Available online www.jsaer.com

***Journal of Scientific and Engineering Research*, 2016, 3(6):35-41**

Research Article

ISSN: 2394-2630
CODEN(USA): JSERBR

Analysis of financial performance at heavy equipment companies in Indonesia using financial ratios

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Abstract To determine the health of a company can be determined by looking at the financial statements published by the company within a certain period. This study aims to determine the financial performance of the two companies engaged in the heavy equipment industry which have a sizeable market share in Indonesia, namely PT HexindoAdi Perkasa. United Tractors and PT Hexindo using financial ratio analysis of the financial statements of each company over the period 2011-2015. The research method is using quantitative and descriptive method using the financial statements issued by the respective companies. The ratio used three kind of ratio, first ratio is the ratio of liquidity consisting of current ratio, second ration is solvency ratio consisting of debt to asset ratio and debt to equity ratio, and the last is a profitability ratio that consists of the gross profit margin, net profit margin, return on investment, and return on equity. From the results of the study, researchers found that the overall performance two heavy equipment companies showed a decline from 2011 to 2015.

Keywords Profitability, Liquidy, Financial Condition

Introduction

Heavy equipment industry is an industry that is very important in supporting activities of the mining industry in Indonesia. The situation is very tight market competition and competing service providers heavy equipment, as well as global economic conditions causing decreases in demand for the mines in Indonesia to be reduced. This resulted in reduced demand for heavy equipment usage by mining companies in Indonesia, thus demanding the company to improve the quality of services and products and to increase the economic value of the company through the use of available funds. The company's ability to survive in the fierce competition will be determined by the financial performance of the company. The effectiveness and efficiency of the company in managing its resources could be found on the company's financial performance during operation resulting in optimal profitability. Of financial performance may also note that the health of a company is very important for shareholders to be able to invest in the company. For the company's management, its financial performance could affect the determination of the strategy to be taken in the future so that the viability of the company can be assured.

The company's financial performance can be found on the company's financial reports are always issued each year when the company is a public company. Of the financial statements, do the financial analysis using financial ratios to be calculated level of liquidity, profitability, activity and solvency of the company. With financial ratio analysis can know the financial situation of companies in a particular period in terms of assets, liabilities, equity and results of operations that has been gained.

Comparative analysis of financial ratios in several shipping companies, it can be seen the financial performance of each company[2]. Based on these studies, we can also compare the financial performance based on financial ratios of companies heavy equipment to know the results achieved by the company during operations in a particular period. From these results, it is useful for investors to determine the best companies and more profitable to invest.

Literature Review

Financial report is the result of the company for a certain period so that we can know the state of the company's financial health. In the financial statements, there is a process of recording, which is a summary of the financial transactions that occur during the relevant financial [3]. The financial statements reflect the financial position, results of operations of the company in a period and the flow of funds (cash) in a certain period [8]. The final financial report is the result of the accounting process that can be used as a tool for communication between financial data or activities of a company with the parties concerned with data or activity [4].

Financial reports are records of financial information of a company in an accounting period can be used to describe the performance of the company [4]. The financial statements are an integral part of the financial reporting process. Financial report aims to present information related to the financial position, performance and changes in financial position of a company which is a great benefit to most users of the financial statements in making economic decisions. Complete financial statements typically include a balance sheet, income statement, statement of changes in financial position, record and other statements and explanatory material that are an integral part of these financial statements. The purpose of making or preparing the financial statements, namely (i) To provide information about the type and amount of assets (property) owned the company at this time; (Ii) provide information about the type and total liabilities and capital of the company at this time; (Iii) provide information about the type and amount of income earned in a particular period; (Iv) provide information on the amount of payment and type of costs incurred by the company in a particular period; (V) provides information about the changes that occur to the assets, liabilities, and capital of the company; (Vi) provide information on the performance of the company's management at a time; (Vii) provide information about the notes to the financial statements [9].

To analyze the company's financial statements in order to assess the financial condition and performance of the company so it needs a certain size. Commonly used measures of financial ratios. Ratio analysis of financial statements of companies very attractive to shareholders, creditors, and management of the company itself. Current shareholders and prospective shareholders, interested to know the performance of the company's current and future risks and returns of things which can directly influence stock prices.

The ratio is obtained by comparing the figures contained in the financial statements by way of dividing one number by another [9]. Comparisons can be made between the components with components in the financial statements or between components that exist between the financial statements. The financial ratios used to assess the financial condition and performance of the company. Financial ratios grouped into six basic groups, namely liquidity, leverage, activity, profitability, growth, and valuation [5]. Unlimited number of ratios can be calculated much, but in practice quite used some kind of ratio according to analysts.

