, the company was in a relatively strong financial position. It was profitable, efficient, had low debt, and was liquid. However, in Period B, the picture changed dramatically. The company became less profitable, less efficient, more indebted, and less liquid. This decline reflects financial pressures that have adversely affected profitability and operational resilience.

3. Correlation between F-Score and Share Price Movement

Figure 1: Unilever Indonesia Share Price Movement



Source: Annual Report PT Unilever Indonesia, 2024 & Secondary Data Processed, 2024

Table 11: Unilever Indonesia Share Price CAGR

Price per Share (Rp Full)	Period	Y5	Y4	Y3	Y2	Y1	CAGR	F-Score
Share Price	Period A	9,080	11,180	7,760	7,400	6,460	8.9%	7
	Period B	3,530	4,700	4,110	7,350	8,400	-19.5%	3

Source: Secondary Data Processed, 2024

The decline in the Piotroski F-Score highlights the financial challenges faced by Unilever Indonesia. The Covid-19 pandemic, increased competition from local brands, changing customer preference (downtrading due to lower customer purchasing power and boycott sentiment in Q4 2023) have significantly impacted the company's financial health. The correlation between the Piotroski F-Score and share price movement in figure 1 is evident, as the declining F-Score from 7 (High Performance) to 3 (Low Performance) corresponds with a 19.5% drop in share prices during Period B in table 11. This relationship indicates that investors are sensitive to changes in financial health as measured by the F-Score, reflecting their concerns about the company's profitability and operational resilience. These results align with prior research on the effects of global disruptions on developing economies. (Zhao, Rasoulinezhad, Sarker, & Taghizadeh-Hesary, 2022).

CONCLUSION AND RECOMMENDATIONS

Conclusion:

Unilever Indonesia's financial health has weakened between 2014-2018 (Period A) and 2019-2023 (Period B), as shown by a drop in the Piotroski F-Score from 7 (High Performance) to 3 (Low Performance). This decline underscores growing financial pressures that have strained the company across several key areas:

- Profitability: Unilever Indonesia has seen a decrease in net income and return on assets in period B, signaling reduced profit margins and less efficient use of resources. These factors indicate the company is facing challenges in growing profitable operations, possibly due to cost pressures, competition, or shifts in consumer demand.

- Leverage: The company’s increased reliance on debt in period B suggests a higher financial burden. This reliance elevates interest obligations and financial risk, which could limit the company’s flexibility to invest in growth initiatives and adapt to market fluctuations.

- Liquidity: Declining liquidity ratios in period B reflect the company’s reduced ability to meet short-term liabilities with available assets. This suggests potential difficulties in managing immediate financial obligations, which could impact supplier relationships and operational stability.

- Operational Resilience: A gross margin point to declining operational efficiency in period B, meaning that Unilever is generating less revenue per unit and facing rising production or distribution costs. This reduction in efficiency may hinder the company's ability to quickly adapt to changing market conditions or maintain its competitive edge in period B.

The correlation between this weakened financial profile and a 19.5% decrease in share price over Period B highlights investor concerns over Unilever Indonesia’s adaptability and strategic positioning amidst external challenges, including the Covid-19 pandemic, customer boycott (Q4 2023) and intensified competition from local brands.

Recommendations:

We suggest 2 things:

1. Enhance financial resilience and adaptability in a volatile economic environment.
    - Implement strict cost control measures to manage expenses effectively. This includes optimizing supply chain operations, reducing waste, and negotiating better terms with suppliers.
    - Focus on reducing long-term debt to lower financial risk and interest obligations. This can be achieved through refinancing existing debt at lower interest rates or using excess cash flow to pay down debt.
    - Explore new revenue streams by expanding product lines or entering new markets. This can help mitigate the impact of declining sales in existing segments.
    - Invest in R&D to develop innovative products that cater to changing consumer preferences.

2. Build and maintain strong relationships with stakeholders to foster trust and support.
    - Emphasize sustainability in business operations to appeal to environmentally conscious consumers and investors. This includes reducing carbon footprint, using sustainable materials, and supporting community initiatives.
    - Foster a positive work environment to boost employee morale and productivity. This can be achieved through professional development programs, competitive compensation, and recognition of employee achievements.

- Prioritize customer feedback to improve offerings and satisfaction.

Implementing these recommendations can help Unilever Indonesia navigate the challenging economic landscape, improve its financial health, enhance its resilience and drive sustainable growth.

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CHAPTER 3

Financial Performance Analysis and Evaluation of Infrastructure Company PT Ciputra Development Tbk Pre-pandemic, Pandemic, and Post-pandemic COVID-19 in Indonesia

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ABSTRACT

On March 2, 2020, the Indonesian government made an official declaration regarding the status of the COVID-19 pandemic. This investigation evaluates the financial performance of PT Ciputra Development Tbk in Indonesia during the pre-pandemic, pandemic, and post-pandemic phases to evaluate the impact of the COVID-19 pandemic. This assessment evaluates corporate performance through the examination of financial ratios, including revenue growth, liquidity ratio, profitability ratio, solvency ratio, and return on income ratio. This research used secondary data obtained from the financial report published by the company's official website for the period 2019 to 2023. The evaluation of PT Ciputra Development Tbk's performance aims to ascertain whether the company remained resilient when the COVID-19 pandemic, supported by financial data from its reports spanning 2019 to 2023. In this situation, the financial indicators of PT Ciputra Development Tbk from 2019 to 2023 suggest a pattern of stability and growth. This would indicate a strong sound capable of enduring the adverse impacts of the epidemic. The financial performance of PT Ciputra Development during the period 2019 to 2023 exhibits significant resilience and smart management in response to challenges, especially during and following the pandemic. Collectively, these profitability, liquidity, and solvency ratios are considered to be a comprehensive assessment of the financial stability of the organization in terms of its operational efficiency.
Keywords: Revenue Growth; Liquidity; Solvability; Profitability; and ROI.

1. INTRODUCTION

PT Ciputra Development is a company engaged in property development and construction, focusing on residential developments, office buildings, commercial centers, and industrial parks, as well as supporting facilities such as restaurants, entertainment venues, and golf courses. (PT Ciputra Development Tbk, 2021)

The Company's Business activities are categorized into two groups: construction of residential projects, specifically on an urban scale (township residential), as well as the development and administration of commercial properties. The company's residential offerings generally encompass land parcels, residential structures, shophouses, apartments, and strata title offices, whereas Commercial centers, hotels, apartments, offices, hospitals, water parks, golf courses, and other recreational facilities are all part of residential property development and administration (PT Ciputra Development Tbk, 2021).

The COVID-19 pandemic has significantly impacted Indonesia's real estate market, both operationally and financially. The epidemic not only incapacitated construction workers on-site but also hindered the delivery of construction materials. This necessitates that firms react promptly to evolving market dynamics and regulatory frameworks (Daryanto M.W., Rizky M.I., & Mahardhika, 2021).

The purpose of this research is to evaluate the financial performance of PT Ciputra Development in Indonesia across the periods preceding, during, and following the COVID-19 pandemic. The achievement of this goal will involve a thorough examination of financial ratios, such as Revenue Growth, Profitability, Solvability, Liquidity, and Return on Investment.

The COVID-19 pandemic's influence on Indonesia's property industry is multifaceted. Despite an initial downturn at the onset of the pandemic, the property market is demonstrating indications of recovery, facilitated by timely interventions, governmental backing, and heightened consumer confidence.

The findings of this study will assist business proprietors, investors, and the government in formulating policies for an optimal future (Daryanto M.W., Rizky M.I., & Mahardhika, 2021).

2. LITERATURE REVIEW

Analyst are also interested in the **growth rate** of specific important metrics such as sales, net income, and earnings per share (Anthony, 2012).

Stobierski (2020) identifies various financial performance metrics to monitor, including gross and net profit margins, current ratio, working capital, leverage, quick ratio , inventory turnover, total asset turnover, debt-to-equity, return on equity, return on assets, seasonality and operating cash flow (Daryanto M.W., Rizky M.I., & Mahardhika, 2021).

Organizational performance is crucial for management, as it represents the results attained by a person or a collective inside the organization, pertaining to their authority and duty in fulfilling objectives lawfully and in accordance with ethical standards (Daryanto W. M., 2018).

Fatihudin (2018) defines Financial Performance as the financial status of a company over a certain period, encompassing the acquisition and utilization of funds, assessed through several indicators such as capital adequacy, liquidity, leverage, solvency, and profitability ratio (Daryanto M.W., Rizky M.I., & Mahardhika, 2021).

Over a given time frame, several metrics including liquidity, capital adequacy, solvency, profitability and leverage ratio are used to evaluate a company's financial performance. This includes both the acquisition and utilization of cash. To determine the worth of the company and its financial performance, a measuring ratio must be used (Daryanto W. M., 2020).

Management uses financial performance analysis as a tool for monitoring and decision-making based on the company's financial health (Daryanto W. M., 2020).

It is essential to monitor various financial performance parameters, such as gross and net profit margins, current ratio, working capital, inventory turnover, leverage, debt-to-equity ratio, quick ratio, return on equity, return on assets, total asset turnover, operating cash flow, and seasonality (Daryanto M.W., Rizky M.I., & Mahardhika, 2021).

This study cites previous research conducted by Daryanto, focusing on the financial performance of construction enterprises in Indonesia before and during the COVID-19 pandemic (Daryanto M.W., Rizky M.I., & Mahardhika, 2021).

3. RESEARCH METHOD

This research utilizes a descriptive quantitative methodology.

According to Sugiyono, Quantitative methods, sometimes also known as traditional, positivistic, scientific, and confirmatory methods, are a type of research method that is based on a systematic approach to inquiry. The Descriptive analysis method, on the other hand, is a branch of Statistics resorted to with the express purpose of analyzing data by describing or elaborating on data in detail, presenting it just as it exists, without the intention or effort to draw generalized or overarching conclusions from that information. (Sugiyono, 2013)

The financial report published on the company's official website from 2019 to 2023 was the source of secondary data for this study (PT Ciputra Development Tbk, 2021).

The financial performance of PT Ciputra Development Tbk was examined in this study using growth measures and financial ratios. The study was conducted prior to, during, and after the COVID-19 epidemic in Indonesia :

a) **Growth Measure** analyzed against the inflation rate to see whether the company is maintaining parity with inflation or achieving genuine growth.

   Common growth rate calculations encompass average growth rate and compound growth rate. To get the average growth rate, annual growth rates are first calculated and then averaged (Anthony, 2012).

   This study is not considering calculation using compound growth rate.

b) **Profitability Ratio** provides information on the operational efficiency of a firm and its allocation of resources to generate profits (Anthony, 2012).

   This study measures profitability through gross profit margin and net profit margin, derived from sales revenue (Daryanto M.W., Rizky M.I., & Mahardhika, 2021). The better because it shows that more money is being made, the higher the success ratio (Daryanto W. M., 2021).

The Gross Profit Margin checks how much of the income is more than the cost of goods sold (COGS). This term refers to how efficiently a company makes its goods. (Anthony, 2012)

$$\textit{Gross Profit Margin} = \frac{\textit{Gross Margin}}{\textit{Net Sales Revenue}}$$

Net profit margin is the percentage of funds remaining as profit after accounting for all expenditures, including interest & taxes, have been deducted from the total amount of money. It provides a comprehensive overview of the overall income. (Anthony, 2012)

$$\textit{Net profit Margin} = \frac{\textit{Net Income}}{\textit{Net Sales Revenue}}$$

c) **Liquidity Ratio** is a set of financial indicators that are used to assess the capacity of a company to pay its short-term obligations and effectively manage its cash flow. The analysis offers a comprehensive assessment of a company's financial status, with a particular emphasis on its ability to utilize current assets to satisfy current liabilities. The current and quick ratios serve as indicators for assessing liquidity levels (Daryanto M.W., Rizky M.I., & Mahardhika, 2021).

Current Ratio is indicative of an entity's capacity to fulfill its current obligations, the firm could face difficulties in covering its current expenses if its current assets do not adequately exceed its current liabilities (Anthony, 2012).

$$\textit{Current Ratio} = \frac{\textit{Current Asset}}{\textit{Current Liabilities}}$$

Quick Ratio is a financial metric that examines the correlation between current assets and current liabilities within the financial sector (Anthony, 2012).

$$\textit{Quick Ratio} = \frac{\textit{Monetary Current Asset}}{\textit{Current Liabilities}}$$

d) **Solvency Ratio** is a financial metric that evaluate a company's ability to fulfill its long-term debt obligations is referred to as the debt burden ratio. In contrast to liquidity ratios that concentrate on immediate obligations, solvency ratios provide an evaluation of a company's overall financial stability and its ability to sustain solvency in the long term. Solvency ratios evaluate the correlation between a firm's total assets and total liabilities, determining if a corporation possesses sufficient assets to meet its liabilities (Anthony, 2012).

Debt to Equity Ratio illustrate the balance that a company has attained the influences of risk and cost (Anthony, 2012).

$$\textit{Debt to Equity Ratio} = \frac{\textit{Total Liabilities}}{\textit{Shareholder's equity}}$$

Long term Debt / Capitalization Ratio of the company within the context of the capital structure, the ratio is the amalgamation of equity and debt investments (Anthony, 2012).

$$\textit{Long - term Debt to Capital Ratio} = \frac{\textit{Long – term Liabilities}}{\textit{Long – term Liabilities + Shareholder's equity}}$$

e) **Return on Investment**

To determine the return on investment (ROI), divide the net income by the total quantity of investment. The creation of three distinct ROI ratios: return on owner's equity, return on assets, and return on invested capital is the result of the application of the concept of investment in three different contexts within the realm of financial research (Anthony, 2012).

Return on Assets often known as ROA, is a a metric that quantifies the amount of revenue a company generates from the investment of all of its assets (Anthony, 2012).

$$\textit{Return on Assets} = \frac{\textit{Net Income} + \textit{Interest}\ (1 - \textit{Tax Rate})}{\textit{Total Assets}}$$

Return on Invested Capital often known as ROIC, is the amount of earnings that a company generates as a result of the investment of its non-current liabilities and those of its shareholders' equity. The monies that have been allotted to the company over extended periods of time are referred to as invested capital (Anthony, 2012).

$$\textit{Return on Invested Capital} = \frac{\textit{Net Income} + \textit{Interest}\ (1 - \textit{Tax Rate})}{\textit{Long - term iabilities} + \textit{Sharelder's equites}}$$

Return on Equity (ROE) define the profit generated by a company from the capital invested by its shareholders, whether through retained earnings or directly (Anthony, 2012).

$$\textit{Return on Equity} = \frac{\textit{Net Income}}{\textit{Shareholder's equity}}$$

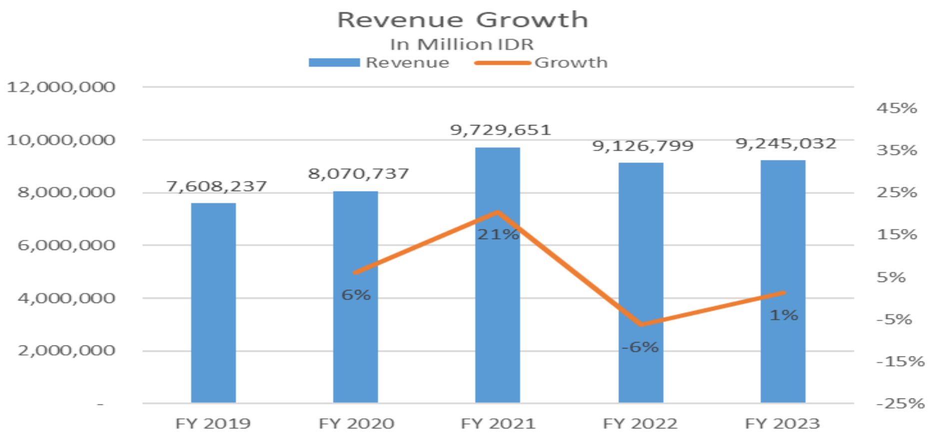
4.RESULT AND DISCUSSION

4.1. Result

a) Revenue Growth

The revenue highest occured in 2021 post pandemic COVID-19 and the lowest revenue occured on 2019 pre pandemic COVID-19 was IDR 7,6T. When pandemic COVID-19 in 2020 there was a growth of 6%, bringing the revenue to IDR 8,0T. This indicates healthy growth. In 2021 the company experienced a significant increasing in revenue, by 21% to IDR 9,7T. Conversely, in 2022 revenue declined by 6%, resulting in IDR9,1T. This drop can be attributed by economic downturns, or operational difficulties after pandemic COVID. Finally, there was a slight recovery with a 1% increase in revenue to IDR9,2T. This indicates efforts to stabilize the business after the previous year's decline. Fig 1. Show the revenue growth PT Ciputra Development from 2029 to 2023.

Fig 1. Revenue Growth 2019 to 2023 (In Millions Rupiah)



Source : Secondary Data Analysis, 2024

b) Profitability Ratio
The Gross Profit Margin (GPM) and Net Profit Margin (NPM) of PT Ciputra Development Tbk during the COVID-19 pandemic were 51.1% and 17%, respectively, in contrast to the pre-pandemic figures of 49.8% and 16.9%. From 2021 to 2023, the Gross Profit Margin exhibited little fluctuations, seeing a slight decline in 2021 to 49.7%, followed by a marginal increase to 50% in 2022, and a further slight fall in 2023 to 49.3%. Conversely, the net profit margin had a substantial increase in the post-pandemic period of 2021, reaching 21.5%, with no variations observed from 2021 to 2023. This demonstrates how the organization adapted in the post-COVID-19 period from 2021 to 2023.

Fig. 2 shown the comparison between GPM and NPM period 2019 to 2023.

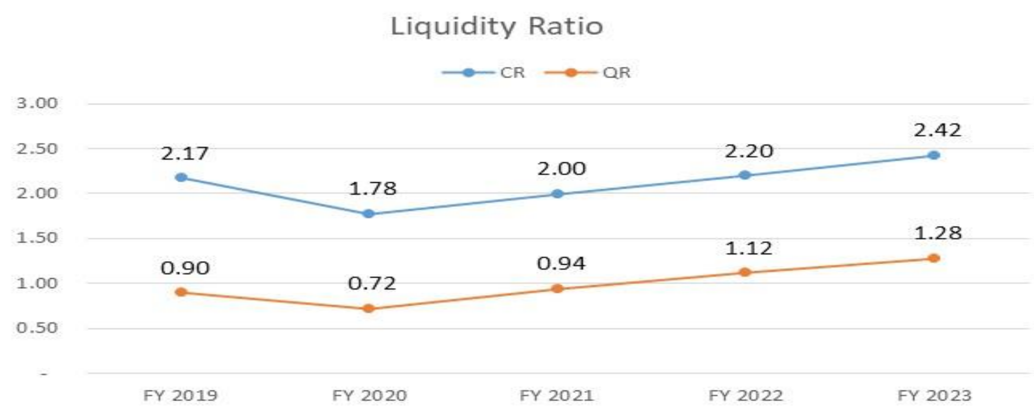
Fig.2 Profitability Ratio 2019 to 2023

Source : Secondary Data Analysis, 2024

c) Liquidity Ratio
The highest value of the current ratio is 2.42 in 2023, and the lowest number is 1.78 in 2020. The highest value of the quick ratio is 1.28 in 2023, while the lowest value is 0.72 in 2020. Fig. 3 presents a comparison of the current and quick ratio both before untill after the outbreak of the epidemic respectively. The data indicates that liquidity ratios

diminished during the pandemic and then increased progressively post-COVID-19, signifying the company's reduced capacity to generate cash during the COVID-19 crisis.

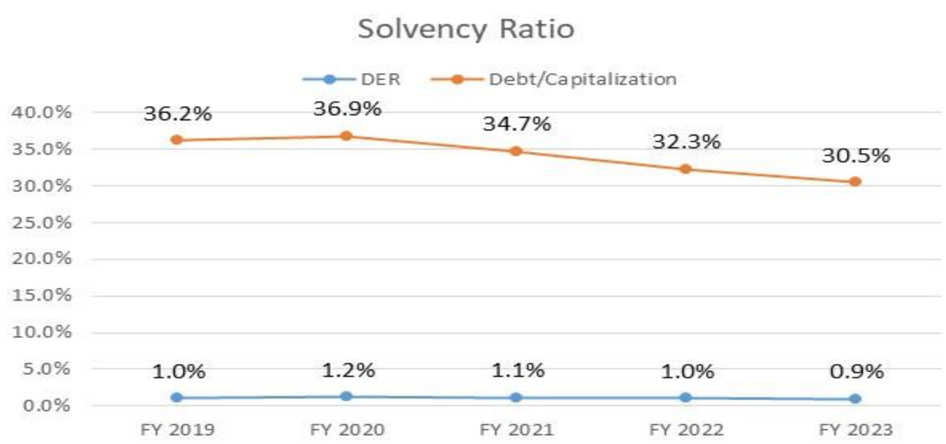
Fig.3 Liquidity Ratio 2019 to 2023



Source : Secondary Data Analysis, 2024

d) Solvency Ratio
The ratio of debt to equity reached its highest point of 1.2% in the year 2020 and its lowest point of 0.9% in the year 2023. Fig. 4 the ratio of the corporation climbed to 20% when pandemic COVID-19, which is a significant increase from one percent before the epidemic. The corporation has increased its short-term debt since the pandemic began. The long-term debt to capitalization ratio peaked at 36.9% during the COVID-19 pandemic and to a nadir of 30.5% in 2023. Over the five-year period, it demonstrated the company's efforts to confront the challenges posed by the COVID-19 epidemic. Unearned revenue increased by 33% during the COVID-19 pandemic and then decreased in the post-pandemic period. Fig. 4 illustrates the debt-to-equity and the long-term debt-to-capitalization ratio from the year 2019 to 2023.

Fig.4 Solvency ratio 2019 to 2023

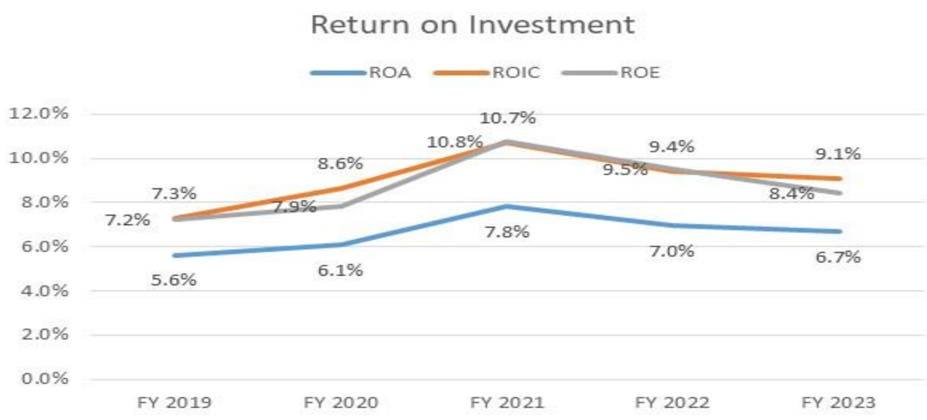


Source : Secondary Data Analysis, 2024

e) Return on Investment (ROI)
The ratios ROA, ROE, and ROIC during the COVID-19 pandemic, there was a noticeable increase in comparison to the time before the epidemic. The greatest value of ROA is 7.8% in 2021, whereas the lowest number is 5.6% in 2019. The Return on Invested Capital ratio reached its peak at 10.7% in 2021, while it recorded its lowest point at 7.3% in 2019. The Return on Equity ratio peaked at 10.8% in 2021, whereas it reached a low of

7.2% in 2019. Fig. 5 illustrates that post-pandemic, companies can still manage their assets and equity efficiently, achieving ratios superior to those in 2020 during the COVID-19 pandemic.

Fig.5. Return on Investment 2019 to 2023



Source : Secondary Data Analysis, 2024

4.2.Discussion

From The financial ratio's calculation, it was reflected the challenges and adaptations PT Ciputra Development Tbk when the COVID-19 pandemic occured. Table. 1 shows the Summary of Financial Ratio PT Ciputra Development Tbk period 2019 to 2023.

The gross and net profit margins indicate strong profitability, especially in the context of industry standards. PT Ciputra Development Tbk's current ratio is well above the standard, indicating good short-term financial health.

Table.1 Summary Financial Ratio PT Ciputra Development Tbk from 2029 to 2023

Financial Ratio	Standard Ratio	2019	2020	2021	2022	2023	Remark
Profitability Ratios							
Gross Profit Margin	20% - 40%	49.80%	51.10%	49.70%	50.00%	49.30%	Good
Net Profit Margin	10% - 20%	16.90%	17.00%	21.50%	21.90%	20.60%	Good
Liquidity Ratios							
Current Ratio	≥ 1.0	2.17	1.78	2	2.2	2.42	Good
Quick Ratio	≥ 1.0	0.9	0.72	0.94	1.12	1.28	Positive Sign
Solvability Ratios							
Debt to Equity Ratio	< 2.0%	1.00%	1.20%	1.10%	1.00%	0.90%	Acceptable
Debt/Capitalization	< 50%	36.20%	36.90%	34.70%	32.30%	30.50%	Acceptable
Return on Investment Ratios							
Return on Assets (ROA)	5% - 10%	5.60%	6.10%	7.80%	7.00%	6.70%	In range
Return on Investment Capital	8% - 15%	7.30%	8.60%	10.70%	9.40%	9.10%	In range
Return on Equity (ROE)	10% - 15%	7.20%	7.90%	10.80%	9.50%	8.40%	Bellow range

Source : Secondary Data Analysis, 2024

The quick ratio improved to above 1.0 in 2022 and 2023, which is a positive sign. Both the debt to equity ratio and debt/capitalization ratio are below the standard benchmarks, indicating a conservative approach to leverage. Company is aiming to maintain a capital structure that does not overly rely on debt..

PT Ciputra Development Tbk's ROA and ROE are generally within or slightly below the standard ranges, suggesting room for improvement in generating returns for shareholders.

As a result of the deteriorating trends in some profitability and return ratios in 2023, it may be necessary to take a more in-depth look at the operational plans, market conditions, and competitive positioning of the company moving forward.

5. CONCLUSION AND RECOMMENDATIONS

5.1.Conclusion

These findings support that although the company had setbacks due to the pandemic, it began to recover and expand in the subsequent years we can see from the Growth trend of sales.

The financial performance of PT Ciputra Development period 2019 to 2023 illustrates a notable degree of resilience and strategic management amid challenges, especially during and following the pandemic. When viewed together, the trends in profitability, liquidity, and solvability ratios offer a holistic perspective on the company's overall financial health and the efficiency with which it operates.

Overall Financial Performance Assessment :

1. **Pre-Pandemic**: The company was financially stable, with good profitability metrics and a solid capital structure.
2. **Pandemic**: PT Ciputra showed resilience, improving its profitability margins, and maintaining liquidity, which indicates effective management through difficult times.
3. **Post- Pandemic**: While the company rebounded well, the slight decline in profitability and investment returns in 2022 and 2023 points to potential challenges that need addressing, such as rising costs or market adjustments.

In conducting a financial performance analysis for PT Ciputra Development Tbk, certain restrictions will be identified that may influence the conclusions and generalizations of the study undertaken.

Nonetheless, it demonstrated the company's tenacity and adaptability, facilitating its transition into the recovery phase, bolstered by government measures and rising consumer confidence. As of 2023, PT Ciputra Development Tbk ranked third among the World’s Most Trustworthy Companies in the Real Estate & Housing category, reflecting a significant reputation and increased trust within the market.

5.2.Recommendations

By strategically managing operations and finances, PT Ciputra Development Tbk can navigate post-pandemic challenges and capitalize on growth opportunities.

- **Focus on Profitability**: Investigate the reasons behind the decline in profitability ratios in 2022 and 2023 and take measures to enhance cost efficiency and revenue generation.
- **Sustain Liquidity and Solvency**: Continue to maintain strong liquidity and reduced debt levels, which will prepare the company for unforeseen challenges.
- **Enhance Return Metrics**: Focus on improving asset utilization and operational efficiencies to boost ROA, ROE, and overall return on investment.

