

THE COMPARISON OF FINANCIAL PERFORMANCE AND SUSTAINABILITY ANALYSIS OF PT HOLCIM INDONESIA TBK WITH OTHER CEMENT INDUSTRIES

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Abstract. There is a major problem that has happened in cement industry which is oversupply cement products. This condition can lead these cement companies into bankruptcy. This research is aim to give a clear image of the condition of financial performance and sustainability condition PT Holcim Indonesia among its competitors on the cement industry and from this analysis it can be found what actually happened within and the management will need to increase the performance and fix aspect that is still lacking. The theory used in this research are financial ratios analysis and Altman Z-Score, in financial ratios analysis consist of profitability, liquidity, debt, and activity ratio analysis. Atman Z-Score is used to get the condition of the company whether it will go bankruptcy or not. There are PT. Holcim Indonesia and three other competitors to be conducted. After analysis, it can be concluded that financial performance of PT Holcim Indonesia is always below among those three competitors in cement industry and in Altman Z-Score, in 2015 PT Holcim Indonesia is the first cement company among those three competitors to reach bankruptcy status and the end of 2018 PT Holcim Indonesia got the lowest results of Altman Z-Score among those three.

Keywords: Cement industry, financial performance, sustainability analysis, financial ratios analysis, Altman Z-Score

INTRODUCTION

In this research the author will analyze financial performance of PT. Holcim Indonesia by using time series analysis and cross sectional analysis. For time period on this analysis are 6 years (2013-2018)... There are big cement production company in Indonesia such as PT. Holcim Indonesia Tbk, PT. Indocement Tbk, PT. Semen Baturaja and PT. Semen Indonesia. All of this cement production companies affected by oversupply cement products that occurred in Indonesia and from year to year there was decrease in profit for each of these companies and each of these companies have to arrange several strategies to escape from this condition because if this continues, the company will continue to lose its profits and even can lead into bankruptcy. In the end there is only one company. which has profits condition below zero or minus and it is PT. Holcim Indonesia Tbk and because of this condition the author wants to analyze the financial condition of this company because in 2018 losses suffered that has happened into this company reached into minus so the author wants to analyze the financial performance of this company. The reason why the author use financial ratio and sustainability analysis because Financial performance will the company give a clear image of how healthy the company is and from this performance condition, it can be found what actually happened within and the management will need to increase the performance and fix aspect that is still lacking (Halim, 2015). Financial performance can identify the strong and weaknesses of the company financial condition by evaluating on company balance sheet and also company income statement. The author has conveyed the conditions that occurred in this company so it is necessary to calculate to determine the sustainability of the company by using Altman Z-Score. There are several financial ratios analysis which are profitability, liquidity, debt, and activity ratio analysis. Financial performance analysis will indicate the financial health of the company that will attract several investor and stakeholders to take part in the company. In this research, the author wants to analyze financial performance of the company by comparing with competitors from the same industry and then know the causes of PT. Holcim Indonesia current financial performance by finding through financial ratio analysis and to know about sustainability condition by using Altman Z-Score. After finding the causes the author gave recommendation for company improvement in the future to increase this company ability to compete with other competitors.

LITERATURE REVIEW

Financial Performance Analysis

Financial performance analysis is the process of analyzing the financial position and financial condition of the company by identifying the balance sheet and income statement of the company. The objective of the financial performance is to identify the company financial condition and to know the effect of past activities or decision.

Balance Sheet

There are three main parts which are assets, liabilities, and equity. On assets, there are current asset and fixed asset. In current assets, the assets of the firm is expected to convert to cash within 12 months or less and in fixed assets, assets of the firm does

not expect to sell within one year and consist of equipment, land and other investment that are cannot be easily converted to cash. In liabilities, there are current liabilities and long term liabilities, in current liabilities the owes must be paid within a period of 12 months or less and long term debt are loans from the bank that have maturity more than one year.

