Financial Ratio Analysis A Case Study on PT Barito Pacific Tbk

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Abstract

This research focuses on evaluating the financial performance of PT Barito Pacific Tbk, a publicly listed company operating in the energy, agribusiness, and petrochemical industries in Indonesia. The study analyzes the company's financial statements for the period from 2019 to 2022 using quantitative descriptive research methodology. The financial ratio analysis, including liquidity ratios, solvency ratios, and profitability ratios, is employed as the analytical tool. The results are compared to industry standards and averages to provide insights and recommendations for enhancing the company's financial performance. The research aims to benefit both internal and external stakeholders by providing a clear understanding of the company's financial condition and performance. The findings indicate that PT Barito Pacific Tbk has maintained a healthy liquidity position, as evident from its Current Ratio consistently above 100% throughout the analyzed period. However, the company's Debt to Asset Ratio and Debt to Equity Ratio reveal a significant reliance on debt financing, with variations in its ability to cover long-term obligations. Profitability ratios indicate a moderate net profit margin and returns on assets and equity. Overall, this research offers valuable insights for stakeholders in evaluating PT Barito Pacific Tbk's financial performance and provides recommendations for future improvements.

Keywords : financial condition, liquidity position, analytical tool

1. Introduction

Financial statements play a crucial role as a source of information for stakeholders of a company, both internal and external. Financial statements provide clear, transparent, and easily understandable information about the financial condition, business performance, changes in equity, and cash flow of the company. One way to evaluate the financial performance of a company is through financial ratio analysis, which involves comparing figures in the financial statements to gain valuable insights for decision-making. Financial ratios can be categorized into liquidity ratios, solvency ratios, and profitability ratios. PT Barito Pacific Tbk is a publicly listed company operating in Indonesia's energy, agribusiness, and petrochemical industries. Established in 1979, the company has attained a strong reputation in these various sectors. As a public company, PT Barito Pacific Tbk is listed and traded on the Indonesia Stock Exchange (IDX). The company's focus lies in enhancing financial performance and delivering value to stakeholders, including shareholders, employees, and the community.

This research aims to analyze the financial statements of PT Barito Pacific Tbk for the period from 2019 to 2022, with the objective of evaluating the company's financial performance. The research method employed is quantitative descriptive using secondary data obtained from the official website of the Indonesia Stock Exchange. Financial ratio analysis, such as liquidity ratios, solvency ratios, and profitability ratios, is used as the analytical tool (Muda et al., 2017). The results of the analysis will be compared to established industry standards and averages. This study is expected to provide benefits for both internal and external stakeholders of PT Barito Pacific Tbk in evaluating the company's financial performance. Furthermore, it aims to provide insights and recommendations to enhance the company's financial performance in the future.

2. Literature Review

2.1 Financial Management

According to Khair, (2020) financial management is a combination of science and art that explains, examines, and evaluates how a financial manager utilizes the entire potential of a company to acquire funds, manage funds, and distribute funds with the aim of providing benefits or welfare to shareholders and ensuring the company's sustainability. Financial management involves various aspects such as planning, budgeting, control, decision-making, and financial evaluation. On the other hand, according to (Sudana, 2009) financial management is one of the functional areas within a company that deals with the management of corporate funds, alongside other functional areas such as marketing, production, and human resources. Financial management is responsible for planning, budgeting, controlling, decision-making, and evaluating the company's finances. In summary, financial management is the activity performed by owners and management of a company to acquire funds at low costs and allocate them optimally, efficiently, and productively to generate profits. Financial management involves various principles applicable in the field of financial management, such as planning, budgeting, control, decision-making, and financial evaluation.