Type of Financial Ratios

In Principles of Managerial Finance explained the various ratio analysis consisted of 4 types of liquidity ratio, debt ratio, activity ratio and profitability ratio. In this study, the activity ratio is not used as a factor for the company's performance [7].

Liquidity Ratio

The liquidity ratio is the ratio that indicates the ability of a company to meet its short-term financial obligations that must be met, or the company's ability to meet its financial obligations at the time of collection. Liquidity ratio comprises:

1. Current Ratio

The current ratio is a ratio to measure a company's ability to meet its short term obligations or debts that will mature at the time was billed as a whole with its current assets, ie the ratio between current assets and current liabilities.

$$\text{Current Ratio} = \frac{\text{Current Asset}}{\text{Current Liabilities}} \text{ x } 1$$

2. Quick Ratio

This ratio indicates the company's ability to pay current liabilities (short-term debt) that must be satisfied by the current assets that are available in the company regardless of the value of inventory.

$$\text{Quick Ratio} = \frac{\text{Current Asset} - \text{Inventory}}{\text{Current Liabilities}} \text{ x } 1$$

Debt Ratio

Debt ratio is the ratio that indicates the company's ability to meet its financial obligations when the company is liquidated, either short-term finance and long-term finance. This ratio is used to measure how far the company's assets are financed by debt and an indication of the level of security of the lender. Debt ratio comprises:

1. Debt to Assets Ratio

   The ratio shows how much of the total assets of the company were expensed by the debt or how large the proportion of liabilities held by wealth.

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

2. Debt To Equity Ratio

   The ratio is used to evaluate the ratio of debt to equity is useful to know the amount of funds available for loans (creditors) to the owner of the company.

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

ProfitabilityRatio

Profitability ratio is a ratio which indicates the company's ability to generate profits by using its resources for a specific period. This ratio allows analysts to assess the company's profits related to the sale of a certain level, a certain level of assets, or investment owners. Profitability ratios consists of:

1. Gross Profit Margin

   The ratio is used to measure the percentage of sales left over after the company pays these items.

$$\text{Gross Profit Margin} = \frac{\text{Gross Profit}}{\text{Sales}} \text{ x } 100\ \%$$

2. Net Profit Margin

   The ratio is used to measure the net profit margin after interest and tax on net sales in a particular period.

$$\text{Net Profit Margin} = \frac{\text{Profit after Interest } \& \ Taxes}{\text{Sales}} \text{ x } 100\ \%$$

3. Return On Total Assets /ROA

   This ratio measures the profits obtained from the activities of the company (net income) with total investments or assets used as reduced interest and tax to generate the desired profits (total assets).

$$\text{ROA} = \frac{\text{Profit after Interest } \& \ Taxes}{\text{Total Assets}} \text{ x } 100\ \%$$

4. Return On Equit/ROE

   This ratio measures net profit (net income) after tax with their own capital.

$$\text{ROE} = \frac{\text{Profit after Interest } \& \ Taxes}{\text{Equity}} \text{ x } 100\ \%$$

Methodology

In conducting the research, financial analysis, the researchers used a descriptive research method by analyzing the results of the financial statements of companies that are engaged in the service of heavy equipment which has the largest market in Indonesia and is the company that has been publicly listed and listed in Indonesia Stock Exchange. This study used secondary data obtained from various sources, particularly research on the company website. The main data used are the data of financial statements published by the company within a period of 1 year.

Result

According to the financial report issued by PT United Tractors Tbk then be calculated financial ratios of the company which can be seen in Table 1.

Table 1: Financial Ratios PT United Tractors Tbk

Type of Ratio	2011	2012	2013	2014	2015
Liquidity Ratio					
Current Ratio	1.7	1.9	1.9	2.1	2.1
Debt Ratio					
Debt To Equity Ratio	0.17	0.18	0.12	0.07	0.06
Debt to Assets Ratio	0.1	0.12	0.07	0.04	0.04
ProfitabilityRatio					
Gross Profit Margin (%)	18.5	18.8	18.7	22.7	23.7
Net Profit Margin (%)	10.7	10.3	9.5	10.1	7.8
Return On Total Assets /ROA) (%)	5.5	11.9	9	9.1	6.3
Return On Equity/ROE (%)	27	19.3	14.2	14.5	9.9

Based on table 1, in terms of liquidity on the aspect ratio Current ratio at PT United Tractors Tbk. shows an increase from year-to-year higher which indicates the company's ability to cover short-term liabilities, so that it can be concluded that its current assets more or corporate debt has declined. While the terms of Debt Ratio, Debt to Equity ratio showed a decline, in 2015 showed that every USD 6 debt capital guarantee 1 USD. While the ratio of debt to assets showed every one rupiah debt secured by 4 USD assets.