Income Statement

Income statement are the amount of profits generated by a firm over a given time period. Revenue represents the sales for the period. Profits are generated by calculating the revenue reduced by all expenses that the company must bear.

Financial Ratio

A. Profitability Ratio Analysis

Profitability analysis evaluates whether managers are effectively executing a firm's strategy. The main purpose of analyzing the firm from its profitability is to know the condition and performance of the company and to enable forecast for future performance so from this analysis can be prepared the strategy that company should take for future growth

- Earning per share
- Return on Asset
- Return on Equity

B. Liquidity Ratio Analysis

Liquidity ratios are used to address a very basic question about a firm's financial health and its liquidity is measured by calculating the ability of the firm to pay the bills on time.

- Current Ratio
- Acid-Test (Quick) Ratio

C. Debt Ratio Analysis

Debt ratio is total liabilities of the company (short term and long term liabilities) divided by total assets of the company (current and fixed asset). This ratio shows benchmark of total assets owned by one company by using total liabilities or total debt that the company owned

D. Activity Ratio

Activity ratios indicates the ability of the firm to turn balance sheet accounts such as assets, liabilities, and also share accounts of the firm into generate revenues for the companies. This ratios is important because besides it shows the ability of the firm to turn balance sheet accounts into revenues, it shows the ability of how the firm is managed.

- Total Asset Turnover
- Fixed Asset Turnover
- Average Collection Period
- Account Receivable Turnover

Bankruptcy Analysis (Altman Z-Score Model)

Altman Z-Score is used to get the condition of the company whether it will go bankruptcy or not

$A = \text{Working Capital} / \text{Total Assets}$

This ratio shows the liquidity of the company because it measures ability of the company to meet its short term liabilities

$B = \text{Retained Earnings} / \text{Total Assets}$

This ratio determines cumulative profitability of the company.

$C = \text{Earnings Before Interest and Taxed} / \text{Total Assets}$

This ratio determines the earnings from the company away from the effects of leverage and taxes. This ratio is used as a safety tools in case the company has financial failure.

$D = \text{Market Value of Equity} / \text{Total Debt}$

Market value of equity or market capitalization is current price at the market of the company's stock multiplied by all outstanding shares in the market.

$E = \text{Sales} / \text{Total Assets}$

This ratio determines the ability of the company to use all of its assets and generates into sales

Z-Score > 2.99 (safe or non bankrupt)

1.81 < Z-Score < 2.99 (grey area)

Z-Score < 1.81 (risk for bankruptcy)

METHODOLOGY

Research Design

First, we have to know problem identification and we found that oversupply cement products that occurred in Indonesia and from year to year there was decrease in profit for each of these companies and each of these companies has to arrange several strategies to escape from this condition because if this continues, the company will continue to lose its profits and even can lead into bankruptcy.). Types of data that is used in this research is secondary data. Secondary data is data that is got from books, internet, journals and other sources (Ayu, 2015). Sources of data that the author used in this research are website of companies under study and also every companies financial report on idx. There are holcim.co.id, semenindonesia.com, indocement.co.id, semenbaturaja.co.id, rti.co.id, and idx.co.id. The reason why the author wanted to choose secondary data because the data has already existed so it will create time and cost efficient for conducting the research. After the author had the data, the author calculate financial ratios from four companies PT. Holcim Indonesia, PT. Semen Indonesia, PT. Indocement, and PT. Semen Baturaja. From all the data we calculate financial data from its company by using financial ratios and then do bankruptcy analysis from Altman Z-Score. After that, the author do internal and external comparison with other companies. After the author has got the result, the author gave recommendation