2.2 Financial Reports

According to (Sufyati et al., (2021)financial statements are the end result of the financial transaction recording process of a company, which is highly useful in conveying accounting information to relevant parties. On the other hand, according to Herry, (2016) financial statements reflect the financial condition and performance of a company over a specific period of time. Financial statements are always accompanied by notes to the financial statements (Asraf et al., 2022). These notes are a crucial component that cannot be separated from the financial statement components, aiming to provide detailed explanations of the information contained in the financial statements, such as assumptions, policies, methods, standards, and other aspects related to the preparation of financial statements (Saragih et al., 2022). According to Prihadi, (2019) financial statements can be divided into four main sections, which are as follows:

a) The Financial Position Statement (Balance Sheet) is a document that provides an overview of the financial condition of an entity at a specific point in time. This report includes information about the assets, liabilities, and equity (capital) held by the company at that particular moment.
b) The Income Statement is a document that reflects the financial performance of a company during a specific period. This report illustrates the difference between the revenues and expenses generated during that period.
c) The Cash Flow Statement provides an overview of how a company generates and uses cash from various activities, such as operations, investments, and financing, during a specific period of time.
d) The Statement of Changes in Equity contains information about the changes that occur in the equity of a company. This report encompasses changes resulting from the internal performance of the company, such as profits and dividend distributions, as well as the impact of changes in the composition of capital contributions.

2.3 Financial Statement Analysis

According to Maith, (2013) financial statement analysis consists of two elements, namely "analysis" and "financial statements". Analysis refers to the process of solving specific problems and explaining the relationships between its components to gain a comprehensive understanding. On the other hand, financial statements refer to the structured presentation of an entity's financial position and financial performance. Meanwhile, Astuti et al., (2021) state that the process of financial statement analysis involves in-depth research of the financial statements and exploration of relationships and trends to assess the financial position, operational performance, and related factors. The objective of this analysis is to evaluate and predict the financial condition of a company, as well as assess the achievements made in the past and present.

Based on both descriptions, it can be concluded that financial statement analysis involves problem-solving, exploration of interrelationships among components, and in-depth research of the financial statements. The main objectives of this analysis are to evaluate the financial condition of a company, predict future financial conditions, and assess the achievements made throughout the company's history and at present. The financial statements serve as a clear and structured presentation of the financial position and financial performance of the entity under study in this research.

2.4 Financial Ratio Analysis

According to Khair, (2020), financial ratio analysis is used as a tool to evaluate the financial condition and performance of a company. In this analysis, ratios are used to depict the comparison of figures found in the financial statements. These ratios provide deeper insights into key aspects of the company's finances. Meanwhile, according to Kuswandi, (2008), financial ratio analysis is a method used to analyze quantitative data in the balance sheet or income statement of a company by conducting comparative calculations. The importance of using ratio analysis depends on the existence of specific standards that serve as guidelines for evaluation. If there are no available standards, it is advisable to combine ratio analysis with comparative analysis so that these ratios can be developed and viewed over time to gain a more comprehensive understanding.

2.4.1 Liquidity Ratios

Liquidity RatiosAccording to Hantono, (2018) liquidity ratios are metrics used to measure a company's ability to meet its short-term debt obligations. This can be represented by several ratios, such as the current ratio, quick ratio, cash ratio, and working capital to total asset ratio. Liquidity ratios provide an overview of a company's ability to repay maturing debts and also indicate the company's capacity to finance and fulfill obligations when they are due.

2.4.2 Rasio Solvabilitas

Solvency ratios are metrics used to measure the extent to which a company relies on leverage or debt in its financial structure. Solvency ratios provide an overview of the company's level of dependence on debt and its ability to meet long-term financial obligations. By analyzing solvency ratios, we can evaluate the financial stability of the company and its ability to repay its debts in a timely manner (Hantono, 2018).

2.4.3 Rasio Profitabilitas

Profitability ratios are used as tools to evaluate a company's ability to generate profits and provide indications of the effectiveness of its management in operating the business. By analyzing profitability ratios, we can assess a company's ability to generate earnings and measure the level of efficiency and effectiveness in utilizing its resources to achieve desired financial objectives. Common profitability ratios include net profit margin, operating profit margin, and return on assets. The analysis of profitability ratios provides insights into the profits generated by the company and aids in strategic decision-making concerning operational effectiveness and performance.(Hantono, 2018)

3. Methode

This research requires an object that can be used as research material. In this context, the author chooses to utilize the financial report available on the official website of PT Barito Pacific Tbk, which can be accessed through the following link: https://www.barito-pacific.com/investors/annual-report. The selected object of research is this financial report from PT Barito Pacific Tbk.