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CHAPTER 4

Financial Performance Analysis and Evaluation of PT. Akasha Wira International TBK for the Period of 2019-2023

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ABSTRACT

Indonesia is known as a attractive market for the consumer goods industry. Population exceeding 281 million, stable GDP at 5% yoy, inflation at 2.6%, and household consumption contribute 54.5% to GDP expenditure, making the market lucrative for the industry. However, the COVID-19 situation in 2020 affected many industries including consumer goods which heavily relied on offline sales previously. PT. Akasha Wira International, known for brands like Nestle Pure Life and Makarizo, is an Indonesian consumer goods company that produces and sells bottled water, cosmetics, soap, household cleaning, beverage, and food industry, experienced a negative 12% drop in revenue in 2020 due to pandemic. However after one year, Akasha increased the revenue significantly by about 39% and 96% increase in net income. This research aims to find out more about the company's financial health by using descriptive financial ratios, such as liquidity, profitability, solvency, and activity ratio. This study also seeks to evaluate Akasha's growth potential, and suitability for long-term investment. From the result shows that the company’s have excellent liquidity ratio which indicate stability. Strong solvency ratio indicate strong financial position driven by equity. High profitable ratio indicate healthy return, but, low asset and inventory turnover, suggest inefficiencies in asset utilization and excess in inventory which need to be improved either by increasing the sales or improving the inventory management. Based on the insights from each ratio analysis, it is confirmed that PT. Akasha Wira International Tbk possesses strong financial health and remains an attractive prospect for investment.
Keywords: Liquidity Ratio, Profitability Ratio, Solvency Ratio, and Activity Ratio, PT. Akasha Wira International TBK

1. INTRODUCTION

Financial performance plays an important role in defining a company's overall health and long-term viability. This performance is typically monitored on company financial statement. This reports are vital for establishing company success so that company management can review the company's situation and design a more effective system for the organization (Daryanto, Dewanti, & Farras, 2020).

Financial statement analysis is the process of examining financial statements and related data in order to make informed business decisions. It involves transforming accounting data into more meaningful information. (Wild, Shaw, & Chiappetta, 2015). Information is gathered by evaluating the links between items on the statements and discovering patterns in these relationships. Relationships are expressed mathematically in ratios and percentages, and trends are detected via comparative analysis (Kieso, Weygandt, & Warfield). Regular reviews allow management to identify patterns, assess performance, and make informed strategic decisions for the future. These evaluations provide critical information about a company's operating efficiency and future growth possibilities, allowing investors to determine whether to buy, hold, or sell shares.

On the market side, Indonesia is a very lucrative business for Fast Moving Consumer Goods (FMCG) companies. With over 280 million population, and a GDP growth of 5% yearly, the market gives big opportunities for the company to grow its business (BPS, 2024). One of the companies that took advantage of the growth is PT. Akasha Wira International Tbk. Their revenue keeps increasing year-on-year despite the drop in 2020 due to covid pandemic.

PT. Akasha Wira International Tbk, recognized for prominent brands like Nestlé Pure Life and Makarizo, is a key player in the Indonesian consumer goods market. The company offers a diverse range of products, including bottled water, cosmetics, soap, household cleaning items, beverages, and food products. In 2020, Akasha experienced a challenging 12% drop in revenue due to the pandemic's economic impact. However, it rebounded strongly in 2021, achieving a remarkable 39% increase in revenue and an impressive 96% surge in net income. This turnaround displays the company's tenacity and adaptability to shifting market conditions. Akasha's remarkable performance highlights its commitment to innovation and satisfying changing consumer needs (PT. Akasha Wira International, 2023).

The authors intend to investigate PT. Akasha Wira International, Tbk through financial ratio analysis from 2019 to 2023, focusing on liquidity, solvency, profitability, and activity ratios. This study aims to identify patterns, strengths, weaknesses, and potential areas for improvement in the company's financial health.

2. LITERATURE REVIEW

Financial Statement

The financial statement is the end product of the financial accounting process, which includes three reports: a statement of financial position or balance sheet, an income statement, and a statement of cash flows (Anthony, Hawkins, & Merchant, 1999). Financial statements are critical for assessing firm success because they allow management to review the situation and create a more effective system (Daryanto, Dewanti, & Farras, 2020).

Financial Statement Analysis

Financial statement analysis refers to the application of analytical methodologies to extract meaningful information from financial statements and associated data for decision-making (Wild, Subramanyam, & Halsey, Financial Statement Analysis, 2007). This entails evaluating profitability, risk, and financial situation. The financial statement analysis attempts to assess the company's present, prior, and operating outcomes (Daryanto, Dewanti, & Farras, 2020).

Financial Ratio Analysis

Altman argues that Financial ratio analysis is a methodology used to forecast business financial difficulty by studying certain combinations of financial measures. These ratios highlight the company's liquidity, profitability, and leverage, helping stakeholders identify potential risks. Financial ratios are employed for a variety of reasons. These include determining a company's ability to repay its debts, rating its business and managerial success, and even setting legislative performance requirements. Unsurprisingly, they become the norm and influence performance (Barnes, 1987). Financial ratio analysis is essential for business operations since it provides an overview of a company's positive and negative financial status at the time of study (Daryanto, Dewanti, & Farras, 2020).

3. RESEARCH METHOD

This research relied on secondary data. The source was collected from PT. Akasha Wira International Tbk official website. This secondary data was taken in the form of financial statement of PT. Akasha Wira International Tbk over five years, from 2019 – 2023.

This study employs quantitative descriptive methods, namely financial ratio analysis. This research will analyze the company's financial statements over the last five years to see how each indicator has progressed.

The author examines four ratios: activity, solvency, profitability, and liquidity ratio.

The variables employed in this study to assess the financial results are listed below:

a. **Liquidity Ratio :** provide insight into a company's liquidity, which is critical in assessing the company's ability to stay in operation. This ratio is used to determine how quickly a firm can satisfy its short-term financial obligation (Piper, 2010).

   - **The Current Ratio** : is one measure of a company’s ability to pay its short-term obligations (Wild, Shaw, & Chiappetta, Fundamental Accounting Principles, 2015) .

$$Current\ Ratio\ = \frac{Current\ Assets}{Current\ Liabilities}$$

- **The Quick Ratio** evaluates a company's capacity to satisfy short-term obligations using its most liquid asset, without considering inventory value (Daryanto, Dewanti, & Farras, 2020).

$$Quick\ Ratio\ = \frac{Monetary\ Current\ Assests}{Current\ Liabilities}$$

b. **Solvency Ratio :** measures a company's capacity to meet its short and long-term obligations (Daryanto, Dewanti, & Farras, 2020). It will demonstrate the company's ability to pay interest as it becomes due and to repay the face value of debt upon maturity (Kimmel, Weygandt, & Kieso, 2007).

- **Debt to Equity Ratio** is a financial ratio that shows the relative amount of shareholders' equity and debt used to finance the company's assets. (Peterson, 1999).

$$Debt\ to\ Equity\ Ratio\ = \frac{Total\ Liabilities}{Shareholder\ Equity}$$

- **Long-term Debt to Capitalization Ratio** is evaluates the link between a company's long-term debt and capital structure (Daryanto, Dewanti, & Farras, 2020).

$$Debt/Capitalization\ = \frac{Long - Term\ Liabilities}{Long - term\ liabilities + Shareholders'equity}$$

c. **Profitability Ratio :** is used to assess the company's profitability and ability to generate profit (Daryanto, Dewanti, & Farras, 2020).

- **Gross profit margin** is to determines how much profit a company makes after paying off its cost of goods sold (Wild, Shaw, & Chiappetta, Fundamental Accounting Principles, 2015).

$$Gross\ Profit\ Margin\ = \frac{Gross\ Margin}{Net\ Sales\ Revenue}$$

- **Net profit margin** is assesses the company's ability to seek profit (Daryanto, Dewanti, & Farras, 2020).

$$Net\ Profit\ Margin\ = \frac{Net\ Income}{Net\ Sales\ Revenue}$$

- **Return on assets (ROA)** is to measure how much the company has made from the investment of all financial resources committed to the enterprise (Anthony, Hawkins, & Merchant, 1999).

$$Return\ on\ Assets = \frac{Net\ Income + Interest\ (1 - Tax\ rate)}{Total\ Assets}$$

- **Return on Equity (ROE)** represents how much the firm has gained from the capital invested by the shareholders (either directly or through retained earnings) (Anthony, Hawkins, & Merchant, 1999). This demonstrates how effectively the company uses its investors' funds to generate profit (Piper, 2010).

$$Return\ on\ Equity\ = \frac{Net\ Income}{Shareholders'\ equity}$$

d. **Activity Ratio :** assesses the efficiency level of usage of company resources or assessing the organization's ability to conduct everyday activities (Daryanto, Dewanti, & Farras, 2020). The measurement with this ratio will decide whether the company is more efficient or the opposite in managing its assets (Kasmir, 2016).

- **Inventory Turnover Ratio** is a financial ratio that reveals how many times a company turns over (sells) its inventory during a period (Wild, Shaw, & Chiappetta, Fundamental Accounting Principles, 2015)

$$Inventory\ Turnover\ Ratio\ = \frac{Cost\ of\ Good\ Sold}{Average\ Inventory}$$

- **Asset Turnover Ratio** reflects a company's ability to use its assets to generate sales and is an important indication of operating efficiency (Wild, Shaw, & Chiappetta, Fundamental Accounting Principles, 2015).

$$Asset\ Turnover\ Ratio\ = \frac{Sales\ Revenue}{Total\ Asset}$$

- **Working Capital Turnover Ratio** measures how effectively a company uses its working capital to boost sales or create revenue (Daryanto, Dewanti, & Farras, 2020).

$$Working\ Capital\ Turnover\ Ratio\ = \frac{Sales\ Revenue}{Working\ Capital}$$

4. RESULT AND DISCUSSION

a. **Liquidity Ratio**

Table 1. Liquidity Ratio Analysis

YEAR	Variables	
	Current Ratio	Quick Ratio
2019	2.00	1.55
2020	2.97	2.53
2021	2.51	2.14
2022	3.20	2.62
2023	4.12	3.59

Source : Secondary Data Processed, 2024

The current ratio of PT. Akasha Wira International Tbk shows at Table 1, shows a healthy condition. It is averaging at 2.96, and the numbers keep increasing from 2019 – 2023 with the peak at 4.12 in 2023. An average 2.96 means that the company's current assets are 2.96 times bigger than its current liabilities, showing a strong liquidity position. This also means that the firm is fully capable of meeting its short-term obligations using its readily available short-term assets.

A higher quick ratio shows that a corporation has a stronger short-term liquidity position and can satisfy its urgent financial obligations. For PT. Akasha Wira International Tbk's the quick ratio numbers was increasing year-on-year with an average of 2.46. This indicates that the company's liquid assets surpass its current liabilities by 2.46 times. This ratio demonstrates that the corporation is well-positioned to meet its short-term obligations without selling any inventories.

b. **Solvency Ratio**

Table 2. Solvency Ratio Analysis

YEAR	Variables	
	Debt to Equity Ratio	Long-term Debt to Capitalization Ratio
2019	45%	12%
2020	85%	32%
2021	32%	6%
2022	23%	4%
2023	21%	3%

Source : Secondary Data Processed, 2024

PT. Akasha Wira International Tbk's Debt to Equity ratio in 2023 is at 21%, consitently dropped from 2019. On 2020, the ratio increased to 85% which means that during that year the company operate mainly from the debt and this was happended during COVID-19 pandemic. However the ratio getting lower year on year untuk reach the lowest in 2023.

on long-term debt-to-capitalization ratio, PT. Akasha Wira International Tbk's data shows that each year the numbers was getting lower until it reach 3% at 2023. This numbers indicates that the company is healthy and their business is primarly driven by equity. The data also shows that on 2020, during COVID-19 pandemic, the ratio increased to 32%. It means that on that year, PT Akasha started to leverage long-term debt as their source of fund. But in the next 3 year, the ratio drop and improved.

These two result demonstrate a good financial strenghts of the company and can lead to increase on trust from financial market.

c. **Profitability Ratio**

Table 3. Profitabilty Ratio

YEAR	Variables			
	Gross Profit Margin	Net Profit Margin	ROA	ROE
2019	45%	11%	10%	15%
2020	51%	25%	18%	24%
2021	53%	28%	20%	27%
2022	52%	28%	22%	27%
2023	53%	26%	19%	23%

Source : Secondary Data Processed, 2024

The gross profit margin for PT. Akasha Wira International Tbk’s shows relatively stable over the year. On Average, It reach 51%. In 2023, the ratio even increased to 53% at 2023. This indicates that the company is a profitable business and can manage their cost of good sold efficiently.
On the net profit margin, PT. Akasha Wira International Tbk resulted at 26% in 2023, which is considered high. It dropped to 11% in 2019 and slowly increased and reached it higher at 28% on 2021-2022 and sligthly drop back to 26% last year. On average, the company produce a profit of 24%, which means, the company generated 24 cents on each dollar sales. Based on this data, it shows that the company has a profitable business.
For Return on Assets (ROA), a greater numbers signifies increased profitability and efficient resource management. Investors and analysts use ROA to assess financial performance and compare it to industry peers. For PT. Akasha Wira International Tbk, the ROA is on the rise. began at 10% in 2019 and increased to 19% in 2023, reaching a peak of 22% in 2022. With an average ROA of 18%, a corporation can generate 18% revenue from $100 in assets. Although the ROA decreased from 22% in 2022 to 19% in 2022, it still shows that the company is doing well and is appealing to investors.
For ROE, the high result implies strong profitability and effective use of equity, whereas a low ROE may indicate poor financial performance or wasteful capital allocation. The ROE for PT. Akasha Wira International Tbk is averaging 23%, which is considered a strong ROE. It means the company is making a solid return of 23 cents on every dollar invested in stock. This high ROE implies that PT Akasha Wira International is profitable and successfully utilizes its equity to create income.

d. **Activity Ratio**

Table 4. Activity Ratio Analysis

YEAR	Variables		
	Asset Turnover Ratio	Inventory turnover ratio	Working capital turnover ratio
2019	0.93	5.30	4.35
2020	0.70	4.13	1.86
2021	0.72	4.43	2.31
2022	0.78	4.19	2.30
2023	0.73	4.57	1.64

Source : Secondary Data Processed, 2024

PT. Akasha Wira International Tbk's Asset Turnover Ratio averages 0.77. It means that the corporation earns $0.77 for every $1 in assets it holds. This number has drop over the past 5 years from 0.93 in 2019 to 0.73 in 2023. This result considered as moderate low for FMCG companies. It can indicate few things, wheter the company is not to effectively in using their assest to produce sales, or the company just made a recent investment in infrastruture/factories, which make the ratio to be temporarly lower due to still not fully utilized.
For Inventory Turnover Ratio, PT Akasha Wira International Tbk is averaging at 4.52 which means the company has sold and replaced its inventory 4.52 times over a a year. This numbers considered moderate for a FMCG companies. From 2019 through 2023, PT Akasha Wira International Tbk have low turnover which means that the company has more inventory than it needs. this also indicates that the company sales still need to be improved.
PT. Akasha Wira International Tbk has an average Working Capital Turnover Ratio of 2.49, which means that the company earns $2.49 in sales for every dollar of working capital. This

score is positive since it shows that the company is effectively using its short-term assets and liabilities to promote sales.

5. CONCLUSION AND RECOMMENDATIONS

PT Akasha Wira International Tbk has a good liquidity ratio. Their assets are sufficient to pay out its debts, indicating that business is steady and low-risk. The Solvensy ratio suggests that the company's equity is the key motivator. Their low debt-to-equity ratio indicates a healthier financial position and reduced risk.

On the profitability ratio, the PT. Akasha Wira International also shown strong result. High gross margin, double digit % of Net profit which mean their business is profitable and capable to manage the cost. Good result on ROA and ROE also indicate that the business is healty and high return.

On the other side, PT Akasha Wira International's activity ratio shows that the company has a low Assets Turnover Ratio, indicating that its assets are not being used effectively to generate revenue. The Inventory Turnover Ratio, which is somewhat low, implies that the company has more inventory than it requires. These are two areas in which the organization has to improve.

Using all the insight from the ratio analysis of Liquidity, Solvency, Profitability, and Activity Ratio, despite the note on activity ratio, it is confirmed that PT. Akasha Wira International has strong financials, and it is attractive for investment prospects.

Recommendation

PT. Akasha Wira International Tbk has 2 ratios with specific notes, which are Asset Turnover Ratio at 0.77 and Inventory Turnover Ratio at 4.52. These two results are considered as low to moderate for a Fast Moving Consumer Goods Company. As these ratios are crucial, the author recommends the company make some adjustments to improve the ratio numbers which indicate better health of the company.

To improve its Asset Turnover Ratio, the company needs to either generate more sales or reduce its Assets. Either of these actions will improve the ratio. Reducing the assets could mean improving asset utilization, production efficiency, and technology utilization, including reducing inventories and dropping accounts receivable numbers. As inventory is also part of the assets, properly managing the inflow and outflow will also help to increase the ratio. Same with Account Receivable, the lower the number the better to increase this ratio numbers.

This also relates to the next ratio which is the Inventory Turnover Ratio. To improvethis, the company needs to increase its sales on a yearly basis, which in theend will impact to reducing their current inventory level and increase theturnover. This activity can include a few strategies like clearance sales strategy,price adjustment, and targeted marketing campaign. Aside from this, the company can also improve its ratio by doing a better inventory planning process. This is to make sure they don’t produce toomuch stock at the sales run rate, especially for stock that is not moving. Thisactivity can include a few strategies like focusing the production more on fast-movingitems, Implementing the Just In Time inventories practice, and streamlining the supplychain process.

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CHAPTER 5

Maintaining the Financial Performance of PT Aneka Tambang, Tbk During the COVID-19 Pandemic Era

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ABSTRACT

PT Aneka Tambang, Tbk (ANTAM) is a State-Owned Enterprise established in 1968 through the merger of several national mining companies producing Single commodities. In 1997, ANTAM offered 35% of its shares to the public and listed them on the Indonesia Stock Exchange. The synergy of financial performance and operational performance of ANTAM for 5 years, from 2017 to 2021, shows positive growth and strength to survive amidst the COVID-19 pandemic. In 2021, ANTAM focuses on strengthening its core business as a basis for strengthening financial resilience and maintaining the sustainability of the Company's business growth in the long term by implementing strategic policy implementation in proper cost management, as well as optimizing production and sales levels. In 2021, ANTAM was the golden age of ANTAM amidst the COVID-19 pandemic, where ANTAM recorded significant growth in financial performance. The achievement of positive performance growth is inseparable from ANTAM's efforts to continue to innovate in the fields of production and sales with a focus on increasing product-added value, optimizing production and sales levels, and implementing strategic policies related to proper cost management. The implementation of appropriate operational strategies supports the growth and profitability of all of ANTAM's main operating segments, which are nickel, gold, and bauxite commodities. In 2021, gold products became the largest contributor to ANTAM's sales. It was recorded that in 2021, ANTAM's gold sales value growth reached 34% of 2020 sales amidst the COVID-19 pandemic. The growth in sales value was in line with the increase in sales volume reaching 29.38 tons or up 33% from the previous year. In 2021, ANTAM was also able to increase its domestic gold customer base with domestic gold sales of 28.28 tons. Due to this realization, in 2021 ANTAM recorded the highest level of gold sales in the domestic market throughout the Company's history. The strengthening of ANTAM's financial structure in 2021 is also reflected in the decline in the liabilities position.

Key Words: COVID-19 Pandemic, Sustainability, Financial Performance, Company Value.

I. INTRODUCTION

In 2020, various business sectors were hit by the effect of the ongoing COVID-19 pandemic. According to the Asia Development Bank (ADB) report in 2020 the Indonesian economy grew by 2.5%, down from 5% in 2019. The ongoing COVID-19 outbreak has changed the direction of the Indonesia economy at the time with worsening external conditions and weakening domestic demand, even though Indonesia has a strong macroeconomic foundation.

According to ADB, the COVID-19 Pandemic, which coincided with falling commodity price and turmoil in financial markets, has negatively impacted the Indonesian and global economies. There is no exception for business actors in the commodity sector such as ANTAM. ANTAM was able to maintain production and sales figures for mining commodities, even though the COVID-19 pandemic has had a significant impact on the mining industry globally, one of which is restriction on international trade activities.

ANTAM is unwavering in its commitment to record positive production and sales performance. ANTAM provides the right implementation of corporate strategy with hard work and shows the company's performance transparently to the public, thus investors will assess the company's performance well and can have a positive impact on ANTAM's stock price.

ANTAM's business strategy to improve its performance amidst the COVID-19 pandemic is an interesting topic to discuss in this Journal. How ANTAM improves its performance by continuing to focus on expanding downstream mineral processing, expanding the reserve and resource base, further reducing cash costs and increasing cost competitiveness, and improving core business performance to increase its competitiveness. During the COVID-19 pandemic, ANTAM focused on developing resources from bauxite and nickel that could support the Company’s long term operational and business development plans. To reduce the negative impact of external conditions beyond the Company’s control, proper and optimal control of the Company’s operational costs was carried out.

ANTAM continues to strive to increase the production of its mining commodities, including by building a ferronickel plant in East Halmahera, North Maluku with an installed capacity of 13,500 tons TNi/year which is operational with the marking of the heating process or burner-on on July 7, 2023 (Today, 2023).

The COVID-19 Pandemic has caused significant interruptions to the operations of several business, resulting in their closure and the imposition of prolonged social distancing measures in certain developing nations (Alrawashedha, 2021).

II. LITERATURE REVIEW

ANTAM has developed various economies throughout the COVID-19 pandemic. These include cost reductions in capital expenditures, operational expenditures, and regular spending areas to provide cash flow for the company to weather the pandemic. To maintain a low operating cost position and develop strategic strategies to attain cost efficiency suitably and optimally to boost its business’s competitiveness, ANTAM keeps trying to lower cash costs through operational innovation. The company had to update its Capital Expenditure (CAPEX) for 2020 due to the COVID-19 Pandemic, as ANTAM’s financial report for 2020 fiscal years show.

The decrease in Capex is reflected in ANTAM's fixed assets contained in the Company's 2020 financial report. Where 2019 it was Rp18,865,691,279,- and in 2020 it became Rp18,248, 068, 325,- . So the amount of Capex decrease was quite significant, namely Rp617, 622, ,945,- (PT Aneka Tambang, Annual Report 2020, 2020).

However, in the 2022 fiscal year, gold products became the largest contributor to sales with a proportion of 69% of ANTAM's total sales with a sales value of Rp31.63 trillion. In the 2022 fiscal year, the sales volume of gold metal reached 34.97 tons, or grew by 19% compared to the sales achievement in the 2021 fiscal year of 29.39 tons. With the achievement of gold sales in the 2022 fiscal year, ANTAM again recorded the highest sales level of gold products in the Company's history.

Regarding gold production, in the 2022 fiscal year, 1.27 tons of gold metal were produced from the Company's gold mines (PT Aneka Tambang, Annual Report 2022, 2022). ANTAM introduced a number of jewelry and gold bar goods with Indonesian batik designs through the Precious Metal Processing and Refining Business Unit (UBPP). This is consistent with the plan to raise the product's added value that contain precious metal.

Along with offline purchasing services at the ANTAM Precious Metal Boutique network, which is spread across 12 major Indonesian cities, ANTAM has also implemented an online gold sales mechanism trough the official website www.logammulia.com and the Tokopedia market place platform (Butik Emas ANTAM Official Account), and TikTok Shop (Bukit Emas ANTAM account) in order to improve the quality of prime gold sales service to customer.

ANTAM continues to strive to meet customer needs by managing quality products and services. ANTAM believes that maintaining trust and increasing customer satisfaction is an important thing that Antam must do. Therefore, the company continues to innovate and adapt to technological developments and market needs. Optimizing digital marketing is one of the main points in ANTAM's efforts to increase customer satisfaction (Media, 2023). ANTAM is open to receiving input and providing good feedback through various communication channels. One effort to facilitate communication access for the public and customers to Antam is through ALMIRA (Antam Logam Mulia Virtual Assistant), is an automated messaging service that is present on social media platform and provides information and services on ANTAM gold products (Pradita, 2024).

With these steps, Antam strives to not only meet but also exceed customer expectations, ensuring that every interaction with the company results in a positive and satisfying experience.

The following is data on ANTAM's achievements during COVID-19 which is worthy of appreciation.:

No.	Description
1.	ANTAM's net sales in the 2022 financial year reached IDR45.93 trillion or grew by 19% compared to sales in the 2021 financial year, which was IDR38.45 trillion.
2	EBITDA (earning before interest, taxes, depreciation and amortization) increased by 29% from IDR5.71 trillion in the 2021 fiscal year to IDR7.35 trillion in the 2022 fiscal year.
3	The amount of interest-bearing loans held by ANTAM decreased form IDR5.87 trillion at the end of 2021 fiscal year to IDR3.01trillion in the 2022fiscal year, a 49%lower amount.
4	With 34.97 tons of gold sold during the 2022 fiscal year, ANTAM once again achieved the largest gold sales accomplishment in history. Here as follow: a. In 2022 Achievement Highlights. The all time high of gold sales achievement

	34.97ton. Meet 125% of 2022 sales target and grew 19% YoY from 2021 gold sales; and b. Precious Metal and Refinery Segment are: 1. Gold, Production 1.27 ton, sales 34.97 ton 2. Silver, Production 8.20 ton, sales 11.47 ton (PT Aneka Tambang, Annual Report 2022, 2022)

So what is the biggest factors that are the key to ANTAM being able to maintain and even increase its sales during COVID-19? This is what we will discuss further in this journal.

III. RESEARCH METHOD

This study is descriptive research and using the qualitative research method to reach the objective of the journal which is to identify how to maintenance the financial performance of ANTAM during pandemic of COVID-19.

(Warenza, 2020) ANTAM was forced to revise all of its targets in 2020 when the COVID-19 pandemic hit Indonesia and the world. ANTAM chose to maintain its performance last year. Still, on the same website page, it is explained that the revision was made by considering, among other things, the condition of the world commodity market, including the fluctuation of the rupiah against the US dollar. In addition, the capex allocation which was previously budgeted at IDR 3.3 trillion, was then reduced to only IDR 1.5 trillion in 2020.

A large portion of the capex will be issued at the end of the second quarter or early third quarter of 2020 in the form of capital injection for the construction of the smelter-grade alumina refinery (SGRA) project in Mempawah, West Kalimantan (Nursyamsi, 2020).

In the meantime, ANTAM made Rp1.14 trillion in net profit at the end of 2020, a 492% increase during the COVID-19 epidemic, according to the www.beritasatu.com page. This grew in tandem with the rise in gold’s domestic market value and public awareness of gold investing.

In www.cnbcindonesia.com it was stated that at the beginning of 2022, the share price of ANTAM's issuers was still under pressure and according to the Indonesia Stock Exchange, throughout 2022, ANTAM's shares only strengthened twice, namely by 4.00%, and 1.81%. Even so, analysts predict that the prospects for ANTAM's shares will still be bright.

IV. RESULT

a. Effect on Performance

In general, mining companies in Indonesia were not greatly affected by COVID-19, especially until Q2 2020. However, if the pandemic lasts for a long time, it will impact state revenues by around 20%, due to the decline in mineral and coal commodities. The pandemic has also delayed smelter construction projects.

This study is intended to find out what are the important portions that ANTAM has done to increase profits during the COVID-19 pandemic.

RHB Sekuritas assesses that there will be three long-term advantages for ANTAM, namely:

1. The balance sheet is well managed (net gearing as of September 2021 was 0.01 times vs 2020 of 0.20 times).
2. The addition of new contributions to the company's income from adding Fe-Ni (ferronickel) output capacity - to around 41,000 tons/year from the current 25,000 tons/year.
3. High-Pressure Acid Leaching (HPAL) processing and refining facility (smelter) project for low nickel ore content (targeted in 2024).

b. Information for better discussion

Although the impact of the COVID-19 pandemic in general has not greatly affected the financial performance of mineral and coal companies and ANTAM's financial performance has been good during the pandemic, ANTAM must still pay attention to the sustainability of its business.

If looking at the annual report, ANTAM has increased revenue even when the COVID-19 pandemic hit, this can be seen in ANTAM's Annual Report in 2021 as follows:

Deskripsi Description	2018*	2019	2020	2021
Penjualan Bersih Net Sales	25.275,25	32.718,54	27.372,46	38.445,60
Beban Pokok Penjualan Cost of Goods Sold	(20.613,27)	(28.271,39)	(22.896,68)	(32.086,53)
Laba Kotor Gross Profit	4.661,97	4.447,16	4.475,78	6.359,06
Laba Sebelum Bunga, Pajak, Depresiasi dan Amortisasi Earnings Before Interest, Tax, Depreciation and Amortization	3.621,34	2.288,57	3.186,12	5.711,99
Laba Usaha Operating Profit	1.556,16	955,61	2.032,30	2.738,14

Along with the increase in ANTAM's revenue, the Cost Of Goods Sold was also recorded to have increased. The increase in Cost of Goods Sold was largely influenced by the increase in ANTAM's production costs originating from the purchase of precious metals from third parties, namely ABC Refinery (Australia) Pty, Ltd and YLG Bullion Singapore Pte, Ltd, this is stated in ANTAM's 2021 Annual Report as follows:

Rincian pembelian barang per pemasok, dengan nilai transaksi lebih dari 10% dari jumlah penjualan adalah sebagai berikut:

Details of purchase of goods per supplier with transactions worth more than 10% of total sales are as follows:

	2021	2020	
Pihak ketiga:			*Third parties:*
ABC Refinery (Australia) Pty. Ltd.	6,002,863	2,178,517	*ABC Refinery (Australia) Pty. Ltd.*
YLG Bullion Singapore Pte. Ltd.	5,568,446	2,374,849	*YLG Bullion Singapore Pte. Ltd.*
ICBC Standard Bank PLC.	4,657,300	8,473,982	*ICBC Standard Bank PLC.*
	16,228,609	13,027,348	

V. CONCLUSION

The COVID-19 pandemic has had a significant impact on corporate structure and its ramifications for the majority of Indonesian business sectors. Even though ANTAM has been able to report rising company earnings, the company still needs to focus on its long-term viability. Being a Republic of Indonesia State-owned Enterprise, ANTAM is required to cut back on its foreign gold purchases from third parties. Therefore, all State-Owned Enterprises of the Republic of Indonesia that are government-owned and members of coal and mineral firms, particularly ANTAM, must quickly recognize the downstream that the Indonesian government is presently intensifying.