FINDINGS AND ARGUMENT

Table 1 Financial Ratios of PT. Holcim Indonesia

FINANCIAL RATIOS OF PT. HOLCIM INDONESIA						
	2013	2014	2015	2016	2017	2018
ROA	6%	4%	1%	-1%	-4%	-4%
ROE	11%	8%	2%	-4%	-11%	-13%
EPS	176	87	23	-37	-15	-108
GPM	35%	29%	23%	20%	20%	16%
OPM	19%	12%	6%	2%	2%	0%
NPM	10%	6%	2%	-3%	-8%	-8%
CURRENT RATIO	0.64	0.60	0.65	0.46	0.54	0.27
ACID-TEST (QUICK) RATIO	0.46	0.41	0.51	0.35	0.38	0.17
DEBT RATIO	41%	49%	51%	59%	63%	66%
AVERAGE COLLECTION PERIOD	38.40	40.84	47.79	48.52	53.72	35.92
ACCOUNT RECEIVABLE TURNOVER	9.50	8.94	7.64	7.52	6.79	10.16
TOTAL ASSET TURNOVER	0.65	0.61	0.53	0.48	0.48	0.56
FIXED ASSET TURNOVER	0.78	0.73	0.64	0.57	0.59	0.67

From the profitability analysis, in Return on Asset (ROA) PT Holcim Indonesia always in the below in comparison with other competitors from the graph. Beside that PT Holcim Indonesia always has decrease in their results from Return on Asset. These things can happen because PT Holcim Indonesia has negative net income from 2013-2018 so that is why this thing can happen. From Return on Equity (ROE), in comparison with three other firms, PT Holcim Indonesia always takes the below position in the graph this can happen because PT Holcim Indonesia suffered a quite big cost of sales and also increasing number on its finance cost. Earning per Share (EPS) of PT Holcim Indonesia has decreasing results from 2013 to 2018 and from 2016 to 2018. Holcim Indonesia is the only company between all calculated firms above which has negative number on EPS. This condition can happen because net profit of PT Holcim Indonesia decreases from year to year. There are another problems from gross profit margin of PT Holcim Indonesia, in can be concluded that PT Holcim Indonesia results in gross profit margin has always below average and so from that, it shows the condition that PT Holcim Indonesia can create cost of good sold as good as other companies can do it and it is not efficient as well. From operating profit margin also PT Holcim Indonesia has the lowest number and always below average. This indicates that PT Holcim Indonesia has the highest operation cost among those companies and it has impacted into negative net income for this company from 2016 to 2018. So, from net profit margin PT Holcim Indonesia has lowest number of this profit margin because negative net income in the last three years. In conclusion, PT Holcim Indonesia has quite unhealthy condition from profitability analysis and this indicates that this company has several problems in this ratio.

In liquidity ratio analysis, on current ratio PT Holcim Indonesia always in under in terms of current ratio because current debt of PT Holcim Indonesia always increasing. The same condition happens to acid-test (quick) ratio because PT Holcim Indonesia inventories of PT Holcim Indonesia always increasing because in Indonesia in 2016 and also 2017 there was decreasing demand of cements stocks. In 2018 current ratio and acid-test (quick) ratio of this company decreased again and it creates less number of current ratio and acid-test (quick) ratio of PT Holcim Indonesia and it indicates that PT Holcim Indonesia has less ability to pay current liabilities for the next 12 months by using current assets that this company has. From this liquidity ratio analysis, PT Holcim Indonesia has serious problem because from 2013 to 2018 PT Holcim Indonesia always has the lowest results for current ratio and also acid-test (quick) ratio so it indicates that from liquidity perspective PT Holcim Indonesia is not in good condition.

From the table above, it can be seen that PT Holcim Indonesia always increase from year to year and it reach its peak on 2018 which is 66% on its debt ratio. A lower debt ratio will make shareholder of the company will not trust to the company because the firm does not support the process of the business by using borrowing which will impact into higher company return for the shareholder of the company but a really significant high on debt can also create disadvantages for the company itself because in debt, it will create high on its interest. PT Holcim Indonesia always has the highest debt ratio and this can happen because total liabilities of PT Holcim Indonesia increased from year to year although total assets of the company increase as well. In 2018, total current liabilities of PT Holcim Indonesia increase from 2017 but on non-current liabilities PT Holcim Indonesia decreased from last year and in total PT Holcim Indonesia has liabilities lower than last year. The reason why PT Holcim Indonesia suffers increase on its debt ratio although there is decrease on its liabilities in 2018 because in 2018 total asset of PT Holcim Indonesia decrease as well. From this debt ratio analysis, PT Holcim Indonesia has always exceed from average of cement companies that have been analyzed for debt ratio so it maybe can give disadvantages from this companies if the debt keeps increasing.