3.1 Research Characteristics

The author employs a quantitative descriptive research method in the preparation of this thesis. This method aims to provide a detailed overview of the events to be discussed and analyze quantitative data in the form of numerical data.

3.2 Population and Sample

The population of focus in this research is the financial statements of PT Barito Pacific Tbk, covering the period from 2019 to 2022. The researcher chose this company because PT Barito Pacific Tbk operates in an industry sector that is experiencing significant growth. The sample used in this study will include the balance sheets and income statements of PT Barito Pacific Tbk for that time period. This sample will represent a portion of the quantity and characteristics possessed by the population.

4. Result and Discussion

4.1 Result

4.1.1 Liquidity Ratio

Liquidity refers to a company's ability to meet its obligations for immediate repayment of short-term debts using its current assets. One way to assess liquidity is by calculating the current ratio. This ratio measures a company's ability to fulfill its short-term liabilities with its current assets. To calculate the current ratio, it is necessary to obtain the total current assets and total current liabilities of the company from the balance sheet report. Subsequently, dividing the total current assets by the total current liabilities will yield the current ratio. An ideal current ratio value is 2 or higher.

a) Currrent Ratio

$$\text{Current Ratio} = \frac{\text{Current assets}}{\text{Current Debt}} \times 100\,\%$$

$$\text{The Year 2022} = \frac{2.878.122}{778.629} \times 100\% = 370\%$$

$$\text{The Year 2021} = \frac{3.564.431}{1.132.850} \times 100\% = 315\%$$

$$\text{The Year 2020} = \frac{2.056.677}{1.099.536} \times 100\% = 187\%$$

$$\text{The Year 2019} = \frac{1.828.133}{1.105.635} \times 100\% = 165\%$$

4.1.2 Solvency Ratio

The solvency ratio reflects a company's ability to repay or settle all loans through its asset holdings. There are several commonly used types of solvency ratios, including the Debt ratio, which is calculated by dividing total debt by total assets and multiplying by 100%. This ratio illustrates the relative proportion between equity and debt used to finance the company's assets. It can also indicate the company's ability to obtain new credit by using fixed assets as collateral to increase capital. An ideal debt ratio value is less than 50%.

Another solvency ratio is the Debt-to-equity ratio, which compares the total amount of debt to equity (capital) and multiplies it by 100%. This ratio compares total liabilities to equity. It demonstrates that short-term loan funds will be collected compared to the available capital.

a) Debt to Asset Ratio

$$\text{Debt to Asset Ratio} = \frac{\text{Total Liabilities}}{\text{Total Assets}} \times 100\ \%$$

$$\text{The Year 2022} = \frac{5.526.375}{9.248.254} \times 100\% = 60\%$$

$$\text{The Year 2021} = \frac{4.969.669}{9.241.551} \times 100\% = 54\%$$

$$\text{The Year 2020} = \frac{4.732.198}{7.683.159} \times 100\% = 62\%$$

$$\text{The Year 2019} = \frac{4.426.628}{7.182.435} \times 100\% = 62\%$$

b) Debt to Equity Ratio

$$\text{Debt to Equity Ratio} = \frac{\text{Total Liabilities}}{\text{Total Equity}} \times 100\ \%$$

$$\text{The Year 2022} = \frac{5.526.375}{3.721.897} \times 100\% = 148\%$$

$$\text{The Year 2021} = \frac{4.969.669}{4.271.882} \times 100\% = 116\%$$

$$\text{The Year 2020} = \frac{4.732.198}{2.950.961} \times 100\% = 160\%$$

$$\text{The Year 2019} = \underline{4.426.628} \times 100\% = 161\%$$

2.755.807

4.1.3 Profitability Ratios

Profitability ratios are commonly used by financial analysts and investors for evaluation purposes, as investors typically seek companies with high ratios. There are several types of profitability ratios commonly used, namely:

Return on Equity (ROE) = Net profit / Total Equity x 100%. This ratio measures a company's ability to generate profits from the capital invested by shareholders. A high ROE value indicates that the company can provide a high return on investment for its shareholders. Return on Assets (ROA) = Net profit / Total Assets x 100%. This ratio measures a company's ability to generate profits from its total assets. A high ROA value indicates that the company can efficiently manage its assets to generate profits. The net profit margin is utilized to gauge a company's ability to generate net profit from net sales. It is calculated by dividing the net profit by the net sales and multiplying the result by 100%. The net profit margin serves as a measure of a company's profitability in relation to its net sales.

These profitability ratios are commonly used by financial analysts and investors to assess a company's financial performance.

a) Net Profit Margin

$$\text{Net Profit Margin} = \frac{\text{Net profit}}{\text{revenue}} \times 100\ \%$$

$$\text{The Year 2022} = \frac{177.568}{2.916.532} \times 100\% = 6{,}00\%$$

$$\text{The Year 2021} = \frac{338.026}{3.155.656} \times 100\% = 10{,}71\%$$

$$\text{The Year 2020} = \frac{129.083}{2.334.170} \times 100\% = 5{,}53\%$$

$$\text{The Year 2019} = \frac{125.792}{2.402.466} \times 100\% = 5{,}24\%$$

b) Return On Asset

$$\text{Return On Asset} = \frac{\text{Net profit}}{\text{Total Assets}} \times 100\ \%$$

$$\text{The Year 2022} = \frac{177.568}{9.248.254} \times 100\% = 1{,}92\%$$

$$\text{The Year 2021} = \frac{338.026}{9.241.551} \times 100\% = 3{,}66\%$$

$$\text{The Year 2020} = \frac{129.083}{7.683.159} \times 100\% = 1,68\%$$

$$\text{The Year 2019} = \frac{125.792}{7.182.435} \times 100\% = 1,75\%$$

c) Return On Equity

$$\text{Return On Equity} = \frac{\text{Net profit}}{\text{Total Equity}} \times 100\ \%$$

$$\text{The Year 2022} = \frac{177.568}{3.721.897} \times 100\% = 4,77\%$$

$$\text{The Year 2021} = \frac{338.026}{4.271.882} \times 100\% = 7,91\%$$

$$\text{The Year 2020} = \frac{129.083}{2.950.961} \times 100\% = 6,37\%$$

$$\text{The Year 2019} = \frac{125.792}{2.755.807} \times 100\% = 4,56\%$$

4.2 Discussion

4.2.1 Based on the Current Ratio data from 2019 to 2022, it can be concluded that PT Barito Pacific Tbk has the ability to cover all of its current debts and is classified as a healthy company. The company's Current Ratio percentage during that period reached above 100%, with the following details:

- In 2022, the Current Ratio was 370%.
- In 2021, the Current Ratio was 315%.
- In 2020, the Current Ratio was 187%.
- In 2019, the Current Ratio was 165%.

These numbers indicate that PT Barito Pacific Tbk has current assets that are more than sufficient to pay off its current debts. This indicates that the company has a good level of liquidity and is capable of managing its short-term obligations effectively during that time period.

4.2.2 Based on the analysis of Debt to Asset Ratio (DAR) and Debt to Equity Ratio (DER) data from 2019 to 2022, several conclusions can be drawn regarding the financial performance of PT Barito Pacific Tbk:

Debt to Asset Ratio (DAR): The DAR percentage indicates the extent to which a portion of the company's assets is financed by debt. During the period of 2019-2022, the company had a DAR percentage above 50%. This indicates that a significant portion of the company's assets is still funded through debt.