In the book Global Value Chain (2022) by Ricky Virona Martono, industrial downstream is one of the strategies for increasing the added value produced by a country. So, industrial downstream will create opportunities for ANTAM to increase its competitiveness in both domestic and global markets and contribute to strengthening the precious metal industry sector which will automatically support national economic growth and foreign exchange.

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CHAPTER 6

Financial Performance Analysis and Evaluation of PT Telkom Indonesia for Global Investors for the Period of 2018-2023

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ABSTRACT

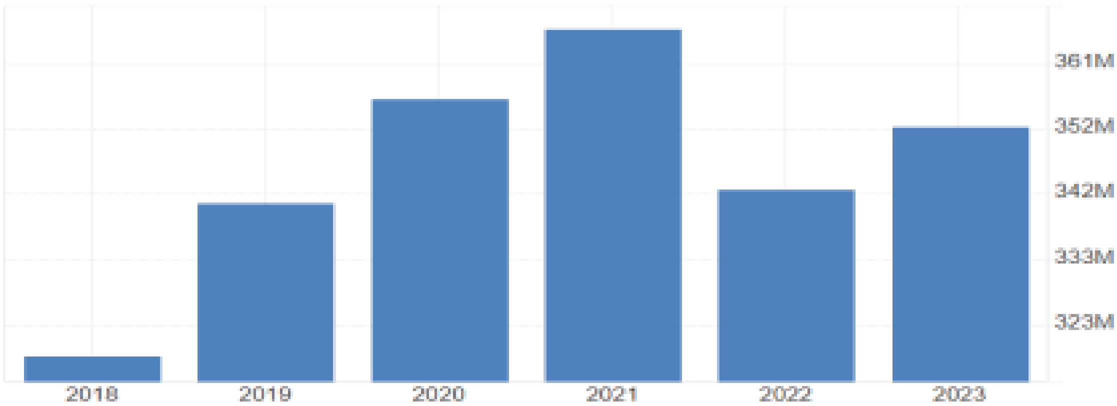
Indonesia will be the fourth largest economy in the world by 2050. Indonesia has maintained economic growth of more than 5% every year since President Joko Widodo was elected. Global capital is paying attention to the Indonesian stock market as solid economic growth is beginning and high returns are expected. PT Telkom Indonesia is a notable company in this trend. As Indonesia's largest telecommunications company and digital services company, it has expanded into a variety of new businesses (broadband, mobile, and digital media), showing its potential for growth. The purpose of this study is to provide financial insights through financial ratio analysis such as profitability, liquidity, solvency, and efficiency to global investors interested in PT Telkom Indonesia for the period of 2018-2023. For global capital, the flow of stock prices and price-dividend-yield are as important as the company's financial stability. Therefore, we will also look at the stock price flow and dividend rate. The author believes that the finding will be helpful for globla investors to make good decisions.
Keywords: Financial Performance, Profitability ,ROE, EBITDA, Dividen Payment Ratio, Debt to Equity Ratio.

1. INTRODUCTION

Telecommunications industry in Indonesia

The Indonesian telecommunications industry is experiencing significant growth, with major players such as Telkom Indonesia, Indosat Ooredoo, and XL Axiata leading the market. Mobile subscriptions have surged, and Indonesia ranks as the fourth-largest cellular market globally, with approximately 352 million mobile subscriptions. The industry is evolving with a shift from 2G/3G to 4G and 5G technologies, supported by government initiatives and private sector investments. By 2027, mobile subscriptions are projected to reach approximately 388 million, driven by the expansion of advanced technologies like 5G.

In addition to mobile services, fixed broadband and internet services are increasingly important, especially with the rise of digital transformation across sectors. Telecom companies are investing in enhancing their infrastructure to meet growing demand for fast, reliable connectivity. Notably, the government is fostering smart city projects, which could significantly impact the future of telecommunications. The continued rollout of 5G, the adoption of digital technologies, and the sector's focus on innovation place Indonesia's telecom market on a trajectory of sustained growth.



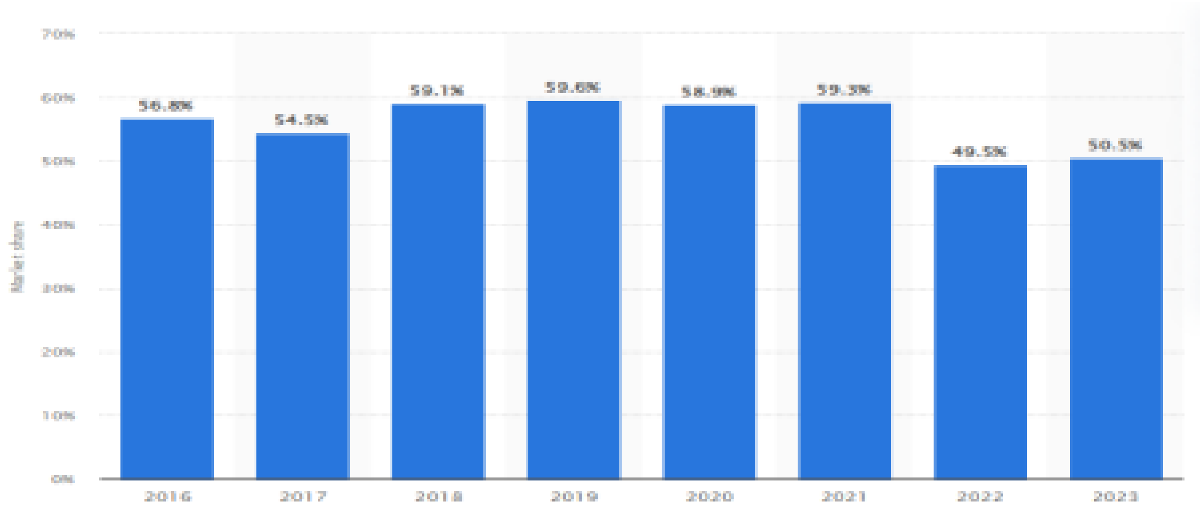
Source: **DataBankWorld Development Indicators**

(https://databank.worldbank.org/source/world-development-indicators)

Top telecommunication operators in Indonesia

Telkom Indonesia is the leading provider of telecommunications and network services in Indonesia. Its offerings include a broad spectrum of services such as fixed-line communication, mobile connectivity, interconnection networks, and internet and data solutions.

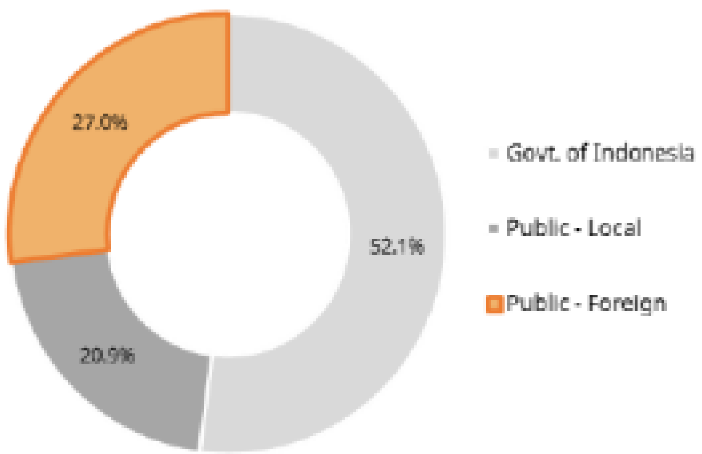
As of 2024, The total revenue of PT Telkom Indonesia was about IDR 149.216 trillion and had a share of 50.5 percent of the mobile network market in Indonesia. Therefore, PT Telkom Indonesia is increasingly becoming an attractive investment opportunity for foreign investors, thanks to its substantial growth potential and leadership in Indonesia’s telecommunications and digital sectors.



Source: Statistia website **(https://www.statista.com/statistics/1058230**)

Historically, TLKM's stock price has been heavily influenced by foreign investor fund. Because 60% of the public shares are held by foreign investors, which makes TLKM's stock price sensitive to foreign investor flows.

Figure 15. TLKM's foreign ownership



Source : Mirae Asset Sekuritas Indonesia Research

This research aims to provide an insight for foreign investors who want to buy PT Telkom Indonesia sharese by analyzing the financial performance using the financial ratio analysis method in the period 2018 to 2023.

2. LITERATURE REVIEW

Financial Ratio Analysis

Michael (2015) states that financial ratios are essential for evaluating a company's financial and operational condition. By examining these ratios, stakeholders such as management, investors, creditors, and analysts can obtain important information about the company’s efficiency, profitability, liquidity, and ability to meet its long-term obligations.

Piper (2010) describes financial ratio analysis as a method for evaluating a company's performance by examining and calculating various metrics from financial statements. Key ratios include measures of liquidity, profitability, financial leverage, and asset efficiency. Liquidity ratios, such as the current ratio and quick ratio, assess a company's ability to meet short-term obligations. Profitability ratios, like ROA and ROE, gauge financial success, while financial leverage ratios, including the debt ratio and debt-to-equity ratio, evaluate the use of borrowed funds.

Faller, C. (2022) explains that profitability can be assessed using various ratios, such as gross margin on revenue, return on assets (ROA), return on investment (ROI), and return on equity (ROE). These metrics offer a deeper understanding of how effectively a company utilizes its resources to generate income.

3. RESEARCH METHOD

This research employs a quantitative approach to fundamental financial ratio analysis, emphasizing the calculation and comparison of values derived from the company's financial statements over multiple years. The data utilized in the study was sourced from the official website.

• Telkom Indonesia's Official Website (https://www.telkom.co.id.): Annual financial reports, quarterly financial reports.

• Indonesia Stock Exchange (IDX) (https://www.idx.co.id): Financial Statements, Stock Price and Dividend Rate

• Yahoo Finance (https://finance.yahoo.com): Financial ratio and recent performance data.

1. Profitability Ratio

1-1**. ROA(Return on Assets)** : ROA (Return on Assets) measures how efficiently a company uses its assets to generate profit. A higher ROA suggests that the company is effectively utilizing its assets to produce earnings. The ROA is calculated as follows.
Return on Assets = (Net Income / Total Assets) × 100%

- A high ROA means that companies are making high profits by effectively utilizing their assets. In general, the higher the ROA, the higher the asset management efficiency.

- A low ROA indicates the possibility that an entity is having difficulty converting assets into profits, or that assets are being used inefficiently.

1-2. **ROE(Return on Equity)** : ROE (Return on Equity) measures how well a company uses its shareholders' equity to generate profits. It shows the company's ability to produce earnings from the investment made by its shareholders. The calculation for ROE is as follows.

Return on Equity = (Net Income / Total Equity) × 100%

-A high ROE means that companies are making high profits by effectively utilizing their equity capital. In general, it is evaluated that the higher the ROE, the better the management is utilizing the capital.

-A lower ROE indicates that a company may be having difficulty converting its equity capital into a return, or that its capital management may be inefficient.

2. Solvency Ratio

2-1. **DER(Debt to Equity Ratio)** : This ratio divides total liabilities by shareholder equity, showing how much of a company’s operations are financed by debt versus equity. A higher ratio implies greater reliance on debt, which may indicate potential risk if the company is over leveraged.

$$\text{Debt to Equity Ratio} = \text{Total liabilities} / \text{Total Equity}$$

-A low DER suggests that companies are using less debt compared to capital, with higher financial health and lower risk of bankruptcy.

-A high DER indicates that companies are using more debt than capital, meaning that high leverage can lead to high financial risks.

-Appropriate ratio varies depending on the industry, it can be interpreted that the ratio below 1 is generally stable, and if it is 2 or more, it can be interpreted that it is highly dependent on debt.

2-2**. Debt to EBITDA Ratio** : This ratio assesses the company's capacity to cover its debt using operating earnings before interest, taxes, depreciation, and amortization. A lower ratio suggests stronger financial health and a greater ability to manage debt.

$$\text{Debt to EBITDA Ratio} = \text{Total liabilities} / \text{EBITDA}$$

-A Low Debt to EBITDA Ratio indicates that companies have less debt to their bottom line and have a good debt repayment capacity. This means that companies are financially stable and have low debt risk.

-A High Debt to EBITDA Ratio indicates that a company may feel burdened by its ability to repay, as it has more debt to the revenue it earns. In this case, it may be difficult to repay the debt, and the financial risk may be high.

- Less than 3, It is often evaluated as stable. 5 and above, Due to its high dependence on debt, it can be considered a red flag.

3. Liquidity Ratio

3-1. Current Ratio : The current ratio evaluates a company's capacity to settle its short-term debts using its short-term assets, which are expected to be converted into cash within one year.

$$\text{Current Ratio} = (\text{Current Assets} / \text{Current Liabilities}) \times 100\%$$

- 1 or more: indicates that current assets are more than current liabilities, and that they have the ability to repay short-term liabilities. A value of 1 or more is generally considered to be short-term financial stability.

- Less than 1: This means that current liabilities outnumber current assets, indicating that there may be problems with short-term solvency. In this case, companies may have difficulty fulfilling their short term obligations.

4. Dividend Payout Ratio

The Dividend Payout Ratio is a financial measure that indicates the percentage of a company's earnings distributed to shareholders as dividends. This ratio highlights how much of the profit is allocated to investors versus the amount retained for reinvestment in the company. It can be calculated using the following formula.

$$\text{Dividend Payout Ratio} = (\text{Total Dividends} / \text{Net Income}) \times 100$$

The average Dividend Payout Ratio can vary significantly depending on the industry, company maturity, and overall market conditions. However, here are some general guidelines:

-Mature, stable companies (such as utilities or large blue-chip companies) often have a higher Dividend Payout Ratio, ranging between 40% to 60%. These companies typically have steady earnings and return a significant portion of their profits to shareholders.

- Growth companies (such as tech firms) tend to have lower payout ratios, often around 10% to 30%. These companies reinvest most of their earnings back into the business to fund expansion and innovation.

High-yield dividend stocks (such as those in real estate or telecommunications) may have even higher payout ratios, sometimes exceeding 70% or more. These companies distribute a large portion of their earnings as dividends to attract income-focused investors.

4. RESULT AND DISCUSSION

1. Profitability Ratio

The profitability ratio (ROA and ROE) for Telkom Indonesia from 2018 to 2023 are as follows.

	2018	2019	2020	2021	2022	2023
ROA	13.1%	12.5%	12%	12.2%	10.1%	11.2%
ROE	23%	23.5%	24.5%	23.3%	18.5%	20.6%

Table 1. TLKM's Financial Performance of Profitability Ratio

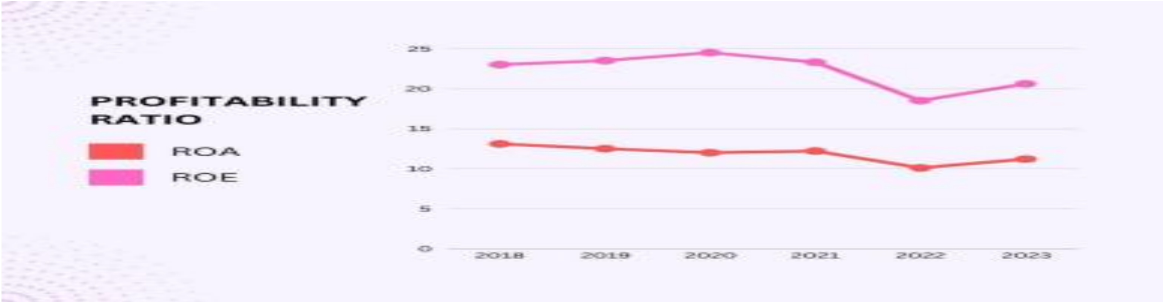


Figure 1. TLKM’s Profitability Ratio trajectory

These indicators show changes in Telkom Indonesia’s profitability in relation to its assets and shareholders' equity, with a declining trend in both ROA and ROE in 2022 and 2023. However Compared to the AT&T, the largest telecommunications company in the United States, AT&T's ROA is 4.03% and ROE is 8.76% at the end of 2023. As these figures show, Telkom's profitability Ratio has declined slightly, but it remains strong.

2. Solvency Ratio

The Solvency Ratio (Debt to Equity Ratio, Debt to EBITDA Ratio) for Telkom Indonesia from 2018 to 2023 are as follows.

	2018	2019	2020	2021	2022	2023
Debt to Equity	0.38	0.4	0.5	0.5	0.4	0.4
Debt to EBITDA	0.78	0.8	0.9	0.9	0.8	0.9

Table 2. TLKM's Financial Performance of Solvency Ratio

Figure 2. TLKM’s Solvency Ratio trajectory

Telkom Indonesia appears to be improving its financial stability by keeping low reliance on debt, as shown by Debt to Equity ratios and Debt to EBITDA ratio.

Telkom Indonesia’s debt-to-equity ratio has fluctuated, but it remains moderate compared to global telecom peers like AT&T(2023 Debt to Equity Ratio :1.25). The company's investment in infrastructure and debt for capital expansion is typical in the sector, but their use of debt is relatively balanced with their equity base, maintaining a ratio that suggests stability in financing

3. Liquidity Ratio

The Liquidity Ratio (Current Ratio) for Telkom Indonesia from 2018 to 2023 are as follows.

	2018	2019	2020	2021	2022	2023
Current Ratio	93.3%	71.5%	67.3%	88.6%	78.2%	77.7%

Table 3. TLKM's Financial Performance of Liquidity Ratio

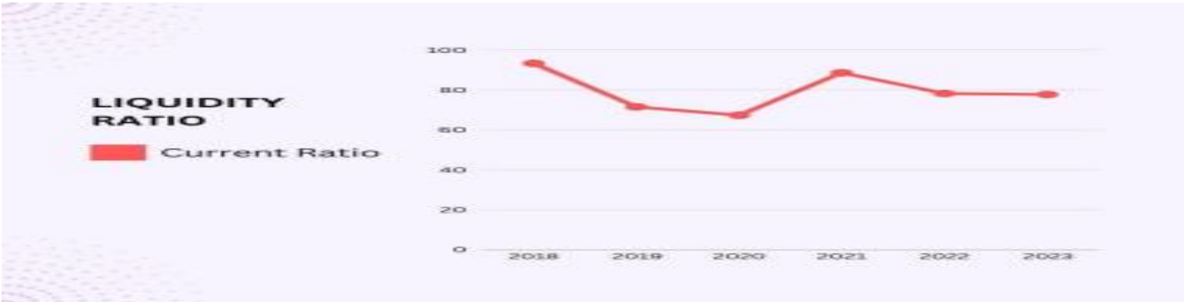


Figure 3. TLKM’s Liquidity Ratio trajectory

In 2023, Telkom Indonesia’s current ratio was below 1, indicating that the company is managing short-term liabilities with strategic long-term financing (e.g., bonds or long-term loans). The company’s consistent cash flow and debt management help it maintain operational stability despite this low current ratio. Telecom giant in developed markets, AT&T have current ratios around 0.74 in 2023. It means that the telecom industry generally tends to have lower Current Ratios compared to other sectors due to Capital-Intensive Business Model.

4. Dividend Payout Ratio

The Dividend Payout Ratio for Telkom Indonesia from 2018 to 2023 are as follows.

	2018	2019	2020	2021	2022	2023
Payout ratio	90%	81.78%	80%	60%	80%	72%
Dividend PerShare(RP	163.82	154.07	168.01	149.97	167.60	178.50

Table 4. TLKM's Financial Performance of Dividend Payout

Figure 4. TLKM’s Dividend Payout Ratio trajectory

In 2023, Telkom Indonesia's dividend payout ratio (DPR) was 72%. This is a slight decrease compared to 2022, when the payout ratio was 80%. Despite the lower payout ratio, the dividend per share for 2023 increased to IDR 178.50, up about 6.5% compared to the previous year, which was IDR 167. AT&T's Payout Ratio as of 2023 was 90.24%. It means that Telecom companies typically offer high dividend yields because of their stable cash flows, relatively slow growth (once infrastructure is established), and high payout ratios. These dividends provide an attractive investment for income-seeking investors, particularly in industries with less volatility.

5. Share Price

The Share Price for Telkom Indonesia from 2019 to Present(Nov 15 2024) are as follows.

	2019	2020	2021	2022	2023	2024
Share Price(RP)	3,432	3,071	5,408	3,002	3,950	2,540

Table 4. TLKM's Share Price

Source : yahoo finance

Telkom Indonesia's stock has experienced significant declines over the past few years. As of recent data, the stock has fallen by approximately 37.2% year-to-date, with a dramatic 28.45% drop over the past year alone. This drop can be attributed to TLKM's underwhelming performance and the substantial selling by foreign investors starting on March 22, 2024. Notably, between March 22 and June 14, 2024, foreign investors showed a strong selling trend, with net sales amounting to approximately IDR6.15 trillion from JP Morgan and Blackrock.

Despite these challenges, analysts still hold positive views on the company's future, with some predicting a recovery in the long-term, especially if Telkom Indonesia can capitalize on the growing demand for digital and broadband services.

5. CONCLUSION AND RECOMMENDATIONS

Given the facts and findings and the company’s financial condition is healthy. Telkom Indonesia’s financial stability is supported by a combination of high profitability (ROA and ROE), moderate debt levels (debt-to-equity ratio), and strong dividend payouts. While the current ratio is below 1, the company’s cash flow and long-term debt strategy help maintain its financial health.

These indicators suggest that Telkom Indonesia is well-positioned in terms of profitability and liquidity management, making it an attractive investment, particularly for income-seeking investors. While challenges persist, Telkom Indonesia's financial health and strategic initiatives position it well for a rebound. The current price drop offers a potential entry point for investors, and TLKM's stock price is expected to follow a positive trajectory as market conditions improve.

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CHAPTER 7

Financial Performance Analysis And Evaluation Based On Profitability, Liquidity, Solvability & Activity Ratios At Pt Adi Sarana Armada Tbk Period 2017-2023

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ABSTRACT

In 2019, PT Adi Sarana Armada Tbk, which was established in 2004, listed its shares on the Indonesia Stock Exchange and conducted its first public offering. Corporate car rentals, logistics transportation, driver services, automobile sharing, automotive auction services, online car sales and purchases, and package delivery are just a few of the transportation options the company provides. PT Adi Sarana Armada Tbk has made a name for itself in Indonesia's transportation and logistics industry despite having a very short but active history. This study aims to conduct a comprehensive financial analysis in order to assess PT Adi Sarana Armada Tbk's performance and financial health between 2017 and 2023, aiding in strategic decision-making. This analysis will include assessments of profitability, liquidity, Solvability, and activity ratios. The research employs a descriptive method with a quantitative approach. The findings indicate that profitability ratios have shown a declining trend but started to rise in 2023, although the values for profit margin and return on equity remain quite low. Regarding liquidity ratios, PT Adi Sarana Armada Tbk faces challenges, particularly reflected in a relatively low quick ratio. The solvability ratios are at an average level, with both the debt-to-assets ratio (DAR) and the debt-to-equity ratio (DER) on the decline, suggesting improvements in debt management and enhancements in capital and assets. Lastly, in terms of activity ratios, PT Adi Sarana Armada Tbk still needs to optimize its fixed asset turnover and total asset turnover to better contribute to revenue generation.

Keywords: Transportation & Logistics, Profitability, Liquidity, Solvability, Activity.

INTRODUCTION

Transportation and Logistics Industry

Transportation is one of the most critical sectors in everyday life. According to the Indonesian Dictionary, transportation is defined as the movement of goods using various types of vehicles in line with technological advancements. As indicated in the book Introduction to Transportation Systems and Planning by Rudi Aziz et al, transportation encompasses several aspects related to the transfer of goods from one location to another. (Aziz, 2014)

Logistics is the planning and execution process, including the efficient and effective management of cost flows related to the storage of raw materials, in-process inventory, finished goods, and associated information from the point of origin to the point of consumption to meet customer requirements, according to Sople's definition in The American Council of Logistics Management (Sople, 2009). Additionally, Kotler and Keller define logistics as the process of organizing, carrying out, and managing the actual movement of raw materials and completed items from their point of origin to their final destination in order to meet customer demands and generate a certain profit (Keller, 2016). Thus, logistics can be summarized as the planning, execution, and control of material and goods flows to meet consumer demands.

Logistics and transportation are essential to Indonesia's economic expansion. Given the country's extensive archipelagic territory, an efficient transportation system and reliable logistics are essential for connecting various regions, distributing goods, and supporting other economic activities. In recent years, challenges such as transportation infrastructure issues, traffic congestion, and high logistics costs have emerged as significant hurdles. Enhancing transportation infrastructure and innovating logistics services are expected to facilitate faster and more equitable economic growth. Consequently, transportation companies in Indonesia are continually striving to improve conditions through various innovations and service enhancements.

The Gross Domestic Product (GDP) from the warehousing and transportation support services sector in Indonesia has shown significant growth since 2020, reaching IDR 208.5 trillion in 2022. Additionally, the Central Statistics Agency (BPS) reports that approximately 87.57% of logistics activities in Indonesia occur via land transport.

The Coordinating Ministry for Economic Affairs has also revealed that Indonesia's national logistics costs reached 14.29% of GDP in October 2023. This represents a decrease compared to previous years, where domestic logistics costs were recorded at 14.1% of GDP in 2022. This reduction in logistics costs is crucial for enhancing Indonesia's competitiveness in the global market and supporting higher economic growth.

Analysis of the Indonesian Automobile Rental Market

According to predictions, Indonesian automobile rental industry is expected to reach USD 0.74 billion by 2024 and might reach USD 1.65 billion by 2029, representing a compound annual growth rate (CAGR) of 16.30% throughout the projected period (2024-2029). One important aspect that is anticipated to propel market expansion during this time is technological advances. The sector is changing as a result of the growing use of information technology, which enables operators to improve customer service. This entails developing user-friendly online booking tools and streamlining the administration of client and business data. TRAC, Indorent, Bluebird, and Adi Sarana Armada Tbk are important participants in this sector. To keep their competitive edge, these businesses mostly rely on extensive research and development activities (mordorintelligence.com).

PT Adi Sarana Armada Tbk

PT Adi Sarana Armada Tbk is a transportation and logistics company in Indonesia, founded in 1999 and commencing operations in 2003. It has since grown to become a leader in the fleet and transportation services industry. Primarily focused on providing commercial vehicle fleets such as buses and trucks, PT Adi Sarana Tbk Armada is essential to supporting connectivity and the distribution of goods and passengers across Indonesia. The company not only operates its own fleet but also offers commercial vehicle rental services and integrated logistics solutions to meet the needs of clients from various industrial sectors. The period from 2017 to 2023 has been significant for PT Adi Sarana Armada Tbk, marked by various economic challenges and opportunities. Analyzing financial ratios during this period is essential to gain insights that can ensure the business's sustainability and financial stability.

LITERATURE REVIEW

In general, the financial performance of logistics and transportation companies listed on the Indonesia Stock Exchange between 2021 and 2023 has been subpar. This is ascribed to businesses' difficulties in controlling operating expenses, controlling debt, and optimizing earnings. According to profitability ratios like gross profit margin, net profit margin, return on assets, and return on equity, as well as liquidity ratios like current ratio and cash ratio and solvability ratios like debt to equity ratio and debt to asset ratio, PT Adi Sarana Armada Tbk's financial performance from 2021 to 2023 was determined to be deficient (Setiawan & Sosrowidigdo, 2024).

Data analysis from 2016 to 2020 indicates a positive trend in PT Adi Sarana Armada Tbk's financial position. However, the income statement shows fluctuations, with increases from 2016 to 2018, followed by declines in 2019 and 2020. The continuous decrease in profit indicates suboptimal financial performance (Cahliana, 2024).

For the period of 2021-2023, analysis reveals that the largest source of funding for PT Adi Sarana Armada Tbk comes from bank loans, primarily allocated for vehicle asset acquisitions. The use of funds by PT Adi Sarana Armada Tbk aligns well with its long-term needs, financed through long-term debt (Sarwono, et al., 2024).

Through a financial analysis of PT Adi Sarana Armada Tbk from 2017 to 2023, this study aims to offer a more comprehensive and detailed understanding, building upon previous research efforts.

Financial Analysis

Stakeholders might benefit from data and knowledge about an entity's financial situation while making decisions. A company's financial statements must be analyzed in order to turn the data into accurate and valuable information. Financial statements are records that show a company's financial health either now or throughout a given time frame (Kasmir, 2022).