From the activity ratio it can be concluded that In activity ratio analysis, for both total asset turnover and fixed asset turnover in comparison with other competitors. PT Holcim Indonesia has decreased their ability in total asset ratio in 2017 because revenues of PT Holcim Indonesia decreased on that year but in 2018 PT Holcim Indonesia can increase their ability in creating higher total asset turnover and fixed asset turnover. From average collection period, it can be concluded that PT Holcim Indonesia has the highest ability to collect account receivable in shorter time because from 2016 to 2018 PT Holcim Indonesia has number lower than average of all companies that has been analyzed. In account receivable turnover, from 2016 as well PT Holcim Indonesia has the highest number on this ratio so PT Holcim Indonesia can be concluded has the highest number to turn account receivable that company has into cash for the company. From condition of activity ratio analysis, from PT Holcim Indonesia can create a better situation in increasing their profit in 2018 so it can affect into a good condition of total asset turnover and fixed asset turnover. From 2016 to 2018 PT Holcim Indonesia has a better condition in average collection period and also account receivable turnover so PT Holcim Indonesia has better condition from activity ratio perspective.

Table 2 Altman Z-Score PT. Holcim Indonesia

ALTMAN Z-SCORE							
		2013	2014	2015	2016	2017	2018
PT. HOLCIM INDONESIA	CALCULATION	2.67	2.04	1.19	0.75	0.59	0.46
	STATUS	GREY AREA	GREY AREA	BANKRUPT	BANKRUPT	BANKRUPT	BANKRUPT

In overall, from financial ratios analysis PT. Holcim Indonesia are always in the lowest in comparison with the other three competitors and there are also negative results from ratio calculation above and also from sustainability analysis, the author use Altman Z-Score and from this, PT. Holcim Indonesia is the first company who reach bankruptcy status with results 1,19 from those three competitors and in 2018 PT. Holcim Indonesia is the company who has lowest number of Altman Z-Score besides all other competitors so from this it can be conclude that PT. Holcim Indonesia is the company who has the most risk of bankruptcy.

CONCLUSSIONS

In conclusion PT. Holcim Indonesia from profitability ratio analysis still not good enough the reason behind this negative net income is because from gross profit margin and also operating profit margin PT Holcim Indonesia always below average and it indicates that PT Holcim Indonesia cannot create efficient cost of good sold and also create efficient operating cost for the company. So from profitability ratio analysis, PT Holcim Indonesia still in quite unhealthy condition. From liquidity ratio analysis, PT Holcim Indonesia also has problems because current ratio and also acid-test (quick) ratio analysis of this company always below average from 2013 to 2018. In debt ratio analysis, PT Holcim Indonesia always has higher number of debt than average of the companies so from this, it may be unhealthy for the company because the more debt ratio, the more assets that has been paid through debt so may be it can lead into unhealthy condition for the company if the debt keeps increasing. In activity ratio analysis, from total asset turnover and also fixed asset turnover, PT Holcim Indonesia has better in creating revenue than 2017 and also the year before.

From average collection period and also account receivable turnover, PT Holcim Indonesia has the lowest time to collect account receivable and also can turn into cash for the company so from activity ratio analysis, PT Holcim Indonesia has increased their ability from this ratio.

In sustainability analysis, from Altman Z-Score PT Holcim Indonesia is the only company who always decreases from year to year and also in 2018 PT Holcim Indonesia gets the lowest number of Altman Z-Score between those competitors. So, from this condition it can be concluded that PT Holcim Indonesia has the highest risk of bankruptcy among competitors that have been analyzed

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