Debt to Equity Ratio (DER): The DER percentage reflects the amount of debt the company has compared to its equity. In 2019, 2020, and 2022, the company fell into the "warning" category with DER percentages consistently above 100%. This indicates that the company's equity is not sufficient to cover all of its debts. However, in 2021, the company was in a healthier condition with a DER percentage below 100%, indicating that the company's equity is able to cover its debts.

Based on these conclusions, it can be inferred that PT Barito Pacific Tbk has a significant level of liability and needs to increase its equity capital to reduce its dependency on debt. In 2021, the company showed improvement in this regard with a DER below 100%.

4.2.3 Based on the analysis of the data conducted on PT Barito Pacific Tbk for the financial reporting period of 2019-2022, the following conclusions can be drawn:

- Net Profit Margin (NPM):

  Based on the analysis of NPM data for PT Barito Pacific Tbk over the past four years, the company has shown a good performance in generating profits, with an average NPM above 5%. This performance not only enhances investor confidence but also indicates good productivity in managing the company's assets and resources. With favorable profit results, PT Barito Pacific Tbk can strengthen its position in the market and build a reputation as a company that delivers consistent benefits to stakeholders.

- Return on Asset (ROA):

  Based on the analysis of ROA data for PT Barito Pacific Tbk during the period, the company still has the potential to utilize its assets more optimally as the average ROA is below 5%. Therefore, the company needs to improve efficiency in asset utilization to achieve higher profitability. By maximizing asset utilization and improving operational efficiency, PT Barito Pacific Tbk can enhance its financial performance and optimize returns for stakeholders.

- Return on Equity (ROE):

  Looking at the ROE data for PT Barito Pacific Tbk, it can be concluded that the company's performance in generating profitability is not yet optimal, with an average value below 8.32% (the standard ROE value). Therefore, the company needs to improve investor fund management to achieve higher levels of profitability and meet investor expectations. By implementing effective strategies in utilizing investor funds, PT Barito Pacific Tbk can improve financial performance, increase ROE value, and make the company more attractive to potential investors.

  Overall, although the company has shown good performance in generating profits (NPM), there is still room for improvement in asset utilization (ROA) and fund management (ROE). Therefore, the company needs to take strategic steps to enhance efficiency, optimize asset utilization, and maximize profitability potential. By doing so, the company can strengthen its position in the market and meet the expectations of stakeholders.

5. Conclussion

Based on the analyzed data from PT Barito Pacific Tbk during the financial reporting period of 2019-2022, several conclusions can be drawn. First, the company has shown a good ability to cover its current debts with a Current Ratio above 100% for the past four years. This indicates a good level of liquidity and the company's ability to manage its short-term obligations.

However, from the analysis of Debt to Asset Ratio (DAR) and Debt to Equity Ratio (DER), it is evident that the company still has a significant dependency on debt. The DAR percentage above 50% indicates that a large portion of the company's assets is still financed through debt. Additionally, the DER percentage consistently above 100% indicates that the company's equity is not sufficient to cover all of its debts, except in 2021 when the company was in a healthier condition.

In terms of profitability, PT Barito Pacific Tbk has shown good performance in generating profits with an average Net Profit Margin (NPM) above 5% during the period. However, there is potential to optimize asset utilization as the average Return on Assets (ROA) is below 5%. Moreover, the performance in generating profitability is still suboptimal based on the Return on Equity (ROE) which has an average value below 8.32% (the standard ROE value). Therefore, the company needs to improve asset utilization efficiency and investor fund management to achieve higher levels of profitability.

Overall, although PT Barito Pacific Tbk has shown good performance in generating profits and has the ability to cover its current debts, there is still room for improvement in optimizing asset utilization and increasing profitability. The company needs to take strategic steps to enhance efficiency, optimize asset utilization, and maximize profitability potential. By doing so, PT Barito Pacific Tbk can strengthen its position in the market and meet the expectations of stakeholders.

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