The financial performance of a business is an important benchmark for assessing its success and ability to achieve financial objectives. Assessing solvability in covering both short-term and long-term liabilities, measuring profitability in creating income through the utilization of all working capital, and evaluating the company's liquidity in fulfilling short-term financial obligations are the objectives of financial performance analysis (Munawir, 2010).

Financial ratio analysis, which includes a number of indicators such as profitability, liquidity, solvability, and activity ratios, is one effective method. These financial ratios can assist in assessing a company's financial health and offer the data required for making decisions (Kasmir, 2022).

Profitability Ratios

Profitability ratios quantify a company's ability to generate profit over a specific period. A high profitability level shows that the company can produce significant earnings, leading to asset growth and helping to mitigate bankruptcy risks.

Important profitability ratios consist of :

A. Gross Profit Margin
   Gross Profit Margin is employed to evaluate the profitability of an organization prior to the inclusion of any applicable administrative costs. (Daryanto, Dewanti, & Farras, 2020).
   Gross Profit Margin = (Gross Profit / Net Revenue) x 100 %

B. Net Profit Margin
   The company's capacity to generate profit is evaluated using the Net Profit Margin. (Daryanto, Dewanti, & Farras, 2020)
   Net Profit Margin = (Net Profit / Net Revenue) x 100 %

C. Return on Assets (ROA)
   Return on Assets (ROA) shows the amount that the company has made from the investment of all of its assets. (Anthony, Hawkins, & Merchant, 2012)
   ROA = (Net Profit / Total Assets) x 100 %

D. Return on Equity (ROE)
   The Return on Equity (ROE) is a measure of the amount of profit that the firm has generated from the funds invested by its shareholders, either directly or through retained earnings. (Anthony, Hawkins, & Merchant, 2012)
   ROE = (Net Profit / Owner’s Equity) x 100 %

Liquidity Ratios

The ability of a business to satisfy short-term obligations with its present assets is shown by liquidity ratios. Greater confidence in the company's ability to pay back its debts is indicated by a higher liquidity ratio.

Key liquidity measurements include:

A. Current Ratio
   Current Ratio shows a company's capacity to pay its existing debts because it might not be able to do so if its current assets do not comfortably surpass its current liabilities. (Anthony, Hawkins, & Merchant, 2012)

   Current Ratio = Current Assets / Current Liabilities

B. Quick Ratio
   The link between monetary current assets and current liabilities is the main subject of the Quick Ratio. (Anthony, Hawkins, & Merchant, 2012)

   Q$uick\ Ratio$ = $Monetary\ Current\ Assets$ / $Current\ Liabilitie$s

Solvability Ratios

Solvability ratios evaluate the relationship between total assets and total liabilities, indicating whether a company has sufficient assets to cover its debts. A higher solvability ratio suggests a greater ability to meet long-term obligations, while a lower ratio may signal potential financial difficulties.

The study will cover three types of solvability ratios:

A. Debt to Equity Ratio (DER)
   Debt to Equity Ratio demonstrates how well a company's management has balanced these factors of risk and expense (Anthony, Hawkins, & Merchant, 2012)

   Debt to Equity Ratio = Total Liabilities / Shareholders' Equity

B. Debt to Asset Ratio (DAR)
   Debt to Asset Ratio calculates the proportion of total debt that goes toward the capital structure. Financial risk increases with the percentage of this ratio (Robinson, et al., 2015)

   Debt to Asset Ratio = Total Liabilities / Total Assets

C. Interest Coverage Ratio
   This ratio shows how many times a company's net profit before interest and taxes may be used to pay interest. (Robinson, et al., 2015)
   Interest Coverage Ratio = Earnings Before Interest and Taxes / Interest Expense

Activity Ratios

Activity ratios measure a company's ability to convert its assets into sales revenue. These ratios indicate how well a company manages its resources, such as inventory and receivables, to maximize revenue. Higher activity ratios reflect better asset utilization, while lower ratios may suggest inefficiencies.

A. Total Asset Turnover Ratio
The Asset Turnover Ratio determines how many sales are generated on each corporate asset and measures the turnover of the company's total assets (Daryanto, Dewanti, & Farras, 2020)

$$Asset\ Turnover\ Ratio = Sales\ Revenue\ /\ Total\ Assets$$

B. Fixed Asset Turnover Ratio
Fixed asset turnover ratio calculates how much a company's capacity to produce revenue depends on its fixed assets. (Sasongko, 2018)

Fixed Asset Turnover Ratio = Revenue / Net Fixed Assets

C. Inventory Turnover Ratio
Inventory Turnover Ratio is frequently employed to examine inventory item sizes. (Anthony, Hawkins, & Merchant, 2012)

Inventory Turnover Ratio = Cost of Goods Sold / Inventory

D. Receivables Turnover Ratio
The accounts receivable turnover ratio is typically calculated by dividing average accounts receivable by net credit sales. The frequency of a company's accounts receivable generation and collection over the year is determined by this formula. (Gorczyńska, 2011)

Receivables Turnover Ratio = Revenue / Average Accounts Receivable

E. Payables Turnover Ratio
Accounts payable is a measure of how frequently a business settles its accounts payable over time. (Oranefo & Eqbunike, 2023)

Payables Turnover Ratio = Cost of Goods Sold / Average Accounts Payable

RESEARCH METHOD

This study employs a descriptive method with a quantitative approach, systematically designed to answer specific research questions through numerical data collection, analysis, and interpretation obtained via various research methods, including surveys. (Parjaman & Akhmad, 2019)

` Secondary data is utilized, consisting of pre-existing data. The financial statements of PT Adi Sarana Armada Tbk for the period 2017-2023, sourced from the company's website.

RESULTS AND DISCUSSION

Table 1 provides information on the profitability metrics of PT Adi Sarana Armada Tbk, indicated by GPM, PM, ROA, and ROE.

Table 1. Profitability Ratios of PT Adi Sarana Armada Tbk for the years 2017-2023

Profitability Ratio	2017	2018	2019	2020	2021	2022	2023	Average
Gross Margin Percentage (GPM)	30.6	32.1	31.9	26.0	20.8	18.4	25.1	26.41
Profit Margin (PM)	6.1	7.6	3.9	2.1	3.1	0.1	0.4	3.34
Return on Asset (ROA)	3.12	3.50	1.89	1.24	2.65	0.05	0.26	1.82
Return on Equity (ROE)	10.48	12.49	6.85	4.44	9.04	0.15	0.75	6.31

Source : secondary data 2017-2023 from the company's website and analyzed by the author

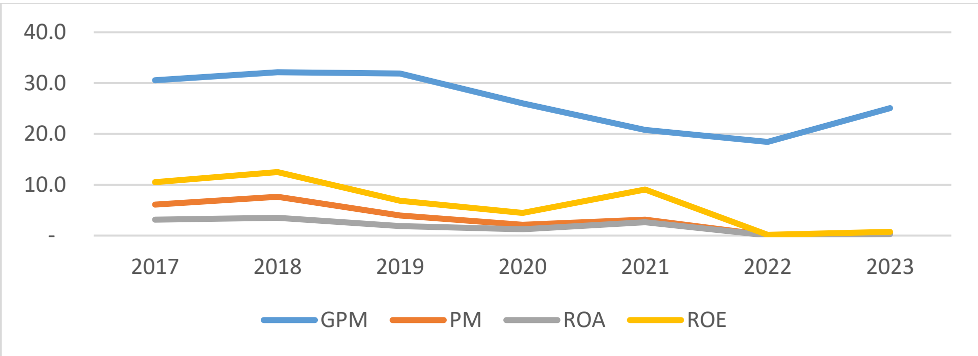

Figure 1. Trend of Profitability Ratios of PT Adi Sarana Armada Tbk from 2017 to 2023

The trend of the Gross Profit Margin (GPM) shows fluctuations, peaking at 32.1% in 2018 and dropping to a low of 18.4% in 2022, before rising again to 25.1% in 2023. The average GPM of 26.41% indicates that the gross profit margin remains reasonably good overall. The decline in GPM may be attributed to rising production costs, increasing competition, or changes in pricing strategies. The rebound in GPM in 2023 suggests an enhancement in the company's performance.

The Profit Margin (PM) trend experienced a sharp decline from 6.1% in 2017 to 0.1% in 2022, followed by a slight recovery to 0.4% in 2023. The average PM of 3.34% reflects a very small net profit margin, which is vulnerable to fluctuations in costs or revenues. This decrease indicates challenges in managing operational and promotional expenses.

The Return on Assets (ROA) trend declined from 3.12% in 2017 to 0.05% in 2022, with a modest recovery to 0.26% in 2023 and an average of 1.82%. This ratio reflects low asset returns, indicating that the company's assets are not being utilized optimally to generate profits.

The Return on Equity (ROE) trend fell from 10.48% in 2017 to 0.15% in 2022, with a slight increase to 0.75% in 2023 and an average of 6.31%. This value still signifies relatively low returns for shareholders. The significant decline in ROE, especially since 2019, may be due to increased debt burdens or declining net profits. The company needs to consider better capital management to boost investor confidence.

Overall, all profitability ratios show a downward trend (Figure 2), particularly from 2019 to 2022. This decline may result from external factors such as the pandemic, as well as internal factors like rising operational and promotional costs. However, signs of recovery began to emerge in 2023, with all ratios increasing, although PM and ROE values remain very low..

Table 2. Liquidity Ratios of PT Adi Sarana Armada Tbk for the Years 2017-2023

Liquidity Ratio	2017	2018	2019	2020	2021	2022	2023	Average
Current Ratio	0.43	0.47	0.53	0.44	0.90	0.86	0.88	0.64
Acid-Tes (Quick) Ratio	0.27	0.33	0.45	0.41	0.63	0.07	0.58	0.39

Source : secondary data 2017-2023 from the company's website and analyzed by the author

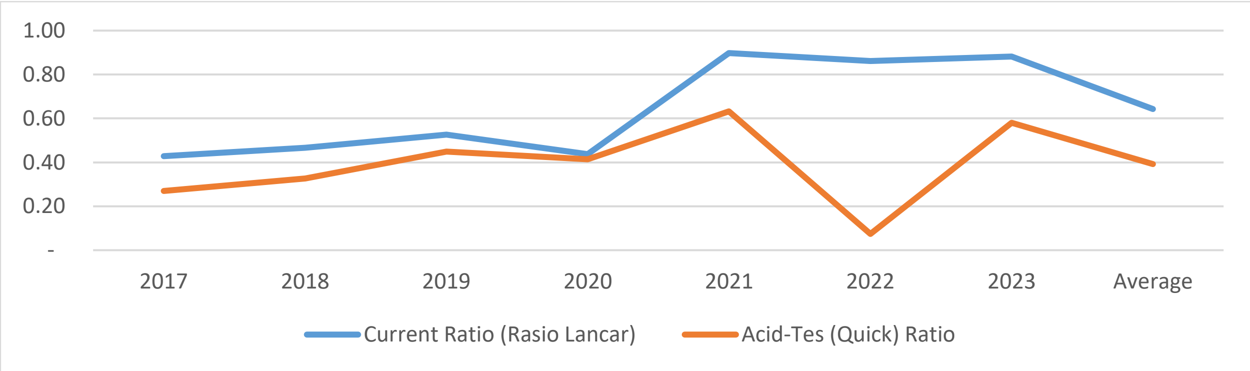

Figure 2. Trend of Liquidity Ratios of PT Adi Sarana Armada Tbk from 2017 to 2023

PT Adi Sarana Armada Tbk can measure its ability to meet short-term obligations by employing liquidity ratios, such as the quick and current ratios.

The current ratio shows a significant increase from 0.43 in 2017 to 0.90 in 2021, before slightly declining to 0.88 in 2023, with an average of 0.64. This indicates that the company often has fewer current assets compared to current liabilities, although there have been improvements in recent years. A current ratio below 1 suggests that the company still struggles to meet its short-term obligations. However, the increase in 2023 indicates that PT Adi Sarana Armada Tbk has made efforts to enhance its liquidity position.

The quick ratio exhibits more significant fluctuations, starting at 0.27 in 2017, peaking at 0.63 in 2021, then plunging to 0.07 in 2022, and subsequently rising to 0.58 in 2023, with an average of 0.39. This indicates that PT Adi Sarana Armada Tbk has limited ability to meet short-term obligations without relying on inventory sales. A value below 1 suggests potential liquidity issues, particularly with the sharp decline in 2022, indicating challenges in managing liquid assets.

Overall, the liquidity ratios indicate an upward trend (Figure 2). Despite the improvement in the current ratio, PT Adi Sarana Armada Tbk still faces liquidity challenges, especially reflected in the relatively low quick ratio. This underscores the need for the company to continue improving its asset and liability management to ensure it can meet its short-term obligations.

Table 3. Solvability Ratios of PT Adi Sarana Armada Tbk for the Years 2017-2023

Solvability Ratio	2017	2018	2019	2020	2021	2022	2023	Average
Debt Equity Ratio (DER)	235.5	256.9	262.4	259.3	241.7	194.2	181.9	233.10
Debt Asset Ratio (DAR)	0.7	0.7	0.7	0.7	0.7	0.7	0.6	0.70
Interest coverage Ratio	1.8	2.0	1.4	1.2	2.0	1.0	1.2	1.52

Source : secondary data 2017-2023 from the company's website and analyzed by the author

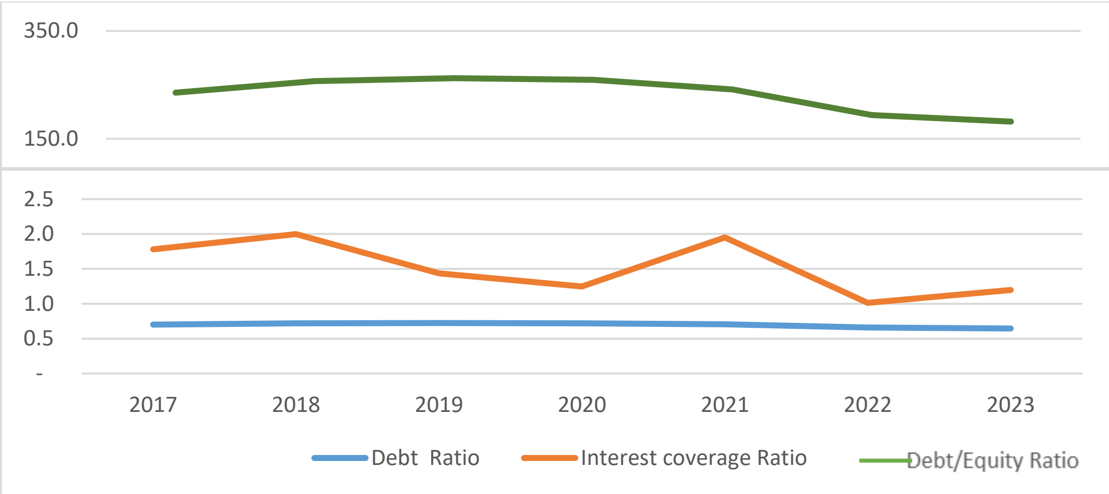

Figure 3. Trend of Solvability Ratios of PT Adi Sarana Armada Tbk from 2017 to 2023

The ratio of debt to equity is measured by the Debt Equity Ratio (DER). A high number suggests a heavy dependence on debt finance. From 2017 to 2019, this ratio showed an increasing trend, peaking at 262.4 in 2019, which indicates greater financial risk. However, there was a significant decline in 2022 and 2023, with ratios of 194.2 and 181.9, respectively. This suggests that the company has reduced its debt or increased its equity, reflecting an improvement in its capital structure.

The percentage of total assets financed by debt is shown by the Debt Asset Ratio (DAR). A ratio of 0.7 means that 70% of the company's assets are financed through debt, representing a high level of dependence. This ratio remained stable at 0.7 for five consecutive years until 2022, indicating consistency in funding policy. However, the decrease to 0.6 in 2023 may signify improvement, as PT Adi Sarana Armada Tbk has either reduced its debt or increased its assets.

A score above 1 indicates that the business can meet its interest obligations. The interest coverage ratio calculates the company's capacity to pay interest on its debt. This ratio experienced fluctuations, peaking at 2.0 in 2018 and 2021, periods in which the company could effectively cover its interest expenses. However, the ratio fell to 1.0 in 2022, with a slight recovery to 1.2 in 2023.

Overall, the trend of solvability ratios is at an average level (Figure 3), with both DER and DAR trending downward, indicating that PT Adi Sarana Armada Tbk is improving its debt management and enhancing its capital and asset position.

Table 4. Activity Ratios of PT Adi Sarana Armada Tbk for the Years 2017-2023

	2017	2018	2019	2020	2021	2022	2023	Average
Total Asset Turnover Ratio	0.5	0.5	0.5	0.6	0.8	0.8	0.6	0.61
Fix Asset Turnover Ratio	0.6	0.5	0.6	0.7	1.2	1.2	0.8	0.81
Inventory Turnover Ratio	9.2	7.9	16.7	67.1	12.8	3.4	6.6	17.68
Account Receivable Turnover Ratio	7.8	7.8	7.3	7.7	9.4	17.8	13.2	10.14
Account Payable Turnover Ratio	12.0	15.0	7.7	8.9	18.9	21.9	14.6	14.13

Source : secondary data 2017-2023 from the company's website and analyzed by the author

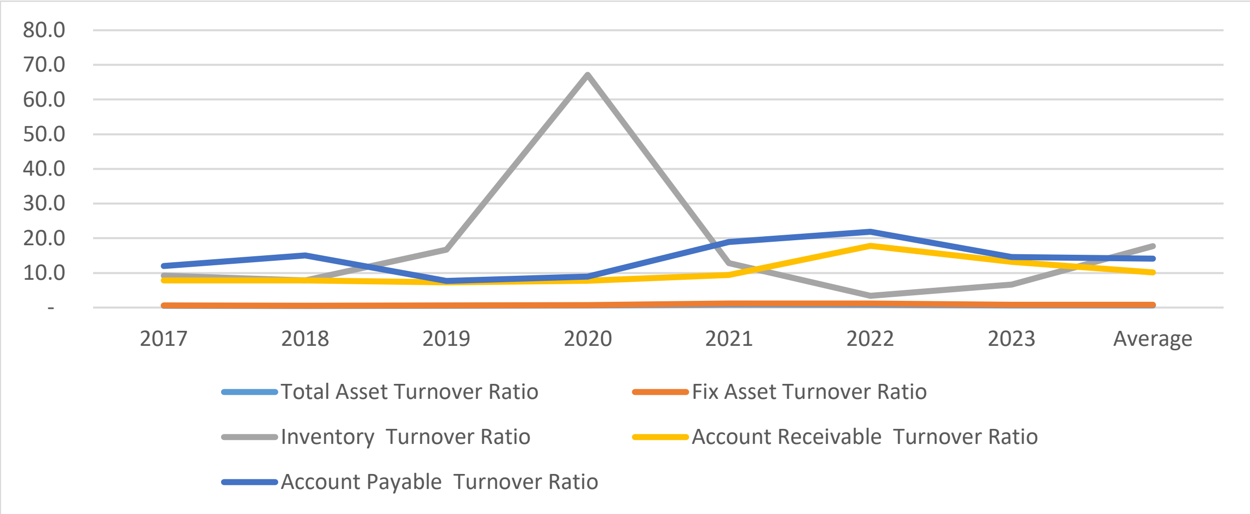

Figure 4. Trend of Activity Ratios of PT Adi Sarana Armada Tbk from 2017 to 2023

The company's ability to produce revenue from its total assets is shown by the Total Asset Turnover Ratio. A ratio of at least 1 is considered good. PT Adi Sarana Armada Tbk maintained a stable ratio of 0.5 from 2017 to 2019, reflecting low efficiency in asset utilization. An increase to 0.6 in 2020 and 0.8 in both 2021 and 2022 indicates improvements in asset usage. However, the decline back to 0.6 in 2023 suggests a decrease in efficiency, even though the overall average shows improvement.

The Fixed Asset Turnover Ratio evaluates how well fixed assets are used to produce income. A decrease from 0.6 in 2017 to 0.5 in 2018 shows reduced efficiency. However, improvement is evident in 2020 with a ratio of 0.7, and achieving 1.2 in 2021 and 2022 indicates optimal utilization of fixed assets. The drop to 0.8 in 2023 highlights new challenges in using fixed assets, but the higher average reflects overall improved efficiency.

The Inventory Turnover Ratio evaluates the company's inventory management effectiveness. A minimum value of 3 indicates the company can sell and replace its inventory at least three times a year. A dramatic spike to 67.1 in 2020 reflects highly efficient inventory management, likely due to high demand. The sharp drop to 3.4 in 2022 indicates inventory management issues, such as overstock or slow sales. Recovery to 6.6 in 2023 shows improvement, but it remains far from the peak in 2020.

The effectiveness with which the business collects receivables from credit sales is demonstrated by the accounts receivable turnover ratio. Stability around 7.8 from 2017 to 2019 indicates consistent collection, despite a slight decline in 2019. A significant increase to 9.4 in 2021 and a surge to 17.8 in 2022 reflect enhanced effectiveness in collecting receivables. The drop to 13.2 in 2023 indicates a slight decline in collection speed, though it remains efficient.

The speed at which the business pays its suppliers is shown by the accounts payable turnover ratio. An increase from 12.0 in 2017 to 15.0 in 2018 indicates faster payments. However, a significant decline to 7.7 in 2019 and 8.9 in 2020 suggests potential liquidity issues, followed by a notable increase to 18.9 in 2021 and 21.9 in 2022. The drop to 14.6 in 2023 shows that PT Adi Sarana Armada Tbk is taking a more cautious approach to spending while still demonstrating efficiency in payments.

Overall, the activity ratios show improvement (Figure 4). PT Adi Sarana Armada Tbk needs to maximize the Total Asset Turnover and Fixed Asset Turnover ratios to enhance revenue generation. For the other three ratios (Inventory Turnover, Accounts Receivable Turnover, and Accounts Payable Turnover), it is essential to maintain and improve their values to maximize revenue.

Compared to previous research, it can be noted that:

1. According to (Setiawan & Sosrowidigdo, 2024), The profitability measures (gross profit margin, net profit margin, return on equity, and return on assets) and liquidity ratios (current ratio and cash ratio) of PT Adi Sarana Armada Tbk are still considered poor. However, there are signs of improvement with an upward trend in 2023, presenting opportunities for enhancing profit, meeting short-term obligations, and improving capital and asset management.
2. Cahliana (Cahliana, 2024) reported that from 2016 to 2020, PT Adi Sarana Armada Tbk the income statement displayed fluctuating trends, with increases from 2016 to 2018, followed by declines in 2019 and 2020. The continuous decrease in profits indicates suboptimal financial performance, which persisted until 2022, with signs of improvement in 2023, although still not optimal.
3. Sarwono et al. (Sarwono, et al., 2024) stated that PT Adi Sarana Armada Tbk largest funding source comes from bank loans allocated for vehicle asset purchases during 2021-2023. The allocation of funds has been appropriate for long-term needs. This aligns with the significant spikes in inventory and asset ratios in 2020 and 2021.

CONCLUSIONS

The financial performance analysis of PT Adi Sarana Armada Tbk from 2017 to 2023 reveals a varied trend in profitability, liquidity, solvency, and activity ratios. Although there was a decline in profitability ratios over several years, signs of recovery emerged in 2023.

Liquidity ratios indicate challenges, particularly with a relatively low quick ratio, suggesting difficulties in meeting short-term obligations. Solvency ratios show improvements in debt management, with a decrease in the debt-to-equity and debt-to-assets ratios, indicating a better capital structure.

However, activity ratios, especially total asset turnover and fixed asset turnover, need to be optimized to enhance revenue contribution. Overall, PT Adi Sarana Armada Tbk must continue to focus on improving operational efficiency, prudent debt management, and effective marketing strategies to ensure sustainable growth and enhance financial performance in the future.

RECOMMENDATIONS

To continue improving performance in 2023 and strengthen overall financial performance for future growth, the following actions should be implemented:

1. Enhance operational efficiency by focusing on cost reduction to improve profitability. For example, developing digital technology solutions like mobile applications to streamline business processes.
2. Implement a more efficient inventory management system to avoid overstocking and accelerate inventory turnover.
3. Invest in productive assets and enhance asset utilization efficiency to increase ROA.
4. Continuously monitor and manage the debt structure to ensure the company does not become overly reliant on debt financing.
5. Review marketing strategies and pricing to effectively compete and boost revenue.
6. Conduct regular analyses and performance monitoring to understand market trends and customer needs, analyze databases for customer behavior patterns, and review financial data to identify issues early and take necessary actions.
7. Diversify services or develop new offerings to meet market demands and pursue strategic partnerships to expand market share.
8. Implement customer loyalty programs to improve retention. A loyal customer base is likely to use services more frequently and recommend PT Adi Sarana Armada Tbk to others.

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CHAPTER 8

Navigating Growth in Global Retail: Inditex's Financial Journey from 2017 to 2023

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ABSTRACT

PT Inditex emerged as a significant force in the global fashion sector, showcasing unwavering financial stability spanning from 2017 to 2023. Through a comprehensive analysis of ratios and trends, Inditex maintained a robust financial position, prominently characterized by its impressive gross profit margins consistently exceeding 55%, showcasing formidable profitability. The unforeseen impact of the COVID-19 outbreak notably affected Inditex's financial trajectory, particularly evident in 2020 with a noteworthy decline in profitability. Nonetheless, the company exhibited resilience by partially rebounding in 2021, illustrating its adeptness at navigating challenging market environments. Noteworthy indicators, like the Return on Assets (ROA) at 12.3%, underscored Inditex's sturdy financial foundation. Looking ahead to 2022-2023, there was a marked enhancement in profitability, with net profit escalating from €4.15 billion in 2022 to €5.39 billion in 2023. Concurrently, Earnings per share (EPS) witnessed a rise, delivering enhanced returns to stakeholders. Inditex showcased robust cash flow generation, with operating cash flow soaring to €8.67 billion in 2023, and a firm balance sheet depicted by total assets surging to €32.74 billion. Collectively, the financial highlights of PT Inditex from 2017 to 2023 exemplify substantial revenue growth, consistent financial performance, persistent profitability, and financial fortitude, positioning the company favourably for sustained success amidst the competitive retail landscape.

Keywords: Sustainability, Revenue, Fashion Industry, Fınancial Health, Profatibility, High Gross Profit Margin, Innovation

1. Introduction

Background

Inditex, the company behind well-known brands like Zara, Massimo Dutti, and Pull&Bear, has firmly established itself as a leader in the fast-fashion world. From 2017 to 2023, Inditex faced numerous challenges, including changing consumer preferences and the disruptions caused by the COVID-19 pandemic. Despite these hurdles, the company continued to set standards for efficiency, innovation, and financial success.

Based in Arteixo, Spain, Inditex is one of the largest fashion retailers globally, with operations in over 200 markets. The company boasts more than 7,000 physical stores and a strong online presence. A key factor in Inditex's success is its vertically integrated business model, which allows it to quickly respond to market demands. This agility has been crucial in keeping Inditex at the forefront of the fast-fashion industry, where trends and consumer behaviors change rapidly.

This study delves into Inditex's financial performance and strategic moves during this period, shedding light on how the company managed to stay resilient and grow sustainably.

- Business Model: Inditex’s control over the entire value chain—from design and manufacturing to distribution and retail—ensures efficiency and flexibility.
- Brand Portfolio: Inditex operates a diverse range of brands, including Zara, Bershka, Stradivarius, and Oysho, catering to various consumer demographics and preferences.
- Global Reach: The company’s strategic market presence spans Europe, the Americas, Asia, and the Middle East, contributing to its ability to generate substantial revenue from diverse markets.

Problem statement

From 2017 to 2023, Inditex encountered several significant challenges that tested its financial performance, operational efficiency, and strategic growth. Despite its resilience and success, the company had to navigate a constantly changing and often unpredictable business environment. These challenges were driven by both external disruptions and internal changes in a rapidly evolving global retail landscape. Here are the major hurdles Inditex faced:

- **Impact of the COVID-19 Pandemic (2020-2021)**
  The temporary closure of physical stores around the world had a huge impact on sales. Supply chain disruptions, lockdowns, and restrictions caused delays in production and distribution. As a result, revenue dropped sharply in 2020, leading to reduced profitability and a need to shift focus to e-commerce. In response, Inditex sped up its digital transformation and invested heavily in online sales platforms.

- **Competitive pressures in Fashion industry**
  Established competitors like H&M and Uniqlo continued to expand their market presence, posing challenges in terms of pricing, innovation, and customer loyalty.
- **Economic and Geopolitical challenges**
  Economic downturns, rising inflation, and geopolitical tensions (e.g., Russia-Ukraine conflict) disrupted operations in key markets. Inflation and cost pressures, rising raw material costs and inflationary pressures increased production and operational expenses, squeezing margins.

- **Increased Operational Costs**
  Inflation, rising labor costs, and higher energy prices drove up operational expenses, which squeezed profit margins, especially during 2020 and 2021, even as revenue started to recover. To tackle this, Inditex focused on optimizing costs and improving efficiency by consolidating smaller stores into larger flagship models.

Scope and Objectives

- **Scope**
  The journal focuses on analyzing Inditex's financial performance and strategic maneuvers during the period 2017–2023, incorporating detailed evaluations of its profitability, operational efficiency, and adaptation to external challenges. The scope is designed to offer a comprehensive understanding of Inditex's corporate and financial journey, below are the elaborated components :

- **Profatibility Metrics**
  - Revenue growth, Year-over-year revenue increases, highlighting the impact of market expansion, e-commerce growth, and external disruptions (e.g., COVID-19)
  - Operating profit margin, highlights the efficiency of core operations without the influence of financing and taxes.
  - Net profit margin, reflects the company's overall profitability after accounting for all expenses.
  - Earnings per share, measures the profitability attributable to each share, reflecting shareholder value.
  - Return of Equity, evaluates how effectively the company uses equity capital to generate profit.
  - Return of asssets, measures the efficiency of asset utilization in generating profit.
- **Solvency Metric**
  - Debt-to Equity ratio, indicates financial leverage and dependency on external financing.
- **Efficiency Metrics**
  - Assets turnover ratio, reflects how effectively assets are used to generate revenue
- **Price-to-Earnings (P/E) Ratio**
  - Reflects investor confidence and market valuation relative to earnings.

- **Objective**

The main goal of this journal is to give a clear and thorough understanding of how Inditex performed financially and strategically from 2017 to 2023. By looking at key financial metrics, we can evaluate the company's profitability, efficiency, solvency, liquidity, and how competitive it is in the market. Here's what we'll be focusing on:

➢ Assess Financial Health and Profitability, to evaluate Inditex's ability to generate consistent revenue and profit over the years, despite external disruptions such as the COVID-19 pandemic.

➢ Evaluate operational efficiency, analyze how effectively Inditex utilized its resources and managed its supply chain to sustain growth and minimize costs.

➢ Measure liquidity and solvency, To assess Inditex's capacity to meet its short-term and long-term obligations, ensuring financial stability during economic downturns.

➢ Analyze market valuation and shareholder value creation, explore Inditex's market valuation and determine how Inditex maximized returns for shareholders through consistent dividend payouts and share price growth.

➢ Provide strategic recommendation, identifying areas for improvement and strategic investments to address future challenges. Follow with actionable insights and strategies for sustaining profitability and growth in a competitive and dynamic retail environment.

2. Literatur Review

A. Financial Performance in Retail and Fashion Industries

Revenue Growth and Profitability

Revenue and profitability are key indicators of a company's financial health, especially in the fashion retail sector. According to studies by Kapferer and Bastien (2012), using premium pricing strategies is crucial for maintaining high gross profit margins, even when demand fluctuates.

Earnings Per Share and Shareholder Value

Earnings per share (EPS) and dividend payouts are widely regarded as key indicators of shareholder value. Brigham and Ehrhardt (2014) argue that companies prioritizing consistent EPS growth and shareholder returns attract long-term investors. Inditex's ability to balance dividend payouts with reinvestment in growth aligns with this principle.

B. Financial Ratios and Performance Analysis

Profitability and Liquidity Ratios

Profitability and liquidity ratios are critical in assessing a company's financial stability. Ross, Westerfield, and Jaffe (2013) highlight that companies with strong liquidity are better positioned to withstand economic shocks. Inditex's solid liquidity metrics, particularly during the pandemic, demonstrate its resilience.

Comparative Financial Benchmarking

Damodaran (2012) emphasizes the importance of benchmarking financial performance against industry peers to evaluate competitive positioning. Inditex's consistent gross margins and ROE surpassing many competitors highlight its financial strength.

C. Operational Efficiency in Fast Fashion

Inventory Management and Supply Chain Integration

Efficient inventory management is a cornerstone of fast fashion. Their "design-to-store" approach, which reduces lead times to two weeks, allows Inditex to align inventory with consumer demand, minimizing markdowns and excess stock.

Digital Transformation and Omnichannel Retailing

The shift to e-commerce and omnichannel retailing has redefined operational efficiency. Research by Piotrowicz and Cuthbertson (2014) highlights how leveraging data analytics enhances customer engagement and operational decision-making.

D. Competitive Dynamics in the Fast-Fashion Industry and challenges in global retail landscape

İmpact of COVID-19 on Fashion Retail

The COVID-19 pandemic disrupted traditional retail models, with significant impacts on revenue and profitability. McKinsey & Company (2020) report that fashion companies with strong digital capabilities and adaptable supply chains recovered faster than their peers. Inditex’s ability to pivot to e-commerce during the pandemic reflects these findings.

Consumer Behaviour in Fast Fashion

Research by Barnes and Lea-Greenwood (2006) suggests that fast fashion is driven by frequent product launches and affordability. Inditex’s ability to cater to changing consumer preferences through rapid production cycles and trend adaptation has been a key differentiator.

3. Research and Methodology

This research provides an in-depth summary of the descriptive analysis, highlighting Inditex's financial performance, operational efficiency, and strategic resilience during the period 2017–2023. Key findings and indicators are consolidated to illustrate the company's trajectory and ability to adapt to challenges. This involves summarizing key financial metrics, identifying trends, and exploring the factors that influenced its operational and strategic decisions. The analysis is structured around profitability, revenue growth, operational efficiency, and key challenges faced during this period.

A. Revenue Growth Analysis

From 2017 to 2023, Inditex experienced significant revenue fluctuations driven by both external challenges and internal strategic initiatives. While from 2020 to 2023 highlights a remarkable recovery for Inditex, reflecting its resilience and adaptability to external disruptions like the COVID-19 pandemic and geopolitical challenges. overall highlights the company’s resilience and ability to adapt to changing market conditions while sustaining long-term growth.

Between 2017-2023 was showing consistent growth average of 5% on pre-pandemic reflecting strong consumer demand and strategic market expansion. Revenue declined in 2020 due to COVID-19 global lockdowns, the closure of the majority of physical stores significantly impacted revenue, as brick-and-mortar retail accounted for a substantial portion of sales. revenue strong recovery begin in 2021, with resumption of physical retails operations, digital expansion/e-commerce contributed to 25% of total sales. following 2022-2023 post-pandemic full recovery particularly in Europe and the Americas.

Table-1 Inditex Revenue Stream 2017-2023

Year	Store Revenue Contribution (%)	Store Revenue (Billion €)	E-Commerce Contribution (%)	E-Commerce Revenue (Billion €)	Total Revenue (Billion €)
2017	85%	21,54	15%	3,8	25,34
2018	83%	21,71	17%	4,44	26,15
2019	80%	22,63	20%	5,66	28,29
2020	70%	14,28	30%	6,12	20,4
2021	75%	20,79	25%	6,93	27,72
2022	75%	24,43	25%	8,14	32,57
2023	75%	26,96	25%	8,99	35,95

Source : Anuual Report Inditex

Revenue Calculation Formula.

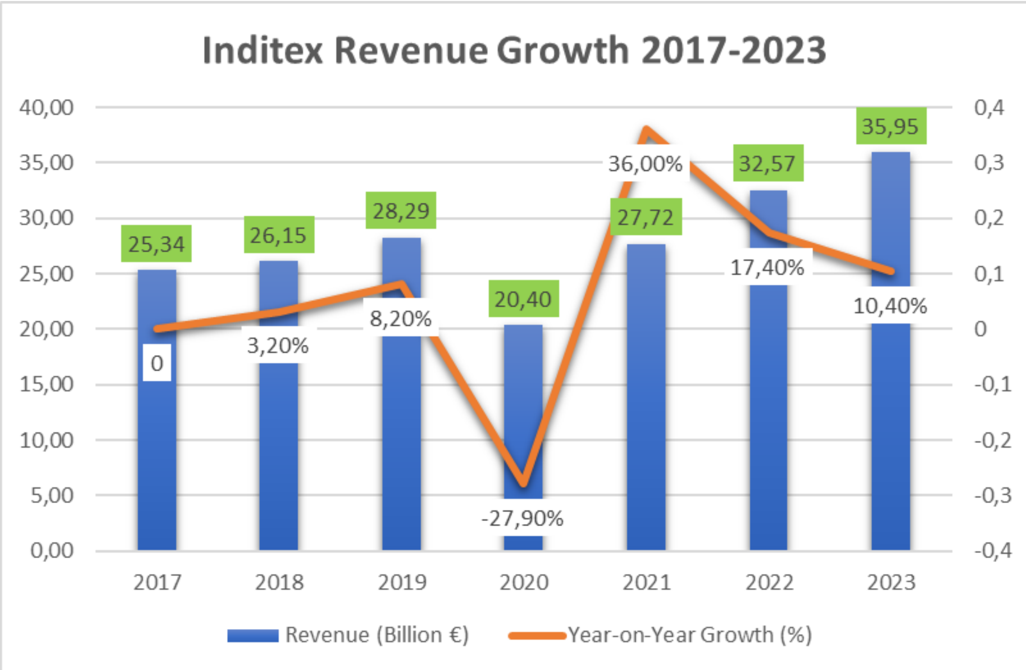
For each year, revenue contributions were calculated as follows:

Revenue = Units Sold×Selling Price per Unit

Store Revenue = Total Revenue × Store Revenue Contribution (%)

E-Commerce Revenue = Total Revenue × E-Com Contribution (%)

Table-2 Inditex Revenue Trend 2017-2023



Metric	Inditex	H&M	Uniqlo (Fast Retailing)
Revenue (2023)	€35.95 billion	€22.0 billion	€19.2 billion
Revenue Growth (2017–2023)	~4% CAGR	~3% CAGR	~5% CAGR

Inditex's revenue trends from 2017 to 2023 highlight its adaptability and operational strength in the face of global disruptions. Despite challenges such as the pandemic and geopolitical tensions, the company achieved record revenues in 2023, underscoring its strategic execution and leadership in the fast-fashion industry.

B. Combined Profitability Metrics

Profitability metrics serve as the cornerstone for evaluating a company's financial performance, offering insights into its ability to generate income relative to its costs, assets, and equity. For Inditex, these metrics are particularly critical in understanding how the company navigated a dynamic global retail environment between 2017 and 2023.

During this period, Inditex demonstrated remarkable resilience and adaptability, balancing sustained growth with significant external challenges such as the COVID-19 pandemic, geopolitical tensions, and rising operational costs. By maintaining strong profitability across key indicators, including gross profit margin, net profit margin, and return on equity, the company reinforced its position as a leader in the fast-fashion industry.

These metrics not only highlight Inditex's operational efficiency and cost management capabilities but also reveal its strategic agility in leveraging digital transformation, optimizing its store network, and investing in sustainability initiatives. Analyzing these indicators provides a comprehensive understanding of Inditex's financial health, its ability to create shareholder value, and its commitment to long-term growth.

Table-3 Combined Inditex Profatibility Trend 2017-2023

Year	Gross Profit Margin (%)	Net Profit Margin (%)	EPS (€)	EBIT Margin (%)	ROE (%)	ROA (%)	Dividend Payout Ratio (%)
2017	57,4	13,5	1,1	15,8	22,0	10,8	60,0
2018	57,5	13,8	1,1	16,0	22,5	10,9	60,0
2019	58,2	13,0	1,1	16,3	22,7	11,0	60,0
2020	55,4	7,1	0,4	6,3	8,0	3,8	40,0
2021	57,1	12,5	1,3	15,2	16,5	8,9	60,0
2022	57,0	12,7	1,3	16,9	17,0	9,3	60,0
2023	57,8	15,0	1,7	18,9	17,3	9,5	65,0

4. Result and Discussion

A. Gross Profit Margin

Gross Profit Margin (GPM) is a key profitability metric that measures how efficiently a company produces and sells its products while controlling the cost of goods sold (COGS). It reflects the percentage of revenue remaining after deducting production costs and is vital for understanding Inditex's operational efficiency and pricing strategy.

Table-4 Formula of GPM

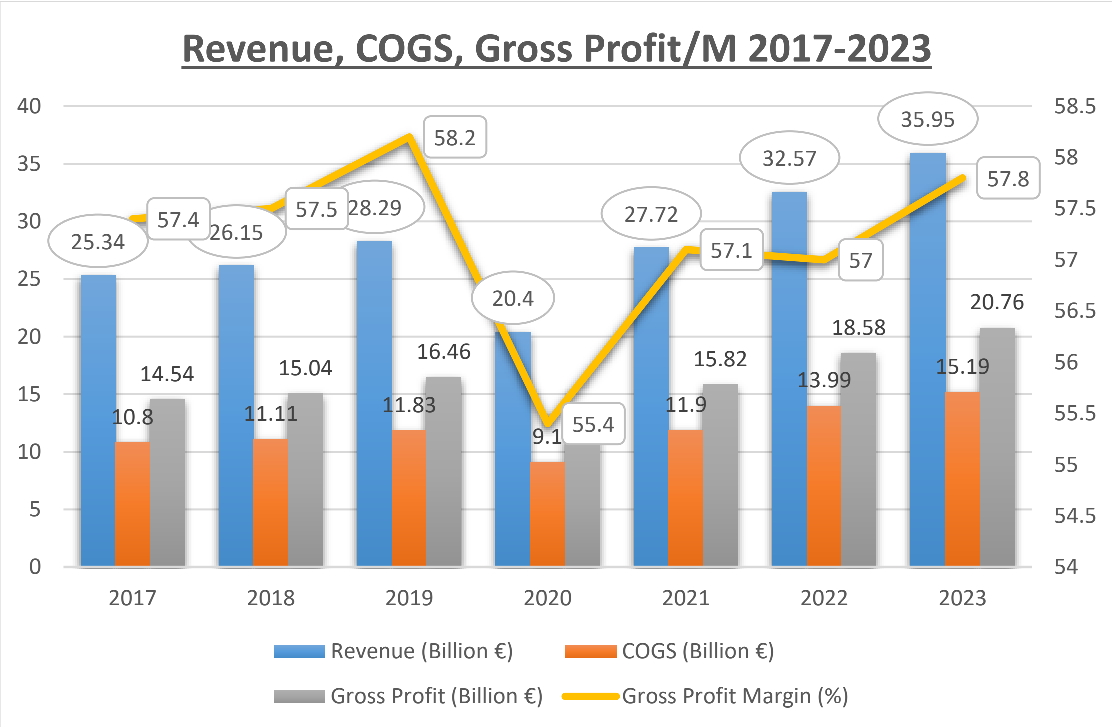
Gross Profit Margin (%)=(Gross Profit/Revenue)×100 Gross Profit = Revenue−Cost of Goods Sold (COGS) Revenue: Total income generated from sales. COGS: Direct costs of producing goods sold, including materials, labour, and overhead

Example calculation Inditex GPM for 2023 :

- Revenue= €35.95 billion
- COGS=€15.19 billion (approx based on historical trends)
- Gross Profit = €35.95 billion − €15.19billion = €20.76billion
- Gross Profit Margin (%)=(20.76/35.95)x100=57.8%

Table-5 Revenue, COGS, Gross Profit Historical Trend

Year	Revenue (Bio €)	COGS (Bio €)	Gross Profit (Bio €)	GPM (%)
2017	25,34	10,8	14,54	57,4
2018	26,15	11,11	15,04	57,5
2019	28,29	11,83	16,46	58,2
2020	20,4	9,1	11,3	55,4
2021	27,72	11,9	15,82	57,1
2022	32,57	13,99	18,58	57
2023	35,95	15,19	20,76	57,8



Gross Profit Margin is a critical indicator of Inditex's operational health and cost management capabilities. The consistent recovery and stability of GPM from 55.4% in 2020 to 57.8% in 2023 underscore Inditex’s strategic agility and ability to balance cost control with revenue growth.

B. Net Profit Margin

Net Profit Margin (NPM) measures the percentage of revenue remaining as profit after all operating expenses, interest, taxes, and other costs are deducted. It is a key indicator of overall profitability and financial efficiency for Inditex.

Table-6 Formula of NPM

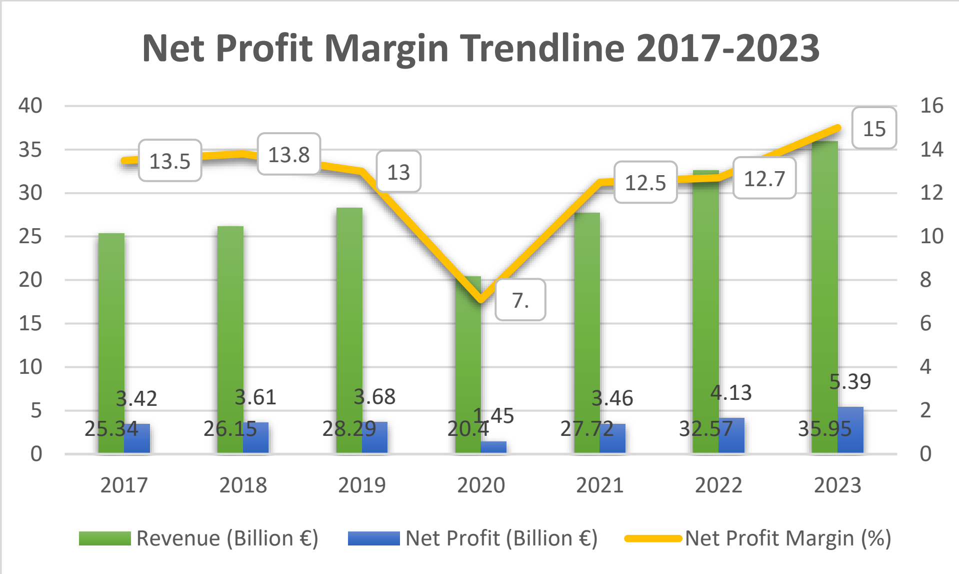
Net Profit Margin (%)= (Net profit/Revenue)x100 Net Profit = Revenue − Total Expenses Total expenses include : Cost of Goods Sold (COGS), Operating Expenses (e.g., salaries, rent, utilities), Interest Expenses and Taxes

Example Inditex's Net Profit Margin for 2023 :

- Revenue: €35.95 billion
- Net Profit: €5.39 billion (reported in consolidated financial statements)

Net Profit Margin (%) = (5.39/35.95)×100 = 15%

Table-7 NPM Trend 2017-2023



Metric	Inditex	H&M	Uniqlo (Fast Retailing)
Gross Profit Margin (2023)	~57.8%	~49.5%	~52.0%
Net Profit Margin (2023)	~15.0%	~8.2%	~9.5%
Operating Profit Margin (2023)	~18.9%	~10.0%	~12.5%

Inditex has a strong operational efficiency, profitability, and commitment to sustainability make it a standout leader in the fast-fashion industry.

C. Earnings Per Share (EPS)

Earnings Per Share (EPS) is a fundamental metric in financial analysis, measuring the profitability available to shareholders for each outstanding share of a company's stock. It is a direct indicator of how well a company generates profits for its investors.

Table-8 EPS Formula

EPS = Net Income (After Tax)/ Weighted Average Number of Shares Outstanding • Net Income (After Taxes): The company's total profit after all expenses, interest, and taxes. • Weighted Average Number of Shares Outstanding: Adjusted for share buybacks or issuance during the reporting period.

Example Inditex EPS Calculation for 2023:

- Net Income: €5.39 billion
- Weighted Average Shares Outstanding: 3.11 billion shares (as reported in annual statements)

EPS = €5.39 billion/€3.11 billion = €1.73

Table-9 EPS Trend 2017-2023

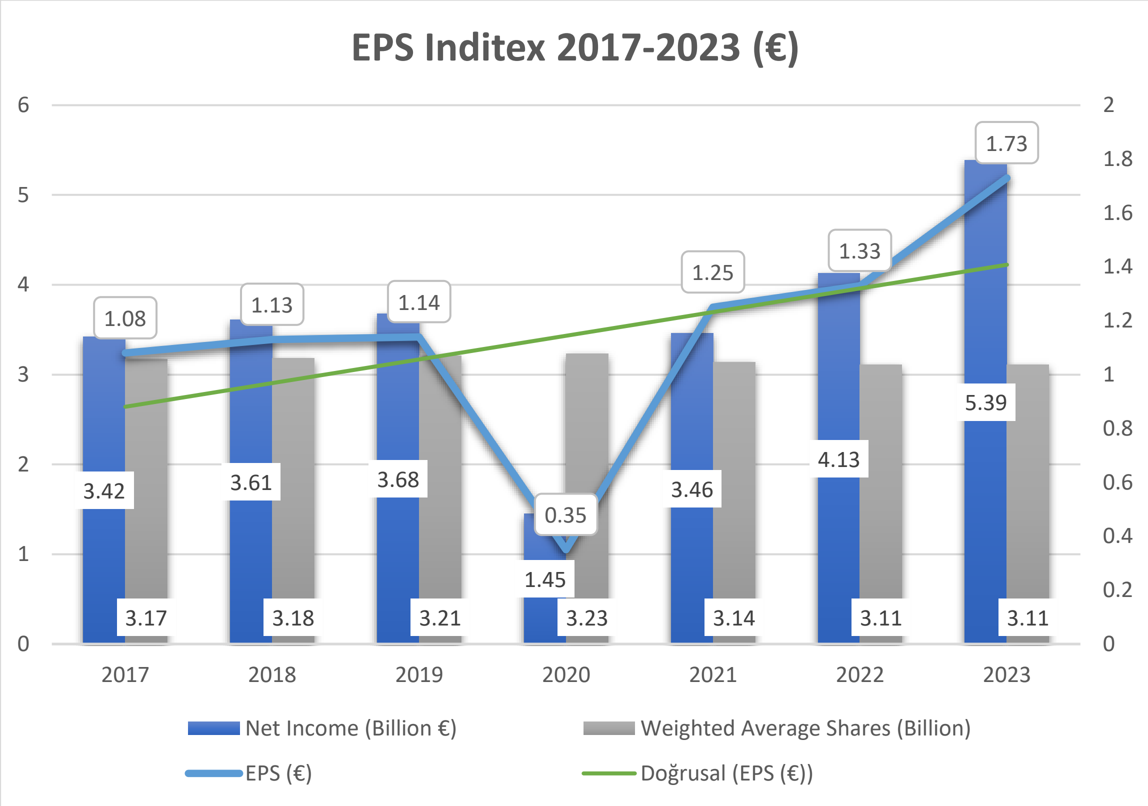


Table-10 EPS Inditex Vs Competitors 2017-2023

Year	Inditex (€)	H&M (€)	Uniqlo (€)
2017	1.08	~0.50	~0.95
2018	1.13	~0.55	~1.00
2019	1.14	~0.52	~1.05
2020	0.35	~0.20	~0.30
2021	1.25	~0.40	~0.80
2022	1.33	~0.60	~1.00
2023	1.73	~0.75	~1.10

Inditex emerged as the clear leader in EPS performance during 2017–2023, consistently outpacing competitors like H&M and Uniqlo. Its strategic focus on supply chain efficiency, digital transformation, and sustainability allowed it to deliver robust shareholder value, even during periods of significant disruption.

D. EBIT Margin (%)

The EBIT (Earnings Before Interest and Taxes) margin or or Operating Profit Margin is a vital metric that evaluates Inditex's operational efficiency and profitability before interest and taxes. The trend analysis from 2017 to 2023 highlights how the company has navigated market challenges, including the COVID-19 pandemic, while achieving record profitability in recent years.

Table-11 EBIT Formula

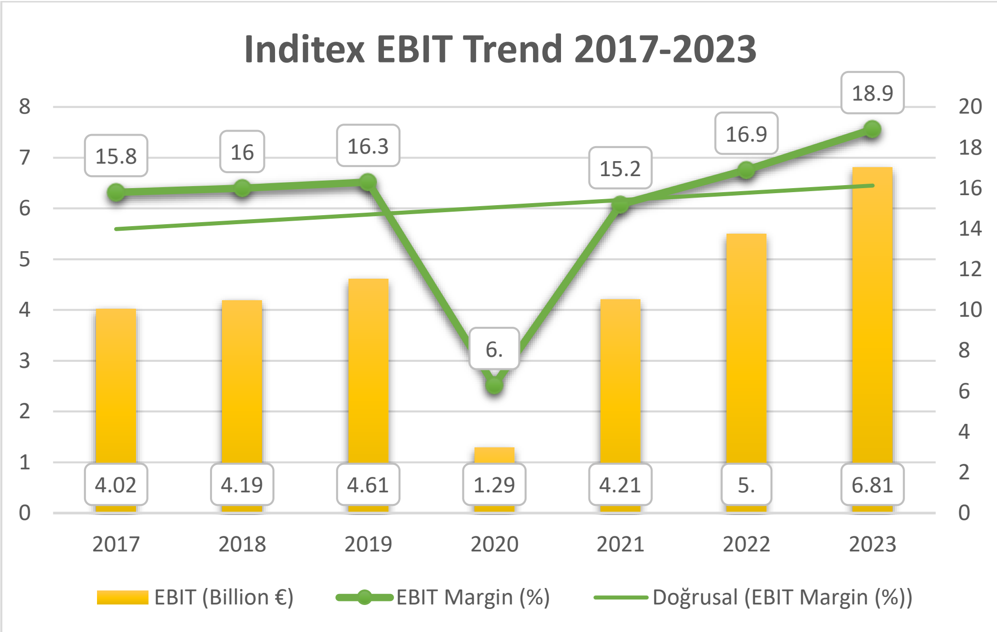
EBIT Margin (%) = (EBIT (Operating Profit)/Revenue) x 100 • EBIT (Earnings Before Interest and Taxes): A company's operating profit before accounting for financial expenses and taxes. • Revenue: Total income generated from sales.

Example Inditex EBIT Margin Calculation for 2023 :

- Revenue: €35.95 billion
- EBIT: €6.81 billion (reported in financial statements)

EBIT Margin (%) = (6.81/35.95) x 100 = 18.9%

Table-12 EBIT Trend 2017-2023



EBIT margin consistently increased, peaking at 16.3% in 2019, due to steady revenue growth and cost management. During pandemic, EBIT margin dropped sharply to 6.3%, driven by store closures, fixed costs, and reduced revenue. EBIT margin rebounded strongly to 15.2% in 2021, reaching a record high of 18.9% in 2023, driven by operational efficiencies and revenue recovery.

Table-13 EBIT 2023 Vs Competitors

Company	Revenue (Billion €)	EBIT (Billion €)	EBIT Margin (%)
Inditex	35.95	6.81	18.9
H&M	22.0	2.20	10.0
Uniqlo	19.2	2.40	12.5

Inditex's EBIT margin trends from 2017 to 2023 demonstrate its ability to navigate challenges while maintaining industry-leading profitability. Its strategic investments in digital transformation, operational efficiency, and sustainability have enabled a remarkable recovery and growth trajectory, culminating in a record EBIT margin of 18.9% in 2023.

E. ROE (Return of Equity)

Return on Equity (ROE) measures how efficiently a company generates profits from shareholders' equity. A higher ROE indicates efficient utilization of equity to generate profits. And companies with high ROE have the financial flexibility to reinvest profits into growth initiatives while maintaining shareholder returns. For Inditex, ROE trends from 2017 to 2023 reveal how the company has managed its capital to create shareholder value, particularly in navigating disruptions like the COVID-19 pandemic and leveraging recovery opportunities.

Table-14 ROE Formula

ROE (%) = (Net Income/Shareholder's Equity) x 100
• Net Income: Profits after all expenses, taxes, and interest.
• Shareholders' Equity: Total equity attributable to shareholders (assets minus liabilities).

Table-15 Inditex ROE Trend 2017-2023

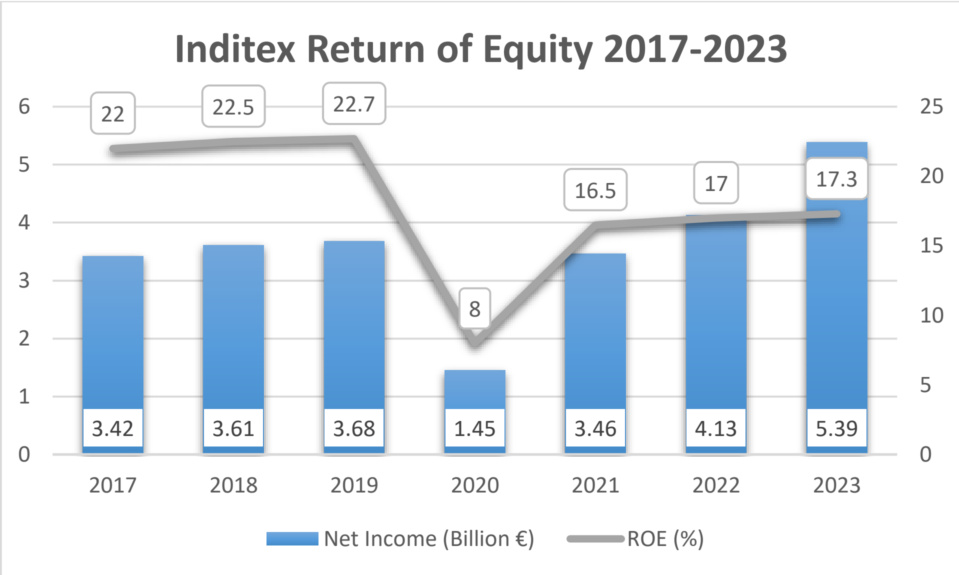
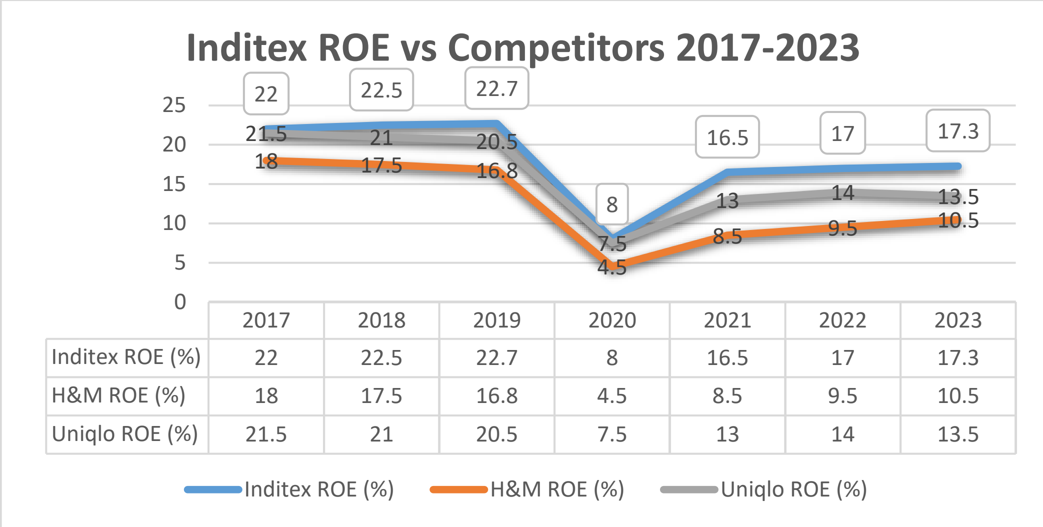


Table-16 Inditex ROE Vs Competitors 2023

Metric	Inditex (2023)	H&M (2023)	Uniqlo (2023)
ROE (%)	17.3	~10.5	~13.5
Net Income (€)	5.39 billion	1.8 billion	2.1 billion
Equity (€)	26.22 billion	~17.0 billion	~15.5 billion



Inditex consistently leads in ROE due to its superior profitability, cost efficiency, and effective capital management. While all companies saw declines during the pandemic, Inditex's rapid recovery highlights its operational agility and strategic investments in e-commerce and flagship stores. Inditex's ROE consistently outperforms competitors, showcasing its ability to generate superior returns for shareholders. By balancing profitability, efficient capital allocation, and strategic investments, Inditex has maintained its position as a leader in the fast-fashion industry.

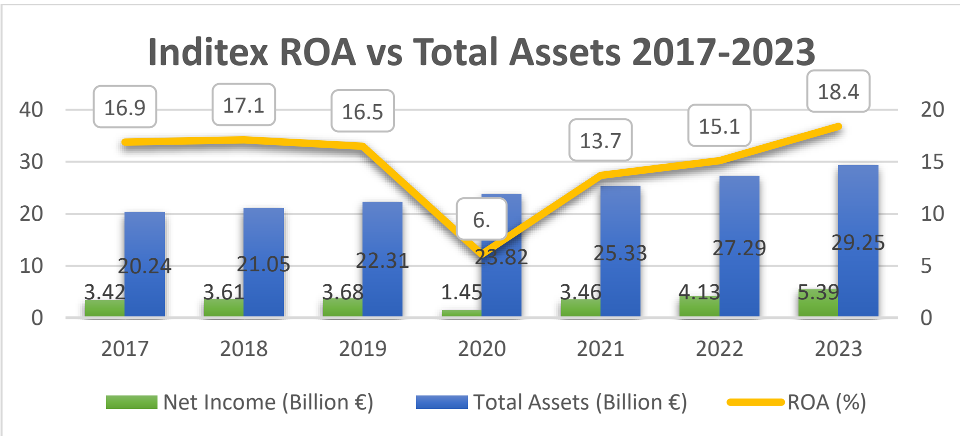
F. ROA (Return of Assets)

Return on Assets (ROA) is a fundamental driver of profitability, reflecting how efficiently a company uses its assets to generate income and measures how efficiently a company uses its assets to generate net income. A consistently high ROA has been instrumental in maintaining industry-leading profitability. By optimizing asset utilization through digital transformation, store consolidation, and cost management. For Inditex, analyzing ROA trends from 2017 to 2023 provides insights into the company's asset utilization, operational efficiency, and ability to generate returns.

Table-17 ROA Formula

ROA (%) = (Net Income/Total Assets) x 100
• Net Income: Profits after all expenses, taxes, and interest.
• Total Assets: Sum of all the company's assets, including physical, financial, and intangible assets.

Table-18 Inditex ROA vs Total Assets 2017-2023



ROA was consistently high, averaging 16.8%, indicating efficient asset utilization to generate profits. Growth in net income outpaced asset increases, supporting a stable ROA. ROA dropped sharply to 6.1%, reflecting a significant decline in net income due to reduced sales during global store closures. Total assets increased slightly, as Inditex retained assets despite lower utilization. Strong net income recovery, reaching €5.39 billion in 2023. Optimized asset utilization through store consolidation and increased e-commerce contributions.

Table-19 Inditex ROA vs Competitors 2017-2023

Metric	Inditex (2023)	H&M (2023)	Uniqlo (2023)
ROA (%)	18.4	~9.5	~12.0
Net Income (€)	5.39 billion	1.8 billion	2.1 billion
Total Assets (€)	29.25 billion	~19.0 billion	~17.5 billion
E-Commerce Share (%)	~25	~20	~15

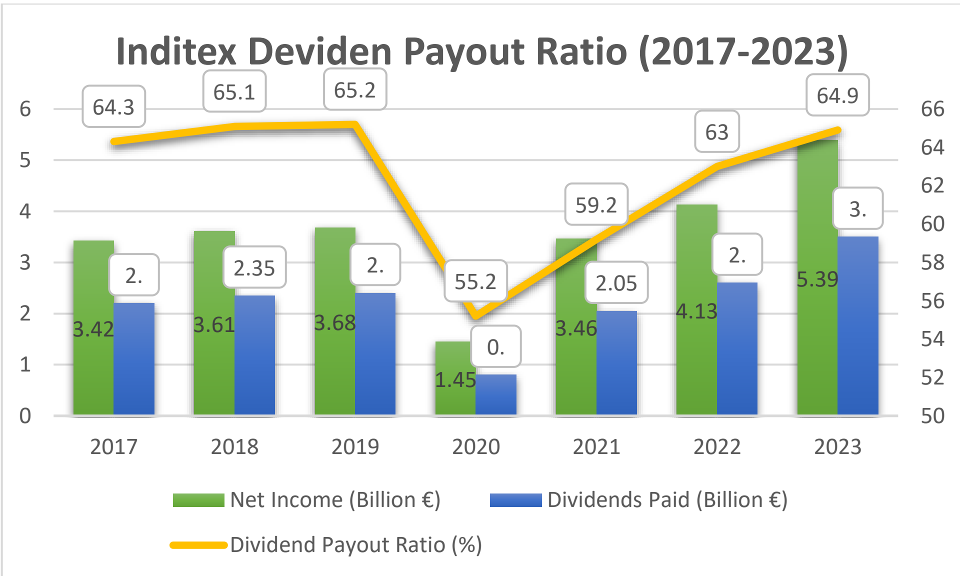
Inditex's ROA trends from 2017 to 2023 reflect its ability to adapt to changing market conditions and optimize asset utilization. The recovery to 18.4% in 2023 highlights the company's operational efficiency, strategic investments, and focus on high-margin growth opportunities. Inditex's ability to leverage digital transformation, sustainability, and store optimization has positioned it as a leader in asset efficiency within the fast-fashion industry.

G. Deviden Payout Ratio (DPR)

Dividend Payout Ratio (DPR) measures the proportion of net income that a company distributes to shareholders as dividends. It reflects a company's approach to balancing shareholder returns with reinvestment for growth. For Inditex, analyzing DPR trends from 2017 to 2023 reveals its commitment to shareholder value while maintaining financial stability and funding strategic investments.

Table-20 Deviden Payout Ratio Formula

Deviden Payout Ratio (%) = (Devidens Paid/Net Income) x 100
• Dividends Paid: Total cash distributed to shareholders during the period.
• Net Income: Profits after all expenses, taxes, and interest.



During pre-pandemic, dividend payout ratio remained stable at ~65%, reflecting a balanced approach to shareholder returns and retained earnings. Consistent profitability and cash flows supported reliable dividend distributions. DPR declined to 55.2% as net income fell sharply due to store closures and reduced sales. Inditex opted to preserve cash during the crisis, prioritizing financial stability while maintaining shareholder returns. DPR rebounded to 63.0% in 2022 and stabilized at 64.9% in 2023, reflecting strong profitability and robust cash flows. Dividends increased proportionately with net income recovery, signaling confidence in Inditex's growth trajectory.

Inditex's Dividend Payout Ratio (DPR) trends from 2017 to 2023 reflect its commitment to balancing shareholder returns with growth investments. The company's ability to maintain a high DPR (~65%) despite challenges highlights its operational resilience and financial strength. By consistently outperforming industry benchmarks and competitors, Inditex demonstrates its leadership in delivering value to shareholders.

5. Conclusion and Recommendation

A. Conclusion

Over the years, Inditex has emerged as a beacon of operational excellence, adaptability, and strategic foresight in the fast-paced and highly competitive world of fashion retail. From its early days as a pioneering company in fast fashion to its current position as a global leader, Inditex's journey between 2017 and 2023 provides a compelling narrative of resilience, growth, and transformation.

The analysis of Inditex's financial performance from 2017 to 2023 highlights the company's skill in overcoming market challenges, staying resilient during disruptions, and making strategic investments to drive growth. Inditex consistently showed strong profitability, with impressive gross profit margins, net profit margins, and EBIT margins, especially bouncing back after the pandemic. Their Return on Equity (ROE) and Return on Assets (ROA) were also above industry standards, demonstrating efficient use of capital and assets.

This period has reinforced Inditex's status as a global leader in fast fashion, not just because of their financial success but also due to their innovation and leadership in sustainability. As Inditex looks to the future, their approach of resilience, adaptability, and focus on customer needs will continue to set an example for others in the industry.

Navigating the Pre-Pandemic Era, as foundation of strength. The years leading up to 2020 saw Inditex refining its strengths and solidifying its leadership in the industry. The company's vertically integrated supply chain and commitment to speed-to-market gave it an edge over competitors, enabling it to respond to rapidly changing consumer demands. With a stable Dividend Payout Ratio (~65%), robust profitability metrics like ROE (~22%) and ROA (~17%), and a global footprint spanning over 90 markets, Inditex built a strong foundation. Inditex's focus on geographic diversification reduced its reliance on any single market, while investments in e-commerce began to bear fruit, contributing approximately 15% to its revenue by 2019. These strengths positioned Inditex as a company capable of balancing shareholder value with reinvestment for growth.

The COVID-19 pandemic in 2020 posed unprecedented challenges for the retail sector. Inditex faced global store closures, supply chain disruptions, and reduced consumer spending, leading to a sharp decline in revenue and net income. Their Return on Equity (ROE) and

Return on Assets (ROA) dropped to 8% and 6.1%, respectively, and the Dividend Payout Ratio (DPR) was reduced to 55% to prioritize financial stability.

However, this period also highlighted Inditex's resilience. The company quickly shifted to e-commerce, investing heavily in digital infrastructure to support online sales and omnichannel integration. This digital transformation helped cushion revenue losses, with online sales surging and reducing reliance on physical stores. At the same time, Inditex streamlined operations by closing underperforming stores and focusing on flagship locations in key markets. These actions not only mitigated the immediate impact of the pandemic but also set the stage for a strong recovery.

Recovery and Innovation, Inditex’s rebound post-pandemic was nothing short of remarkable. By 2021, the company had recovered much of its lost ground, with profitability metrics nearing pre-pandemic levels. By 2023, Inditex recorded its highest-ever revenue (€35.95 billion) and net income (€5.39 billion). Its ROE (17.3%) and ROA (18.4%) exceeded industry benchmarks, underscoring its operational efficiency and profitability. Couple of recovery action was taken as Inditex’s commitment to innovation and strategic agility:

- E-Commerce Expansion, E-commerce accounted for ~25% of revenue by 2023, supported by investments in omnichannel integration and digital tools.
- Sustainability Leadership, the "Join Life" program, which accounted for 50% of collections, reinforced Inditex’s reputation as a sustainable fashion leader. Furthermore, progress toward carbon neutrality and circular production models enhanced its brand equity among environmentally conscious consumers.
- Store Optimization, Inditex continued its shift from quantity to quality, focusing on fewer but more profitable stores.
- Geographic Diversification, growth in emerging markets like Asia and the Americas complemented the company’s stronghold in Europe.

Inditex’s resilience is anchored in its ability to anticipate and adapt to changes in the global retail landscape and crisis management handling. Its vertically integrated supply chain, omnichannel strategy, and strong financial discipline ensure operational flexibility and long-term stability. By continuing to innovate, prioritize sustainability, and leverage digital transformation, Inditex is well-equipped to navigate future challenges and maintain its leadership in the fast-fashion industry.

B. Recommendation

The recommendations outlined in the journal aim to strengthen Inditex's strategic position, ensure sustainable growth, and mitigate potential risks. These recommendations are crafted to address critical areas such as operational efficiency, market expansion, sustainability, and technological innovation. And capitalizing future growth opportunities, strengthen its resilience, and maintain its leadership in the fast-fashion industry. These are the recommendation lists :

I. Expand E-Commerce Capabilities

E-commerce has become a vital growth driver for retail, making up about 25% of Inditex's revenue in 2023. As more people shop online, improving e-commerce capabilities is crucial for capturing market share and meeting customer expectations. Inditex should focus on targeted digital campaigns that use data insights to attract and retain customers. Additionally, leveraging social media and influencer partnerships can boost brand visibility, especially among younger audiences. These efforts will enhance customer satisfaction, loyalty, and revenue through improved digital experiences.

II. Strengthen Presence in High-Growth Markets

Mature markets such as Europe remain critical for Inditex, but the potential for exponential growth lies in emerging economies. Expanding in these regions can diversify revenue streams and capture untapped demand. Tailor product offerings to local preferences, considering cultural and climate-specific factors. Develop region-specific marketing campaigns to connect with local consumers. İn the end to build brand equity and customer loyalty in high-growth regions and boost revenue contribution.

III. Leverage Technology for Operational Efficiency

Technology can make operations more efficient, cut costs, and boost customer engagement. As competition grows, using digital tools will help Inditex stay ahead. One way to do this is through AI-driven supply chain optimization. By using predictive analytics for demand forecasting and inventory management, and automating warehouse operations to reduce errors and increase speed, Inditex can lower operational costs. This approach will improve inventory turnover, minimize overstocking, and enhance profit margins through greater efficiency and reduced waste.

IV. Optimize Store Portfolio

Physical stores are still essential to Inditex's hybrid model, but they need to be optimized to balance profitability and operational efficiency. The focus should be on high-performing stores in prime locations to strengthen the brand's identity. Inditex should continue strategically closing stores that don't meet profitability standards. This approach will likely improve metrics like revenue per square meter and overall store profitability.

V. Maintain Financial Discipline

Careful financial management helps Inditex stay strong during economic downturns and gives it the flexibility to invest in growth. Inditex strikes a balance between ambition and discipline. By keeping strong cash reserves, low debt, and a steady dividend policy, the company ensures stability even in tough times. Closing and optimizing stores strategically boosts profitability, while investments in automation and supply chain efficiency help reduce costs and waste.

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CHAPTER 9

How does PT Indocement Tunggal Prakarsa Tbk Survive in the Oversupply Era?

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ABSTRACT

One of the goals of the Management Team of a company is to create value, by generating profit and wealth for its Shareholders. Due to oversupply of cement, It has given pressure to profitability of cement producers and share prices, hence a potential decrease in value. This because the development of cement industry in Indonesia that continues to grow faster than the domestic demand, leaving Gap of around 53.6 million tons or 57.8% utilization of the installed capacity. Despite such contraction, PT Indocement Tunggal Prakarsa Tbk (INTP) has consistently managed to book profits in the last 5 (five) years. It is interesting to Study and Analyze the Strategy that INTP has taken to maintain its profits and liquidities. Therefore, we are using Secondary Data, which are audited and publicly financial statements of INTP for periods of December 31, 2019 until December 31, 2023. The methodology used would be Descriptive Financial Figure (DFF) and Financial Ratio Analysis (FRA). The result shows INTP's strategy in order to maintain its profitability and liquidities by focusing to achieve following items: decent and sustainable profits, strong liquidity, low leverage, good relationship, no huge capital expenditure (capex) made, no major corporate action (that have negative impact), no major changes on dividend payout ratio, no revaluation of asset, and no accounting policy/treatment changed. This study has added the knowledge in the financial literature. Through this study other Management Team of cement producers might follow INTP's strategy in order to achieve profitability and liquidity in this oversupply era.
Keywords: Value-Creation, Oversupply, Profitability, Liquidity, Financial Figure/Ratio.

1. INTRODUCTION

Indonesian cement industry has experienced a contraction where there has been an oversupply since before the Coronavirus Disease (COVID-19) pandemic until now. This has an impact on the decline in the share prices of cement producer listed companies, such as PT Semen Indonesia (Persero) Tbk (SMGR), PT Indocement Tunggal Prakarsa Tbk (INTP or the Company), and PT Semen Baturaja Tbk (SMBR). Development of cement industry in Indonesia continues to grow and it able to reach production capacity of 118.1 million tons in 2023. On the domestic demand side, it also continue to grow and reach 64 million tons (with production capacity utilization rate of 54.2%), but this has not been as large as during COVID-19, which was reach 70 million tons with production capacity utilization rate of 62.3%. Still, although the demand is growing, but unable to catch up the production capacity, leaving gap of around 54.1 million tons of inefficiency. (CNBC, 2024).

In the midst of the contraction conditions above, INTP has consistently managed to book profitability in the last 5 (five) years based on its audited financial reports for 2019 until 2023. (INTP , 2019 – 2023). It is interesting to study the efforts that INTP has taken to maintain its production cost and their production capacity or asset utilization rate, maintain Selling and General Administrative (SGA) and operating expenses, interest expenses and other substantial expenses (if any), and whether the company's operational cash flow remains healthy and liquid. For that reason, we are using **Secondary Data**, which are audited and publicly financial statements of INTP for periods of December 31, 2019 until December 31, 2023. **The methodology** used would be Descriptive Financial Figure (DFF) and Financial Ratio Analysis (FRA). Through this research, we might be able to follow INTP approach and **Strategy** in managing a cement producer company to be able to survive in the oversupply era.

According to INTP Audited Financial Statements (2023), INTP was established in Indonesia on 16 January 1985, and started its commercial operations in the same year. The Company and its Subsidiaries (the Group), are engage in several businesses, consisting of (i) the manufacture and sale of cement (as core business), (ii) ready-mix concrete, (iii) cement distribution, and (iv) aggregates quarrying. The manufacture and sale of cement covers operations of 13 plants, which located in 3 (three) different sites, they are 10 at the Citeureup, Bogor, 2 (two) at the Palimanan, Cirebon, and 1 (one) at the Tarjun, South Kalimantan. As for the other remaining businesses are covered mostly by the Company’s subsidiaries. And as per December 31, 2023, the Group employs 4,750 permanent employees.

INTP’s ultimate parent is Heildelberg Materials AG (formerly HeilderbergCement AG), a company incorporated and domiciled in Germany. INTP went to public through Initial Public Offering (IPO) in 1989 whereas 59,888,100 of INTP’s shares was offered to public. After the IPO, the total number of issued shares became 598,881,000 shares. All of the INTP’s shares are listed in the Indonesia Stock Exchange. (INTP Audited Financial Statements, 2023).

Due to the oversupply condition explained above, it has given pressure to cement companies in Indonesia, which reflecting through their share price as well, as shown by Chart 1. INTP, SMGR, SMBR 5 Years Historical Share Price. Furthermore, since there’s a volume gap between supply and demand, of around 54.1 million tons, also make the companies become less efficient, with an utilization rate of 54.2% of their total production capacity (CNBC, 2024).

Chart 1. INTP, SMGR, SMBR 5 Years Historical Share Price

Source: Google Finance

Similar information was also revealed by the Indonesia Investments (2024), whereas although the demand of cement was strong and growing in year 2010, but this also attract not only domestic players to expand (their production capacity), but also newcomer from abroad to establish new cement manufacturing plant here in Indonesia. As a result of direct investment realization, cement production capacity continues to grow, causing increasing excess capacity and oversupply of cement in the Indonesian market. Furthermore, because of fierce competition for market share among the cement producers, cement prices fell, which affecting their corporate revenues and earnings. As shown by data from Indonesian Cement Association (ASI) in the Table 1. Overview of Indonesia's Cement Landscape, that there is surplus gap from year 2022 until year 2023.

INTP as one of the major cement producer in Indonesia, been selected as a sample of case study, to check whether or not the company had experienced such contraction as well, based on its Financial Performance Report (Income Statement and Operating Cashflow) for 5 (five) consecutive years from 2019 (before COVID-19 pandemic) and until 2023 (after COVID-19 pandemic), hence we would have a complete perspective before, during, and post of the pandemic.

Table 1. Overview of Indonesia's Cement Landscape

	2022	**2023**
Installed Capacity (in million tons)	119.1	119.1
Domestic Demand (in million tons)	63.3	65.5
Domestic Sales (in million tons)	72.2	76.4
Utilization Ratio (%)	55.8	57.8
Export Sales (in million tons)	8.9	10.9
Utilization Ratio (incl. export) (%)	63.7	67.4

Utilization calculated using installed capacity of 113.4 million tons (excl. capacity of cement plants whose sales volumes were not recorded by ASI).

Source: Indonesian Cement Association (ASI)

This research's objective is to study and analyze on how INTP's Strategy in managing to achieve profitability, financial stability, and operational liquidity during the oversupply era, by analyzing its audited and publicly financial statements of INTP for periods of December 31, 2019 until December 31, 2023, hence using **secondary data source**. **The methodology** used would be Descriptive Financial Figure (DFF) and Financial Ratio Analysis (FRA). **The expected result is to show INTP's strategy** in order to maintain its profitabilities and liquidities by focusing to achieve following items: decent and sustainable profits, strong liquidity, low leverage, good relationship, no huge capital expenditure (capex) made, no major corporate action (that have negative impact), no major changes on dividend payout ratio, no revaluation of asset, and no accounting policy/treatment changed. Through this research, we might be able to follow **INTP approach and Strategy** in managing a cement producer company to be able to survive in the oversupply era.
Please note that the research **only cover INTP financial figures** and do not cover any other cement producer financial figures.

2. LITERATURE REVIEW.

There are several approaches and strategies apply by cement producers company in facing the oversupply crisis. Suarly et. al., (2023), were using the theory of Strategic Management with emphasize on the Resource-Based View (RBV) managerial framework for crisis management emergency response (CM-ER) and RAIN (replicate, alignment, and innovation) conceptual model. RAIN is a combination of all activities such as replicate, alignment, and innovation that can flexibly be used after mirroring to other competitors and seek what others do better and try to do even better. According to Suarly et. al., (2023), to be survive in crisis, whatever concepts offered from RAIN that are working, should be considered by the management team. Aziz, Abdul (2023), proposing of Fighting Brands that can help cement producers company to maintain and to increase their sales performance, market share, and customer loyalty during oversupply condition. From the strategic cement producer behavioral perspective in overseas market, Allevi et al., (2018), found that European cement industry is more mature and less competitive, while Africa and the Far East have more potential to grow. For cement distributors/retailers, Debnath et al. (2023) propose sustainable base-stock inventory strategies that can effectively enhance the anticipated long-term profitability of cement retailers. There's a need to factoring in a comprehensive range of cost components and a fixed cycle length. It also emphasize the importance of evaluation and negotiation from neighboring suppliers prior undertaking substantial stock procurements.
Furthermore, Midfi et al. (2021), were using the concept of Economic Value Added (EVA), Refined Economic Value Added (REVA), Financial Value Added (FVA), Market Value Added (MVA), and Shareholder Value Added (SVA) in determining financial performance and the ability of major cement producer companies in creating value added. According to the research, cement producer companies produce fluctuating value added and were not always able to create value added, especially in regards to MVA and SVA since both of the measurement were involving market/share price of the company in the mid of pressure coming from competition and oversupply condition, hence the values were tend to decrease. Setiyawan et al. (2021) emphasize more on efficiency through a supply chain network design, post acquisition of other cement producer companies or facilities, in optimizing the costs, including recommendation to close-down/liquidated the facilities. The results provide recommendation that in the current oversupplied market condition and post acquisition, the company was encourage to close 2/3 units of the packing plant and 2/3 units of the grinding plant along with the allocation of each facility in order to increase the utilization rate of the facility. According to Yousaf, Saiqa (2017), financial leverage has a significant negative impact on the performance of cement producer companies in Pakistan. Although the

companies were based in Pakistan, it still benefit us in understanding that the impact of financial leverage on company's financial performance was factually huge.
However, none of the above study or research found were discussing the solution for a cement companies to survive in the oversupply era, through analyzing their financial performance figures, or through DFF and FRA approach. Therefore, **this study would add beneficial knowledge** in the financial literature.
One of the goals of the Management Team of a company is to **create value**, by generating profit and wealth for its Shareholders. According to Sembel, Roy (2024), Financial Management is an optimal orchestration of internal and external financial resources towards significant and sustainable Value creation. Hence, the basic objective is to achieve significant and sustainable Value creation. According to McKinsey & Co, return on capital, growth, and cashflow would drive Value creation. A combination of growth, return on invested capital (ROIC), and healthy of cashflow (from operating activities) will drive Value creation. Charan, Ram (2017), said that there are 5 (five) business essentials, which is Cash, Profit Margin, Velocity, Growth, and Customer Focus, while Velocity could also be derived from Return times its Invested Capital or ROIC. Hence, there are similarity for both McKinsey & Co and Ram Charan in regards to the Value creation concept.
Furthermore, according to Daryanto, Wiwiek Mardawiyah (2023), when an organization consider to purchase a new long lived asset, the essential question that need to be addressed is whether or not the anticipated future cash inflows generated by the new investment is large enough to justify the investing fund made/allocated, because that decisions do lock the organization to a course of action for several, perhaps many, future years. That's the reason why a company need to be careful when deciding to make a new long term investment or not.
Under this research we would like to know, wheter or not, INTP still able to create value for its shareholders such as in terms of Profit, Cash (from Operating Activities), and Growth (in Total Asset) or in other words, is INTP still able to achieve sound profitability, financial stability, and operational liquidity although the market condition is in oversupply of cement where less favourable for them as a cement producer company.
Halton, Clay (2022), defines Oversupply as an excessive amount of a product that is a result of when demand is lower than supply, resulting in a surplus gap. In other words, oversupply era in cement industry could be defined as a condition where total domestic cement production capacity is bigger compare to total domestic demand on cement, hence leaving a surplus gap of cement produced by the cement producers. If this condition occurs more than one year or even more, it will lead to more stiff competition among the cement producers, where the company might need to reduce their product price, which lead to lower profit margin, longer trade cycle, increase issue in cash collection, higher working capital need, decrease production/ asset utilization rate, further inefficiency, and many more.
Therefore the company should prepare in facing such unfavorable condition, hence they need to have good capital structure, cash to support operational or working capital need, strong and sustainable revenue. optimal cost and expenses, so that they would manage to achieve profitability, financial stability, and operational liquidity in any given market condition, including when the oversupply era occur.

3. RESEARCH METHOD

INTP has been able to manage their financial performance during the oversupply era, especially in regards to their profitability, where they still able to book profit (net income) for the past 5 (five) consecutive years. For that reason, we would like to understand better on how INTP manage to achieve that profitability as well as their stability and operational liquidity in their financial figure as follows:

- Sales Revenues
- Cashflow generated from Operating Activities

- Cost of Revenues
- Gross Profit
- Operating Expenses
- Operating Profit
- Net Income
- A/R Turnover (ratio, collection days, and freq. rate)
- Financial Cost (payment of LTD due and Interest)
- Policy on Dividend Payment and Retained Earnings
- Productivity or Asset Turnover
- Ending Cashflow Balance (after took consideration on Investing and Financing activities as well).

By using Descriptive Financial Figure and Financial Ratio Analysis research method, we would know each of the relevant financial figures performance, how are their trend and volatility, and how their profitability and operational liquidity. Please note that the research only cover INTP financial figures and do not cover any other cement producer financial figures.

For that reason, our pre-hypothesis are as follows:

- INTP is a profitable company with no huge volatility occurred for the 5 (five) consecutive years, from 2019 until 2023.
- INTP has strong liquidity, since able to consistently booking profits and realizing it into cash from its operating (collecting) activities.
- INTP is a low leverage company, hence manage to reduce their financing cost, and therefore better in term of net profit margin and more flexible in adjusting their capital structure or any other financial figures composition, should there is a need to do so.
- INTP has strong relationship with its distributors/customers and able to maintain their good quality of their products, hence strengthening their financial performance even further.
- No huge capital expenditure (capex) made during that period/era resulting better efficiency for their existing assets utilization rate as well as no huge allocation of depreciation expenses needed.
- No major corporate action made that may impact to less sales revenues and higher costs/expenses.
- No major changes on Dividends policy that could impact on Retained earnings or Cash Balance of the company.
- No revaluation of asset made, and
- No accounting policy/treatment changed.

According to Londeree, Ben R. (2013), an object stability would directly relate to its body weight, base area, and distance from its center of gravity. Hence, there's kind of center as the base for its volatilities. According to Mars (2024), constancy rule applies when financial transactions were being recorded.

In a broader concept, where there is no need to explain specifically what makes up a financial system, Schinasi, Garry J. (2004), said that a financial stability is a condition where an economy's mechanisms are functioning well to contribute to the performance of the economy such as for pricing, allocating, and managing financial risks (credit, liquidity, counterparty, market, etc.).

Stability in financial figure under this research is to be defined as a condition where changes in each of the financial figure is quite sustain, no major volatility, and the changes on each item/account only less than 15% - 20% compare to previous year. With such low volatilities, a company is expected to be able to meet their financial obligations, similar with the previous year, or from time to time, so long the company also able to meet its positive profitability figures and operational liquidity.

Hence, our expectation in regards to the pre-hypothesis above are true and correct, and no major volatility occurred. If the expectation achieved, we might be able to follow INTP approach in managing a cement company/producer to be able to survive in the oversupply era.

4. RESULT AND DISCUSSION

By analyzing INTP Audited Financial Statement for 5 (five) consecutive years, we could summarize few things as follows:

1. Net (Sales) Revenue quite stable from time to time as shown by Table 2. Net Revenue, Cost of Revenues, and Gross Profit below, and should there's a downfall in Net Revenue will be followed by the decrease in Cost of Revenues as well. The volatility for Net Revenue was around 4.14% - 11.01% compare to its previous year.

It applies the otherway-round, when there's an incremental in Net Revenue, their Cost of Revenue is also increase. However the impact on profitability is higher on the volatility of the Net Revenue compare to its Cost of Revenue. For instance as shown by Table 2. Net Revenue, Cost of Revenues, and Gross Profit below, on the year 2022, INTP still manage to book Gross Profit in the amount of Rp 5.14T or increase by 0.33% from the previous year, even though there was an increase in the Cost of Revenue by 15.96% from the previous year, much higher than the increase in the Net Revenue, 10.54%.

Table 2. Net Revenue, Cost of Revenues, and Gross Profit

PT INDOCEMENT TUNGGAL PRAKARSA Tbk AND ITS SUBSIDIARIES CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Expressed in millions of rupiah, unless otherwise stated)

	2023	2023 vs 2022	2022	2022 vs 2021	2021	2021 vs 2020	2020	2020 vs 2019	2019
Status	Audited		Audited		Audited		Audited		Audited
Auditor' Name	Tanudiredja, Wibisana, Rintis & Rekan (PWC)		Tanudiredja, Wibisana, Rintis & Rekan (PWC)		Tanudiredja, Wibisana, Rintis & Rekan (PWC)		Tanudiredja, Wibisana, Rintis & Rekan (PWC)		Purwantono, Sungkoro & Surja (EY)
Auditor' Opinion	Present Fairly, in All Material Respects		Present Fairly, in All Material Respects		Present Fairly, in All Material Respects		Present Fairly, in All Material Respects		Present Fairly, in All Material Respects
NET REVENUES	17,949,756	9.93%	16,328,278	10.54%	14,771,906	4.14%	14,184,322	-11.01%	15,939,348
COST OF REVENUES	- 12,103,031	8.21%	- 11,185,120	15.96%	- 9,645,624	6.34%	- 9,070,770	-13.11%	- 10,439,031
GROSS PROFIT	5,846,725	13.68%	5,143,158	0.33%	5,126,282	0.25%	5,113,552	-7.03%	5,500,317
GPM (%)	**32.57%**		**31.50%**		**34.70%**		**36.05%**		**34.51%**
Cost of Revenues to Net Revenues (%)	**-67.43%**		**-68.50%**		**-65.30%**		**-63.95%**		**-65.49%**

Source: INTP Audited Financial Statements, 2019 – 2023

2. From time to time, INTP manages to book Gross Profit, Operating Profit, and Net Profit, hence in regards to operations-wise, the Company manages to fullfil their role to their Shareholders in generating profit it every step of the way. As shown by Table 3. GPM, OPM, NPM below, Operating Profit Margin (OPM) is ranging from 11.95% until 14.02% while the Net Profit Margin (NPM) is ranging from 10.87% until 12.73%, hence quite decent in term of profitabilty.

Table 3. GPM, OPM, NPM

PT INDOCEMENT TUNGGAL PRAKARSA Tbk AND ITS SUBSIDIARIES CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
(Expressed in millions of rupiah, unless otherwise stated)

	2023	2022	2021	2020	2019
Status	Audited	Audited	Audited	Audited	Audited
Auditor' Name	Tanudiredja, Wibisana, Rintis & Rekan (PWC)	Tanudiredja, Wibisana, Rintis & Rekan (PWC)	Tanudiredja, Wibisana, Rintis & Rekan (PWC)	Tanudiredja, Wibisana, Rintis & Rekan (PWC)	Purwantono, Sungkoro & Surja (EY)
Auditor' Opinion	Present Fairly, in All Material Respects	Present Fairly, in All Material Respects	Present Fairly, in All Material Respects	Present Fairly, in All Material Respects	Present Fairly, in All Material Respects
NET REVENUES	17,949,756	16,328,278	14,771,906	14,184,322	15,939,348
GROSS PROFIT	5,846,725	5,143,158	5,126,282	5,113,552	5,500,317
GPM (%)	**32.57%**	**31.50%**	**34.70%**	**36.05%**	**34.51%**
OPERATING PROFIT	2,282,058	2,226,482	2,070,866	1,875,945	1,905,055
OPM (%)	**12.71%**	**13.64%**	**14.02%**	**13.23%**	**11.95%**
NET INCOME FOR THE YEAR	**1,950,266**	**1,842,434**	**1,788,496**	**1,806,337**	**1,835,305**
NPM	**10.87%**	**11.28%**	**12.11%**	**12.73%**	**11.51%**

Source: INTP Audited Financial Statements, 2019 – 2023

3. INTP is also manage to maintain both their (i) Cost of Revenues to Net Revenues ratio, ranging from 63.95% until 68.50% and (ii) Operating Expenses to Net Revenues ratio ranging between 20.20% until 22.23% as shown by Table 4. Cost and Expenses to Revenue Ratio below. Although there's a trend increase in the Cost of Revenue to Net Revenues for the past 3 (three) years (2021 until 2023), from 65.30% to 67.43% but the Gross Profit was also increase if it compare to the previous year from Rp 5.13T to Rp 5.85T.

Table 4. Cost and Expenses to Revenue Ratio

PT INDOCEMENT TUNGGAL PRAKARSA Tbk AND ITS SUBSIDIARIES CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
(Expressed in millions of rupiah, unless otherwise stated)

	2023	2022	2021	2020	2019
Status	Audited	Audited	Audited	Audited	Audited
Auditor' Name	Tanudiredja, Wibisana, Rintis & Rekan (PWC)	Tanudiredja, Wibisana, Rintis & Rekan (PWC)	Tanudiredja, Wibisana, Rintis & Rekan (PWC)	Tanudiredja, Wibisana, Rintis & Rekan (PWC)	Purwantono, Sungkoro & Surja (EY)
Auditor' Opinion	Present Fairly, in All Material Respects	Present Fairly, in All Material Respects	Present Fairly, in All Material Respects	Present Fairly, in All Material Respects	Present Fairly, in All Material Respects
NET REVENUES	17,949,756	16,328,278	14,771,906	14,184,322	15,939,348
COST OF REVENUES	- 12,103,031	- 11,185,120	- 9,645,624	- 9,070,770	- 10,439,031
GROSS PROFIT	5,846,725	5,143,158	5,126,282	5,113,552	5,500,317
Cost of Revenues to Net Revenues (%)	**-67.43%**	**-68.50%**	**-65.30%**	**-63.95%**	**-65.49%**
Operating expenses	- 3,626,194	- 3,334,297	- 3,218,741	- 3,153,515	- 3,503,230
OPERATING PROFIT	2,282,058	2,226,482	2,070,866	1,875,945	1,905,055
Operating Expenses to Net Revenue (%)	**-20.20%**	**-20.42%**	**-21.79%**	**-22.23%**	**-21.98%**

Source: INTP Audited Financial Statements, 2019 – 2023

4. In term of stability, INTP manages to maintain its volatility from time to time for every material financial figures that may lead to negative impact to their profitability as shown by Table 5. INTP Volatility, in this case still less than 15% - 20%, except 15.96% incremental in Cost of Revenue in year 2022 compare to its previous year, but the incremental was still below 20% of our maximum threshold. On the other hand, the Net Revenue was also increased by 10.54% from the previous year. Although the incremental lesser compare to the

increase in Cost of Revenue, the GPM was still decent at 31.50%, as a result the company was still able to book Gross Profit in the amount of Rp 5.14T.

Table 5. INTP Volatility

PT INDOCEMENT TUNGGAL PRAKARSA Tbk AND ITS SUBSIDIARIES CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Expressed in millions of rupiah, unless otherwise stated)

	2023	2023 vs 2022	2022	2022 vs 2021	2021	2021 vs 2020	2020	2020 vs 2019	2019
Status	Audited		Audited		Audited		Audited		Audited
Auditor' Name	Tanudiredja, Wibisana, Rintis & Rekan (PWC)		Tanudiredja, Wibisana, Rintis & Rekan (PWC)		Tanudiredja, Wibisana, Rintis & Rekan (PWC)		Tanudiredja, Wibisana, Rintis & Rekan (PWC)		Purwantono, Sungkoro & Surja (EY)
Auditor' Opinion	Present Fairly, in All Material Respects		Present Fairly, in All Material Respects		Present Fairly, in All Material Respects		Present Fairly, in All Material Respects		Present Fairly, in All Material Respects
NET REVENUES	17,949,756	9.93%	16,328,278	10.54%	14,771,906	4.14%	14,184,322	-11.01%	15,939,348
COST OF REVENUES	- 12,103,031	8.21%	- 11,185,120	15.96%	- 9,645,624	6.34%	- 9,070,770	-13.11%	- 10,439,031
GROSS PROFIT	5,846,725	13.68%	5,143,158	0.33%	5,126,282	0.25%	5,113,552	-7.03%	5,500,317
GPM (%)	**32.57%**		**31.50%**		**34.70%**		**36.05%**		**34.51%**
Operating expenses	- 3,626,194	8.75%	- 3,334,297	3.59%	- 3,218,741	2.07%	- 3,153,515	-9.98%	- 3,503,230
Other operating income (expenses) - net	61,527	-85.27%	417,621	155.70%	163,325	294.22%	- 84,092	-8.63%	- 92,032
OPERATING PROFIT	2,282,058	2.50%	2,226,482	7.51%	2,070,866	10.39%	1,875,945	-1.53%	1,905,055
OPM (%)	**12.71%**		**13.64%**		**14.02%**		**13.23%**		**11.95%**

Source: INTP Audited Financial Statements, 2019 – 2023

5. In May 2020, Law No. 2/2020 was issued concerning Enactment of Government Regulation in Lieu of Law No. 1/2020. The Law changed the corporate income tax rate from 25% to 22% for fiscal year 2020 and year 2021, and 20% for fiscal year 2022 onwards. This is one of the reason why, beside slight decrease in 2020's Earning Before Tax by 5.54%, the Income Tax Expense for year 2020 was decrease even further by 22.12% compared to the previous year.
   On 29 October 2021, the Government issue Law of the Republic of Indonesia No. 7 Year 2021 (UU HPP) concerning Harmonization of Tax Regulations. The regulation governs the increase in corporate income tax rate from 20% become 22% for 2022 fiscal year onwards, which now same with the previous fiscal year, or in other words, the previous tax rate of 20% had became invalid. Fortunately, according to Government Regulation No. 30/2020, public listed companies that meet certain requirements are entitled to a 3% tax rate reduction from the applicable tax rates. INTP has complied with those requirements and has applied for such reduction.
6. In regards to the cash flow as shown in Table 6. Cash Flow from Operating Activities below, INTP was also manage to maintain positive cashflow generated from its Operating Activities. This is one of the most important things from the Shareholders' point of view, where profitability of the company should be generated through the company operating activities and it is not merely from the investing activities (i.e. proceed from disposal of productive asset) and/or from the financing activities (i.e. new/additional bank loan). The cash flow generated from its operating activities is ranging from Rp 2.4T until Rp 3.54T.

Table 6. Cash Flow from Operating Activities

PT INDOCEMENT TUNGGAL PRAKARSA Tbk AND ITS SUBSIDIARIES CONSOLIDATED STATEMENT OF CASH FLOW

(Expressed in millions of rupiah, unless otherwise stated)

	2023	2022	2021	2020	2019
Status	Audited	Audited	Audited	Audited	Audited
Auditor' Name	Tanudiredja, Wibisana, Rintis & Rekan (PWC)	Tanudiredja, Wibisana, Rintis & Rekan (PWC)	Tanudiredja, Wibisana, Rintis & Rekan (PWC)	Tanudiredja, Wibisana, Rintis & Rekan (PWC)	Purwantono, Sungkoro & Surja (EY)
Auditor' Opinion	Present Fairly, in All Material Respects	Present Fairly, in All Material Respects	Present Fairly, in All Material Respects	Present Fairly, in All Material Respects	Present Fairly, in All Material Respects
CASH FLOWS FROM OPERATING ACTIVITIES					
Collections from customers	19,806,309	18,013,028	16,237,474	15,899,790	17,483,861
Payments to suppliers, contractors, employees and others	- 16,084,460	- 15,362,102	- 13,401,776	- 12,369,793	- 14,249,645
Receipts of interest income	149,870	81,199	176,990	317,955	355,010
Payments of corporate income taxes	- 386,674	- 330,352	- 412,171	- 311,374	- 76,104
Refunds from other tax restitution			6,190	1,433	17,650
Net cash flows provided from operating activities	**3,485,045**	**2,401,773**	**2,606,707**	**3,538,011**	**3,530,772**
Cash Realization (times)	**1.79**	**1.30**	**1.46**	**1.96**	**1.92**

Source: INTP Audited Financial Statements, 2019 – 2023

Furthermore, having seen Table 6. Cash Flow from Operating Activities above, the amount of its Collections from customers was also increasing, hence a positive trend since year 2020 to 2023, from Rp 15.90T in year 2020 become Rp 19.81T in year 2023. It proofs that the company is able to collect or to realize their Sales in credit (Account Receivable (A/R)) become real cash payment receipt from their customers.

This positive trend of operations efficiency is also supported by the decreasing trend in A/R Turnover ratio from time to time as shown in Table 7. A/R Turnover Ratio below, where previously the A/R Turnover ratio was 18.72%, become 15.28%, or from 68.33 collection days become 55.76 days, and in term of velocity or frequency rate, it also gradually increase from 5.34 times in a year become 6.55 times in a year.

Table 7. A/R Turnover Ratio

PT INDOCEMENT TUNGGAL PRAKARSA Tbk AND ITS SUBSIDIARIES CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in millions of rupiah, unless otherwise stated)

	2023	2022	2021	2020	2019
Status	Audited	Audited	Audited	Audited	Audited
Auditor' Name	Tanudiredja, Wibisana, Rintis & Rekan (PWC)	Tanudiredja, Wibisana, Rintis & Rekan (PWC)	Tanudiredja, Wibisana, Rintis & Rekan (PWC)	Tanudiredja, Wibisana, Rintis & Rekan (PWC)	Purwantono, Sungkoro & Surja (EY)
Auditor' Opinion	Present Fairly, in All Material Respects	Present Fairly, in All Material Respects	Present Fairly, in All Material Respects	Present Fairly, in All Material Respects	Present Fairly, in All Material Respects
ASSET					
CURRENT ASSETS					
TOTAL CURRENT ASSETS	**9,228,033**	**10,312,090**	**11,336,733**	**12,299,306**	**12,829,494**
A/R Turnover Ratio (%)	**15.28%**	**16.24%**	**17.51%**	**18.22%**	**18.72%**
A/R Turnover Days	**55.76**	**59.28**	**63.92**	**66.51**	**68.33**
A/R Turnover Rate (times)	**6.55**	**6.16**	**5.71**	**5.49**	**5.34**

Source: INTP Audited Financial Statements, 2019 – 2023

7. As expected, INTP is a low leverage company, the company didn't have any bank loan except in the end of year 2023 where they decided to take a short term bank loan, clean basis, in the amount of Rp 2T from PT Bank Standard Chartered (SCB).

Table 8. Cash Flow from Financing Activities

PT INDOCEMENT TUNGGAL PRAKARSA Tbk AND ITS SUBSIDIARIES CONSOLIDATED STATEMENT OF CASH FLOW

(Expressed in millions of rupiah, unless otherwise stated)

	2023	2022	2021	2020	2019
Status	Audited	Audited	Audited	Audited	Audited
Auditor' Name	Tanudiredja, Wibisana, Rintis & Rekan (PWC)	Tanudiredja, Wibisana, Rintis & Rekan (PWC)	Tanudiredja, Wibisana, Rintis & Rekan (PWC)	Tanudiredja, Wibisana, Rintis & Rekan (PWC)	Purwantono, Sungkoro & Surja (EY)
Auditor' Opinion	Present Fairly, in All Material Respects	Present Fairly, in All Material Respects	Present Fairly, in All Material Respects	Present Fairly, in All Material Respects	Present Fairly, in All Material Respects
CASH FLOWS FROM FINANCING ACTIVITIES					
Receipts from short-term bank loan	2,000,000	-	-	-	-
Payment of long-term other payables	-2,983,695	-	-	-	-
Payment of loan to third parties	-693,780	-	-	-	-
Payments of cash dividends	-548,778	-1,739,801	-1,849,137	-2,658,896	-2,024,015
Payments of interest expense and other financial charges	-457,944	-37,150	-24,017	-45,193	-865
Payments of lease liabilities	-410,520	-284,799	-166,154	-158,609	-1,477
Payments for acquisition of treasury shares	-	-1,178,555	-1,564,213	-	-
Net cash flows used in financing activities	**-3,094,717**	**-3,240,305**	**-3,603,521**	**-2,862,698**	**-2,026,357**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**-1,326,447**	**-1,712,121**	**-1,554,959**	**13,579**	**458,449**

Source: INTP Audited Financial Statements, 2019 – 2023

As we could see in the Table 8. Cash Flow from Financing Activities above, there's no payment made for bank loan and there's additional cash in the amount of Rp 2T from the short term bank loan receipt. This was because INTP bought 100% PT Semen Grobogan's (SGB's) shares using their accumulated cash or retained earnings in the amount of Rp 1.49T in order to strengthen their market position (especially in Central Java), and to increase logistical cost efficiency. Since the loan is a quite small amount of loan, 9.54% of its Total Equity, and it is a short term bank loan, hence in term of additional Finance Cost or interest expense, it quite minimum, therefore it leads to better NPM and more flexible in managing their capital structure and other composition financial figures, should there is a need to do so.

8. INTP Dividend Payout ratio is quite generous, since the Company has always been able to book profit and leads to accumulated cash for its beginning of year cash balance. As shown by Table 9. Dividend Payout Ratio below, INTP Dividend Payout ratio is around 100% - 150% (94.43% up to 147.20%) of its Earning or Net Income, so long there's sufficient accumulated cash to maintain its beginning of the year cash balance, which is around Rp 6.14T to 7.70T and there's no Corporate Action made in regards to Investment just like in year 2023. If any, then the Dividend Payout ratio would be reduce just like in year 2023, which was only 28.14% of its Earning or Net Income.

Table 9. Dividend Payout Ratio

PT INDOCEMENT TUNGGAL PRAKARSA Tbk AND ITS SUBSIDIARIES CONSOLIDATED STATEMENT OF CASH FLOW

(Expressed in millions of rupiah, unless otherwise stated)

	2023	2022	2021	2020	2019
Status	Audited	Audited	Audited	Audited	Audited
Auditor' Name	Tanudiredja, Wibisana, Rintis & Rekan (PWC)	Tanudiredja, Wibisana, Rintis & Rekan (PWC)	Tanudiredja, Wibisana, Rintis & Rekan (PWC)	Tanudiredja, Wibisana, Rintis & Rekan (PWC)	Purwantono, Sungkoro & Surja (EY)
Auditor' Opinion	Present Fairly, in All Material Respects	Present Fairly, in All Material Respects	Present Fairly, in All Material Respects	Present Fairly, in All Material Respects	Present Fairly, in All Material Respects
CASH FLOWS FROM FINANCING ACTIVITIES					
Payments of cash dividends	- 548,778	- 1,739,801	- 1,849,137	- 2,658,896	- 2,024,015
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	- 1,326,447	- 1,712,121	- 1,554,959	13,579	458,449
NET EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	- 13,685	96,359	- 1,405	32,302	- 32,575
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	4,525,505	6,141,267	7,697,631	7,651,750	7,225,876
CASH AND CASH EQUIVALENTS AT END OF YEAR	3,185,373	4,525,505	6,141,267	7,697,631	7,651,750
NET INCOME FOR THE YEAR	1,950,266	1,842,434	1,788,496	1,806,337	1,835,305
Dividend Payout Ratio (%)	28.14%	94.43%	103.39%	147.20%	110.28%

Source: INTP Audited Financial Statements, 2019 – 2023

In regards to Retained Earnings policy, if target cash balance for the beginning of the year achieved, as explained earlier, then need no additional appropriated retained earning allocated. In fact, for the past 5 years, the appropriated retained earnings as the general reserve has been stable at Rp 400 billion. It is also in order to be compliance with Corporation Law No. 40 of 2007 dated August 16, 2007, which requires companies to set aside, on a gradual basis, an amount equivalent to, or at least 20% of their subscribed capital as general reserve.

9. In term of assets productivity as shown by the Asset Turn Over rate on Table 10. Asset Turn Over rate below, the asset utilization rate is increasing from 0.52 times in year 2020 become 0.61 times in year 2023, or in other words INTP generates Rp 0.52 – Rp 0.61 in revenue for every Rp 1 in assets.

Table 10. Asset Turn Over rate

PT INDOCEMENT TUNGGAL PRAKARSA Tbk AND ITS SUBSIDIARIES CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in millions of rupiah, unless otherwise stated)

	2023	2022	2021	2020	2019
Status	Audited	Audited	Audited	Audited	Audited
Auditor' Name	Tanudiredja, Wibisana, Rintis & Rekan (PWC)	Tanudiredja, Wibisana, Rintis & Rekan (PWC)	Tanudiredja, Wibisana, Rintis & Rekan (PWC)	Tanudiredja, Wibisana, Rintis & Rekan (PWC)	Purwantono, Sungkoro & Surja (EY)
Auditor' Opinion	Present Fairly, in All Material Respects	Present Fairly, in All Material Respects	Present Fairly, in All Material Respects	Present Fairly, in All Material Respects	Present Fairly, in All Material Respects
ASSET					
TOTAL ASSETS	29,649,645	25,706,169	26,136,114	27,344,672	27,707,749
NET REVENUES	17,949,756	16,328,278	14,771,906	14,184,322	15,939,348
Asset Turnover (times)	0.61	0.64	0.57	0.52	0.58

Source: INTP Audited Financial Statements, 2019 – 2023

10. In addition to INTP ability to still book decent profit margins and generate positive cash flow from its operating activities, INTP also prudent in both their financing activities and investing activities, since there was no bank loan until year 2023 and no major capital expenditure occured until year 2023, as a result, Ending Cash flow balance were still positive, supported by ample cash balance at the beginning of the year as well. There were conditions, where the cash were decreasing due to Corporate Actions made by the Company: they are (i) the acquisition of treasury shares in year 2021 & 2022, and (ii) the acquisition of subsidiaries (SGB) in year 2023.

Table 11. Corporate Action - Capex

PT INDOCEMENT TUNGGAL PRAKARSA Tbk AND ITS SUBSIDIARIES CONSOLIDATED STATEMENT OF CASH FLOW

(Expressed in millions of rupiah, unless otherwise stated)

	2023	2022	2021	2020	2019
Status	Audited	Audited	Audited	Audited	Audited
Auditor' Name	Tanudiredja, Wibisana, Rintis & Rekan (PWC)	Tanudiredja, Wibisana, Rintis & Rekan (PWC)	Tanudiredja, Wibisana, Rintis & Rekan (PWC)	Tanudiredja, Wibisana, Rintis & Rekan (PWC)	Purwantono, Sungkoro & Surja (EY)
Auditor' Opinion	Present Fairly, in All Material Respects	Present Fairly, in All Material Respects	Present Fairly, in All Material Respects	Present Fairly, in All Material Respects	Present Fairly, in All Material Respects
CASH FLOWS FROM INVESTING ACTIVITIES					
Payment for acquisition of subsidiaries, less cash acquired	- 1,179,257	-	- 2,416	- 15	- 25,468
Net cash flows used in investing activities	**- 1,716,775**	**- 873,589**	**- 558,145**	**- 661,734**	**- 1,045,966**
CASH FLOWS FROM FINANCING ACTIVITIES					
Receipts from short-term bank loan	2,000,000	-	-	-	-
Payments for acquisition of treasury shares	-	- 1,178,555	- 1,564,213	-	-
Net cash flows used in financing activities	**- 3,094,717**	**- 3,240,305**	**- 3,603,521**	**- 2,862,698**	**- 2,026,357**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**- 1,326,447**	**- 1,712,121**	**- 1,554,959**	**13,579**	**458,449**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**4,525,505**	**6,141,267**	**7,697,631**	**7,651,750**	**7,225,876**
CASH AND CASH EQUIVALENTS AT END OF YEAR	**3,185,373**	**4,525,505**	**6,141,267**	**7,697,631**	**7,651,750**

Source: INTP Audited Financial Statements, 2019 – 2023

INTP repurchased 131,420,600 and 118,737,700 of its own ordinary shares through purchases on the Indonesia Stock Exchange (IDX) in December 2021 and 2022, respectively. This repurchase transaction is intended to provide a good rate of return for shareholders and the share price can reflect the actual fundamental conditions of INTP. As shown by Table 11. Corporate Action – Capex, to settle the share acquisition transactions, INTP needs to pay Rp 1.56T and Rp 1.18T respectively. The shares were recorded as Treasury Shares and INTP has the right to re-issue these shares at a later date.

5. CONCLUSION AND RECOMMENDATIONS

As per our discussion above, we could conclude several things as follows:

a. **INTP is a profitable company with decent profit margins** and able to keep their financial performance for the 5 (five) consecutive years, from 2019 until 2023, based on INTP's audited financial statements. **The performance was also sustainable** as there was no huge volatility occurred, where most of the financial figures' volatility were below 15% if it compared to the previous year.

b. **The Company is also have strong liquidity** as they were manage to book net income and generate cash from its operating activities. Furthermore, a combination of strong financial performance and ample accumulated retained earnings, INTP manages to execute several Corporate Actions, such as buy back some of their shares from public in year 2021 and 2022, bought a new subsidiary company, SGB, in year 2023, and always paid dividend for the 5 (five) consecutive years as much as their earnings or net income (100%) and even further (up to 150%) compared to its earnings or net income, with an exception in year 2023 where the dividend payout ratio was only 28.14% due to acquisition of SGB.

c. **INTP is a low leverage company**, the bank loan only a short term bank loan from SCB with DER only 9.54%, as a result, INTP manages to minimize their financing cost, and therefore better in term of net profit margin and more flexible in adjusting their capital structure and other financial figures composition, should there is a need to do so.
d. **INTP has strong relationship with its distributors/customers** and able to maintain their good quality of their products, as shown by (i) their ability to collect their A/R from its distributors/customers with shorter collection days from time to time and (ii) as shown by increasing Net Revenues and Asset Turnover Rate from time to time, respectively. Hence, strengthening INTP's financial performance even further.
e. **No huge capex was made during that period/era**, as a result INTP has better efficiency for its existing assets utilization rate and no new allocation on depreciation expenses needed. The only capex occur was only at year 2023, where the Company bought new subsidiary, SGB, financed by its accumulated retained earnings.
f. **No major corporate action made that may impact to less sales revenues and higher cost/expenses.** Apparently the other way round, the Net Revenues is increasing from time to time, and the Cost of Revenues to Net Revenues were quite stable from time to time as well. There were several corporate actions made in year 2021 and 2022 where the Company bought some of their shares from public using their accumulated cash balance through IDX and booked them under Treasury Shares for later re-issuance of shares.
g. **No major changes on Dividend Payout Ratio policy that could impact on Retained Earnings or Cash Balance of the company**. INTP quite generous in paying their dividend, which was around 100% up to 150% resulting from a combination of decent net income and accumulated cash balance. The exception only occur in year 2023 where the Company have to reduce their Dividend Payout Ratio become 28.14% due to bought new subsidiaries, SGB, and a need to maintain sufficient ending cash balance.
h. Furthermore, **there was (i) no revaluation of asset made and (ii) no accounting policy/treatment changed**. However, there were several regulations imposed by the Government of Indonesia that the Company have to follow, such as changes on Tax regulation and the obligation to appropriate Retained Earnings, but none of these have significant impact on INTP financial performances.

Based on the conclusion above, for INTP to be able to survive in the oversupply era, **INTP did those 9 (nine) main items/actions as their strategy to maintain their good financial performance** in regards to profitability, financial stability, and operational liquidity.

Please note that **this research only cover INTP financial figures** and do not cover any other cement producer financial figures. For that reason, we couldn't tell **the level/degree** of how good or how bad INTP's financial performance is, because there is no other large domestic cement producers as a comparison. Thus, for the next research, researcher might want to add other large domestic cement producers' financial figures and ratios as a comparison to know **the level/degree** of how good or bad of each of them.4

Nevertheless, **through this research we learnt one of the best Recipe/ Strategy of financial figures compositions and ratios from INTP, as they manage to achieve strong and sustainable financial performance in this oversupply era for 5 (five) consecutive years**. Chief Financial Officer (CFO)/ Financial Controller/ Finance Manager of any other cement producer companies might follow INTP's recipe/strategy by looking into its financial figures compositions and ratios to manage their financial performance **in order to achieve Profitability, Financial Stability, and Operational Liquidity and to survive in this oversupply era** as well.

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CHAPTER 10

Financial Performance Analysis and Evaluation of PT Industri Jamu dan Farmasi Sido Muncul Tbk Year 2019 - 2023

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ABSTRACT

PT Industri Jamu dan Farmasi Sido Muncul Tbk (SIDO), which was originally established as a jamu shop in 1940 and officially established in 1975 in Semarang, Indonesia has grown significantly since the launch of its flagship product, among its 300 products, Tolak Angin is the flagship and most sought-after herbal concoction. This research intends to explain the Financial Performance of PT Sido Muncul, Tbk Period 2019-2023. PT Sido Muncul, Tbk is a traditional herbal medicine and pharmaceutical company is one of the companies that escaped the impact of the pandemic. The expected findings of this research explain the financial statements, liquidity ratios, and profitability of SIDO as a company that survived the pandemic and experienced an increase during the pandemic. New products to be launched are expected to boost the company's performance as proven by the demand for several products that continue to grow after COVID-19 among people who are quite positive about nutritional and pharmaceutical products. This research uses secondary quantitative data analysis so that data is obtained from various pre-existing sources of information such as financial reports for 2019 - 2023, websites, articles, journals and organizational records, especially financial reports that discuss the development of liquidity ratios, and profitability of SIDO. This shows that PT Industri Jamu dan Farmasi Sido Muncul Tbk has a good ability to fulfill its obligation on its assets. The result for profitability ratio analysis which is measured based on return on investment and return on equity ratio tends to decrease compared to Covid 19. The company’s liquidity ratios from 2019 to 2023 demonstrate a trend of fluctuating liquidity levels. High liquidity, in the current and cash ratios, is advantageous in uncertain times, such as during the pandemic, to ensure the company can meet short-term obligations. However, excessive liquidity over time may imply inefficiency in asset utilization, as capital could be redirected to investments yielding higher returns.
Keywords: Financial Performance, Liquidity Ratio, Profitability Ratio, Herbal, COVID-19

1. INTRODUCTION

PT Industri Jamu dan Farmasi Sido Muncul Tbk (SIDO) is a herbal medicine manufacturer using modern machines in Indonesia. With more than 70 years of experience, SIDO is among the largest traditional herbal products in Indonesia. Having more than 4,000 employees, producing more than 300 types of products SIDO continues to innovate by developing products based on good research to meet market demand and meet consumer needs and improve their quality of life. The types of products produced by SIDO are Herbs, Supplements, Food, Beverages, and Pharmaceuticals. Traditional herbal products that are very well known among the public are Tolak Angin. Tolak Angin made from herbal ingredients has the benefit of relieving colds and strengthening endurance (SIDO Anual Report, 2023).

At the time of COVID-19, SIDO recorded a net profit of Rp 413.79 billion or an increase of 10.58% compared to the same period last year when it recorded a net profit of Rp 374.11 billion. This is the reason why SIDO is one of the companies that has survived during COVID-10 compared to other companies that have experienced a decline in sales as it experienced an increase in sales due to the very high demand for purchasing power for herbal medicines. This company, which produces herbal medicine, continues to exist from time to time. SIDO will also launch new products that are expected to boost the company's performance. Through financial reports in 2020-2021, SIDO experienced an increase in sales of around 3.51% to RP 1.4 trillion compared to sales in the same period the previous year of only 1.41 trillion (Harian, Ekonomi, 2020).

On the other hand, SIDO's finance costs were recorded to have decreased by 18.91% year on year to Rp 60 million in the first semester of 2020. In the previous year, financial costs were recorded at Rp 74 million in the first semester of 2019. Total assets amounted to Rp 3.44 trillion. This figure consists of total equity of IDR 3.07 trillion and total liabilities of IDR 33.52 billion (Harian Ekonomi Neraca, 2020). Furthermore, after the end of the pandemic, SIDO has an operating profit of IDR 1.19 trillion, a net profit of IDR 950.65 billion, a large profit margin of 26.7% in 2023 and a consistent Dividend Ratio of 99% (SIDO Anual Report, 2023).

The aim of this study was to analyse and to evaluate the financial statements and performance of PT Industri Jamu dan Farmasi Sido Muncul Tbk (SIDO) in the last five years, namely 2019-2023. Therefore, through this research seeks to evaluate and assess the financial performance of PT Industri Jamu dan Farmasi Sido Muncul Tbk (SIDO) before and after COVID-19 whether SIDO's financial statements are still in the good and safe category by using ratio analysis and seeing the benefits of the SIDO Company. Readers and investors benefit from this research, getting a better and better understanding.

2. LITERATUR REVIEW

Financial Performance

Financial performance is an effort made in every company in evaluating the success achieved (Sukawati & Wahidahwati, 2020). The company's profitability reflects its capability to earn profits during a defined period. This ability is measured through profitability ratios, which also serve to assess the quality of company management and operational effectiveness. Profits generated from sales and investment income are the main indicators in this case (Syuhada&Muda, 2020) In addition, financial statement analysis that separates leverage in financing from leverage in operations identifies variations in current and future profitability between organizations. Ratio analysis is a well-known technique used by financial analysts to assess business performance (Daryanto et al., 2021).

View On Corporate Governance Implementation

Under our supervision, the company's management has not only adhered to the relevant laws and regulations but has also demonstrated continuous improvement in the application of Good Corporate Governance (GCG) within its operations. The methods and instruments of GCG that the company has employed are becoming more and more extensive and robust, which demonstrates this improvement. The organization is dedicated to consistently improving GCG practices to uphold the highest standards of corporate governance, guaranteeing that our procedures are not only efficient but also open, accountable, and transparent. They think that a key component of the business's long-term performance and growth is the careful application and improvement of GCG principles. (SIDO Anual Report, 2023)

PT Industri Jamu Dan Farmasi Sido Muncul Tbk was awarded by the ASEAN Corporate Governance Scorecard (ACGS) in 2021 in the category of "Domestic Significantly Improved PLCSs" in Indonesia. This accolade was presented by the Financial Services Authority (OJK), the Indonesia Stock Exchange, and PT RSM Indonesia Konsultan during an event that encompassed the opening of IDX trading and the launch of the Indonesia Capital Market Roadmap 2023- 2027 on January 2023 (SIDO Anual Report, 2023)

3. RESEARCH METHOD

This research intends to identify whether PT Sido Muncul Tbk 2019-2023 is good. A quantitative methodology is employed in this research to adjust the outcomes of secondary data analysis. This study uses data sourced from annual reports that were audited between 2019 and 2023. Secondary data is also obtained from publications, websites, financial journals that are in accordance with financial performance and additional research. With the audited financial statements, the public can see the condition of the company even though they do not work in the company, they are able to identify the financial state of the company.

Liquidity

A company's ability to settle its short-term debts is assessed by liquidity ratios, which are financial parameters. These ratios offer a glimpse into the company's liquidity and its ability to cover its financial liabilities.

The ability to settle short-term debts using cash and cash equivalents is specifically assessed by the cash ratio. It accomplishes this by dividing the company's current liabilities by its cash and cash equivalents. A figure less than 1 (100 percent) means that the company lacks sufficient cash to meet its immediate liabilities. To put it another way, if it has liquidity risk, it could have to look for alternative ways to liquidate assets in order to cover its immediate financial obligations.
obligations. The formula is:

1. Cash Ratio $= \frac{Cash + Cash\ Equivalent + Time\ Deposit}{Current\ Liabilities} \times 100\%$

The current ratio, which is figured by dividing assets available within the year by liabilities due in the short term, is the most commonly used balance sheet metric. It offers a perspective on a company's ability to fulfil short-term obligations utilizing its current assets, such as cash, receivables, and inventory. In general, a higher number is thought of favourably. It shows that the company's current assets are more than its current liabilities. (Anthoy, 2012) The formula is:

2.Current Ratio = $\frac{Current\ Assets}{Current\ Liabilities}$ X 100%

Profitability

Profitability ratio is indeed among the most prominent ratios in the study of financial ratios, one of the key indicators of the company's overall financial well-being (Bodie Z. Marcus A. Kane, 2024). These ratios shed light on the capacity of the company to turn a profit and efficiently control operating expenses.

The ability of the company to make money off of the money that shareholders have contributed is gauged by Return on equity (ROE). The higher the ratio, the better the company's potential to generate value for shareholders.

1. **Return on Equity (ROE)** = $\frac{Net\ Income}{Shareholder's\ Equity}$ x 100%

Return on Investment (ROI) is a key financial indicator that evaluates the return gained relative to the cost or initial price of an investment, asset, or project. Generally speaking, a larger ROI is preferable since it shows that the company can create value for shareholders. The formula is:

2. **Return on Investment (ROI)** = $\frac{EBIT+Depreciation}{Capital\ Employed}$

Activity

Activity ratios are key financial metrics that demonstrate how efficiently a company employs its balance sheet assets. While a lower activity ratio can point to inefficiencies in asset management, a higher ratio often implies more efficient use of assets in generating revenue.

Days Sales Outstanding (DSO), another name for collection period, is a financial indicator that calculates how much time it typically takes a company to receive payment from its customers (receivables). A shorter period for collections means the company is handling payments efficiently, which is usually viewed as a positive indicator. This efficiency reflects strong credit and collection practices, which contribute to faster cash inflows. The formula is:

1. **Collection Period CP** = $\frac{Account\ Receivables}{Sales\ Revenue}$x 365%

This ratio sheds light on how successfully a company's inventory levels are sold and replaced with new ones. A lower number of inventory days generally indicates that the company is rapidly and efficiently selling its products, which could be a good omen. How well a company controls its inventory levels and how frequently they are restocked is shown by the inventory turnover ratio. A low inventory turnover ratio may be a sign of falling product demand, inadequate marketing, or overstocking. On the other hand, a high ratio can suggest improved inventory control or heightened demand for a product. (Anthoy, 2012) The formula is:

2. **Inventory Turnover =** $\frac{Inventory}{Sales\ Revenue}$ x365%

Total Assets a financial ratio called turnover illustrates the capacity to make money from total assets. This ratio sheds light on how effectively a company makes use of its resources to produce revenue. A higher figure is a positive indication. This entails making efficient use of resources to produce income. The formula is:

3. **Aset Turnover =** $\frac{Revenue}{Capital\ Employed}$ x 100%

Total Asset Turnover (TATO) refers to the ratio of net sales to total assets, a metric commonly used by companies in their operations. This ratio illustrates how well the company uses its resources to produce net sales (Widodo, 2018). The TATO ratio calculates how much of the company's assets are used in operations or how often the assets are turned over in a certain period as the A higher TATO value indicates greater efficiency in using assets to generate net sales and contrarily a lower TATO value indicates that the company is underutilizing its assets, potentially increasing its operating expenses (Sutrisno & Yulianeu, 2017). By dividing net sales by the total assets of the company, this study calculates the TATO ratio. The Formula is:

4. **Total Asset Turnover (TATO) =** $\frac{Sales}{Total\ Aset}$

4. RESULT AND ANALYSIS

In this part, the research will discuss the research result according to the determined method, Examine the liquidity and profitability ratios derived from secondary data, specifically the financial reports of PT Industri Jamu dan Farmasi Sido Muncul Tbk.

Tabel 1. Liquidity Ratio

Account Name	2023	2022	2021	2020	2019
Cash Ratio	1.80	1.71	1.99	1.84	2.12
Current Ratio	4.47	3.05	3.29	3.11	3.47
Cash & ST Investments/ Total Assets	21.34%	22.62%	26.60%	26.81%	24.50%

SOURCE : Financial Report PT Sido Muncul Tbk (2019-2023)

Base on the Table 1, the SIDO company's cash ratio demonstrates that it has more than enough cash on hand to cover its short-term debt on the balance sheet as evidenced by the SIDO cash ratio, which is more than one. This is a good enough percentage so that the company is still in the category of safe and smoothly paying corporate debt.

Based on the Table 1, when the liquidity ratio, current ratio and current ratio and cash ratio, SIDO is in a high position during the COVID-19 pandemic and after the COVID-19 pandemic. The company will benefit greatly from keeping a high level of liquidity to handle the pandemic's uncertainty, but in the long run, the corporation must retain a strong level of liquidity. Uncertainty of the pandemic, but over the time, this is not beneficial as assets could be better utilized to make other investments with greater returns. This may develop into an additional concern regarding company management, as if they can reduce their liquidity ratio and take greater risks to make more money.

The cash ratio has decreased steadily from 2019 (2.12) to 2023 (1.80), indicating the company may be reducing its reliance on liquid cash reserves. While still high, the gradual decline reflects efforts to optimize liquidity management. The current ratio significantly increased in 2023 (4.47) compared to 2022 (3.05), signaling that the company holds more current assets relative to liabilities. While this ensures safety, it might signal underutilization of resources.

Cash & Short-Term Investments to Total Assets This percentage dropped from 26.81% in 2020 to 21.34% in 2023, showing a gradual shift toward reallocating cash into potentially less liquid but more productive asset forms.To balance liquidity and profitability invest excess liquid cash into productive assets such as new project or acquisitions This can improve returns and shareholder value. Strategic Risk-Taking moderately reduce liquidity ratios by investing in higher-yield opportunities.

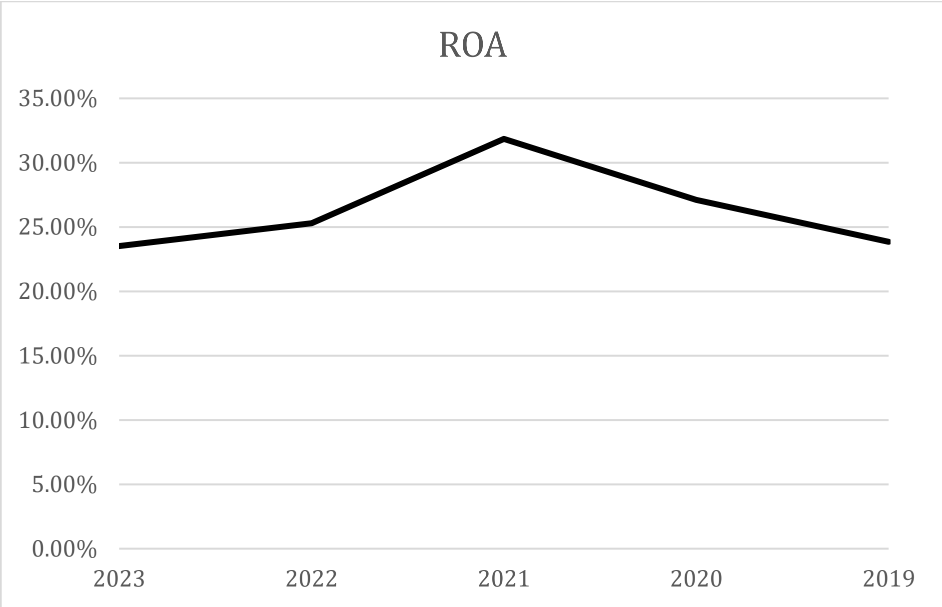
For example:
Expand operational capacity, enter new markets, develop innovative products, and monitor risk. Ensure risk levels remain within acceptable limits to avoid jeopardizing the company’s financial stability. Optimize Working Capital use cash management strategies like just-in-time inventory to maintain optimal liquidity without excessive reserves. Debt Utilization Sido consider leveraging debt to finance high-return projects instead of using only internal resources, balancing risk and returns.

Tabel 2. Profitability Ratio

Account Name	**2023**	**2022**	**2021**	**2020**	**2019**
Return on Assets	23,52%	25,29%	31,85%	27,11%	23,85%
Return on Equity	27,07%	29,72%	37,68%	31,67%	27,59%
Return on Investment	27,07%	29,70%	37,64%	31,66%	27,58%

SOURCE: Financial Report PT Sido Muncul Tbk (2019-2023)

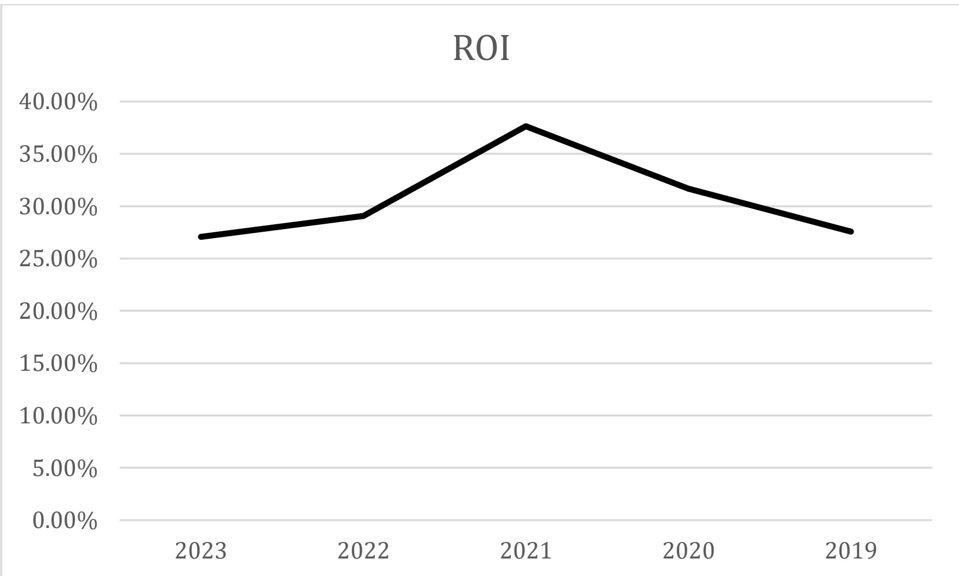
Figure 1.1 Return On Asset (ROA)



ROA SIDO Year 2019-2023

From the Figure 1.1 Return on Asset (ROA) data labeled "SIDO ROA Year 2019-2023." The graph illustrates the trend of Return on Asset (ROA) from year to year. ROA starts at around 25% in 2023. ROA increases gradually, peaking in 2021 at around 30% or so. After the peak in 2021, ROA shows a decline for the following years (2020 and 2019). The highest ROA occurred in 2021, which indicates that the company experienced maximum asset efficiency in that year. After 2021, there is a steady decline in ROA, signaling reduced profitability relative to its assets. The upward trend until 2021 may indicate improved business efficiency or profitability over the period. The subsequent decline may indicate challenges such as reduced revenue, increased costs, or less efficient use of assets in 2022-2023.

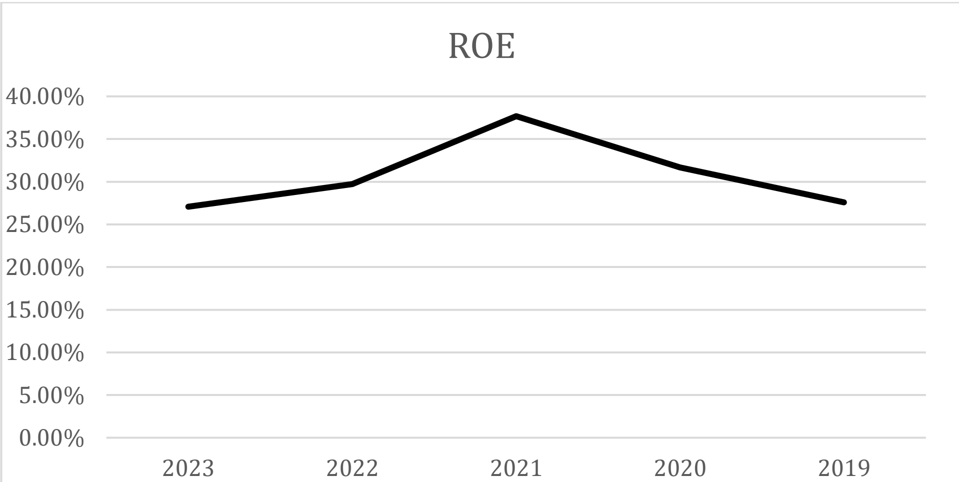
FIGURE 1.2 Return On Investment (ROI)



ROI SIDO Year 2019-2023

From the Figure 1.2 Return on Investment (ROI) , it can be seen that the profitability ratio has almost the same quality value before the pandemic and after the pandemic, during the COVID-19 pandemic, the profitability ratio has greatly increased in 2020-2021, which has increased by around 6%. This can be seen from the demand factor for sales of products produced by SIDO such as drinks and herbal medicines. After the end of the COVID-19 pandemic, SIDO's profitability ratio decreased slightly compared to 2020-2021, which can be seen from various external factors from outside the company such as inflation and decreased sales demand. SIDO's average TATO ratio is 0.91 / Times, it is said that the company is still less effective in maximizing its overall assets to generate profits. However, when compared to the TATO standard according to (Murhadi, 2013) a good TATO standard is close to 1, so the average TATO of the entire year is quite good, which means that the company has been able to utilize its assets as little as possible to generate large profits.

FUGURE 1.3 Return On Equity



ROE SIDO Year 2019-2023

From the Figure 1.3 Return On Equity, it can also be seen that the average value of ROE from all years is 30.74%, which means that every IDR 1 equity invested by shareholders will be able to provide a net profit of IDR 0.30. The high average ROE is 37.68% in 2021, which means that every IDR 1 equity invested by shareholders will be able to provide a net profit of IDR 0.37. Meanwhile, the lowest average ROE was 27.07% in 2023. According to Subramanyam and John (2010: 46), a good company ROE level is above 12%, thus the overall performance of the company is quite good, which means that the rate of return in the form of equity for shareholders is very large. In light of the analysis's findings, the development of Total Assets Turnover and Return on Equity from 2019-2023 is increasing.

Tabel 3 Liquidity Ratio

Account Name	2023	2022	2021	2020	2019
Collection Period	3,47	2,72	2,24	2,36	2,26
Current Ratio	3,47	3,11	3,29	3,05	3,59
Inventory Turnover	4,20	3,66	4,13	4,06	4,47
TATO	0,91 / Times	0,95/ Times	0,98 / Times	0,86 /Times	0,86 / Times

SOURCE : Financial Report PT Sido Muncul Tbk (2019-2023)

Throughout the 2019 to 2023 period, the companies collection periods performed well, consistently exceeding the statutory minimum of less than 60 days. Refer to Table 3 Liqudity Ratio. It demonstrates that businesses were virtually untouched by the pandemic and were able to convert sales into cash receipts. Businesses' inventory turnover performance from 2019 to 2023 was strong, consistently exceeding the expected minimum of less than 60 days. Table 3 it's demonstrates how well businesses managed their inventory levels.

5. CONCLUSION AND RECOMMENDATIONS

The results of the analysis of financial Performance the ratios as measured by the liquidity ratio during the period 2019 to 2023 are in the safe category. This shows that PT Industri Jamu dan Farmasi Sido Muncul Tbk has a good ability to fulfill its obligation on its assets. The result Financial Performance for profitability ratio analysis which is measured based on return on investment and return on equity ratio tends to decrease compared to covid 19. However, the result for ROI and ROE evaluation, PT Industri Jamu dan Farmasi Sido Muncul Tbk is still in safe category.

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EDITOR'S BIOGRAPY

Dr. Anurag Agnihotri

Dr. Anurag Agnihotri is an accomplished academician and finance expert with extensive experience in teaching, research, consultancy, and curriculum development. He has been a Finance faculty member at the College of Vocational Studies (CVS), Delhi University, since July 18, 2007. Before this, he served as a Senior Lecturer at the Delhi College of Advanced Studies under GGSIP University from October 15, 2003, to July 17, 2007. Over his illustrious career, he has made significant contributions to academics, research, and professional consultancy, establishing himself as a leader in his field. Dr. Agnihotri has a robust academic portfolio, having authored **six books** published by prestigious national and international publishers. His scholarly work includes more than **67 research papers** indexed in reputed databases such as **Scopus, ABDC, and UGC Care listings**, showcasing his expertise in finance and related disciplines. Additionally, he has edited **five conference proceedings volumes**, further contributing to the dissemination of knowledge in his field. Dr. Agnihotri's policy work has been impactful, with two key policy documents—one on the effects of demonetization on Small and Medium Enterprises (SMEs) and another on Overseas Direct Investment—being **accepted and appreciated by the Ministry of Finance (Government of India)**. These contributions reflect his ability to bridge the gap between academia and policy-making, addressing critical financial issues at a national level. As a respected academic, Dr. Agnihotri has chaired sessions, delivered keynote addresses, and acted as a conference chair in numerous academic and professional gatherings. He is an active member of several prestigious professional bodies and serves on their committees, such as **Ph.D. CCI Capital and Commodity Market Committee, ASSOCHAM National Council of Internal Audit and Risk Management**. Dr. Agnihotri is a sought-after speaker and resource person for academic programs worldwide. He has conducted webinars and lectures at renowned institutions, including **Central Michigan University (USA)** and other reputed universities in **Turkey, Denmark**, **Nepal, France, Sri Lanka, Brazil, and Australia**. Within India, he has been invited to deliver sessions at leading colleges and universities, sharing his expertise on **research methods in finance, literature reviews, and curriculum design**.Dr. Agnihotri has played a significant role as a resource person in **Faculty Development Programs (FDPs)**, helping faculty across disciplines enhance their research capabilities. He is a resource faculty member for **INSET programs** under organizations like **KVS, CBSE, NCERT, and SERT** and holds the distinction of being an **Accredited Management Teacher in Finance** by the All India Management Association (AIMA). His academic excellence has earned him **numerous best research paper awards**, underlining the quality and impact of his scholarly contributions. Dr. Agnihotri's expertise extends beyond academia to professional consultancy. He has advised companies on **risk management and policy frameworks** and prepared internal financial control manuals for several organizations, including IST Limited, Gurgaon Infospace Limited, IST Steel and Power Limited, EDUCIL and many other companies. He has also conducted **Management Development Programs (MDPs)** for middle and senior-level managers and acted as a resource person for **NSIC and NSDC**. At CVS, Dr. Agnihotri mentors student organizations like **FIC, ENACTUS, TEB, and Vociferous**, fostering entrepreneurial and leadership skills among students. He also initiated an **incubation center** for TEB, providing a platform for student innovation. As the **NSS Program Officer**, his efforts were recognized by the Ministry of Women and Child Development for their significant impact. Dr. Agnihotri has successfully guided **three Ph.D. scholars** to completion and is an active member of **Research Degree Committees (RDCs)** and **Student Advisory Councils (SACs)** at various universities. A key contributor to curriculum development, Dr. Agnihotri has played an instrumental role in designing and reviewing syllabi for numerous programs at Delhi University, including MMI (BA Vocational Studies), MMRB (BA Vocational Studies), BMS, BBE, BBS, BFIA (Three-Year Programs), CBCS Syllabus 2019. He is also a member of syllabus committees at other leading universities and institutions across India.

Dr. Anurag Agnihotri's career is marked by significant contributions to teaching, research, consultancy, and academic leadership. With his expertise, he has influenced policy-making, mentored future leaders, and enhanced the academic rigor of finance education. His extensive engagement in both national and international academic circles underscores his dedication to advancing the field of finance and education.

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(M.com, LLB, M. Phil, UGC –NET, MBA, ACS, Ph.d)

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