In terms of profitability ratio, the aspect of gross profit margin showed how much gross profit from the company's entire sales. Value ratio of 23.7% in 2015 showed that the gross profit obtained by PT United Tractors Tbk. is 23.7% percent of the total sales made by the company. The greater the value of the gross profit margin, the greater the gross profit obtained by the company. From year to year shows that the gross profit of PT United Tractors Tbk. increasing trend. Inversely from the value of the gross profit margin, net profit margin ratio of PT United Tractors Tbk. showed a downward trend from year to year. The amount of net revenue from the company in 2015 is 7.8% of the total sales. This suggests that the possibility of increased operating costs. Value Return On Assets (ROA) of PT United Tractors Tbk. in 2015 showed a decrease from previous years Effectiveness companies manage assets in 2015 are from each USD 1, - asset only generate USD 630, - net operating income. Value Return On Equity (ROE) of PT United Tractors Tbk. also tends to fall from year to year. ROE is used to measure the ability of its own capital to generate profits for shareholders. In 2015, the value of ROE 9.9% means that every USD 1, - own capital resulted innet operating income of USD 990.

Furthermore, from the company of other heavy equipment, namely PT. Hexindo Adi Perkasa Tbk. financial ratios of the years 2011-2015 can be seen in Table 2.

Table 2: Financial Ratios PT Hexindo Adiperkasa Tbk

Type of Ratio	2011	2012	2013	2014	2015
Liquidity Ratio					
Current Ratio	1.65	1.81	1.94	2.29	5.34
Solvability Ratio					
Debt To Equity Ratio	1.21	0.99	0.85	0.66	0.23
Debt to Assets Ratio	0.55	0.5	0.46	0.4	0.19
ProfitabilityRatio					
Gross Profit Margin (%)	21.1	20.3	15.4	17.5	17.5
Net Profit Margin (%)	10.8	10.1	4.6	4.9	2.7
Return On Total Assets /ROA) (%)	17.5	14.6	5.4	5.1	2.7
Return On Equity/ROE (%)	51.9	39.3	13.8	11.5	4.4

Based on table 2, in terms of liquidity on the aspect ratio Current ratio shows an increase from year-to-year higher ability of PT. Hexindo Adi Perkasa Tbk cover short-term liabilities, it can be concluded that its current assets more or corporate debt has declined. While the ratio of Debt, Debt to Equity ratio showed a decline, in

2015 showed that the loan provided by the creditor to decline. While the ratio of debt to assets showed approximately 0.19 of the total assets of the company which is financed by debt.

In terms of profitability ratio, the aspect ratio of the gross profit margin PT. Hexindo Adi Perkasa Tbk was 23.7% in 2015 showed that the gross profit obtained by the company is 17.5% of the total sales made by the company. From year to year shows that the gross profit PT. Hexindo Adi Perkasa Tbk experiencing a declining trend. Likewise with the net profit margin ratio showed a downward trend from year to year. The smallest value in 2015. The amount of revenue generated PT. Hexindo Adi Perkasa Tbk in 2015 is 2.7% of the total sales. This shows that operating profit declined and sales decreased as well from year to year. Value Return On Assets (ROA) PT. Hexindo Adi Perkasa Tbk in 2015 showed a decrease from previous years Effectiveness companies manage assets in 2015 are from each USD 1, - asset only generate USD 270, - net operating income. Value Return On Equity (ROE) PT. Hexindo Adi Perkasa Tbk also tends to fall from year to year. ROE is used to measure the ability of its own capital to generate profits for shareholders. In 2015, the value of ROE 4.4% means that every USD 1, - own capital resulted in net operating income of USD 440.

Discussion

No.	Indicator	Classification	Nilai Ratio	Category
1.	Gross Profit margin	Trendup : good	PT. United Tractors, Tbk.	good
		Trenddown : poor	PT. Hexindo Adi P., Tbk.	poor
2.	Net Profit Margin	Trendup : good	PT. United Tractors, Tbk.	poor
		Trenddown : poor	PT. Hexindo Adi P., Tbk.	poor
3.	ROA	>21% = excellent	PT. United Tractors, Tbk. 6.3	enough
		10%-20% = good	PT. Hexindo Adi P., Tbk 2.7	
		1%-9% = enough		enough
		<1% = poor		
4.	ROE	>10% = excellent	PT. United Tractors, Tbk. 9.9	good
		6%-9% = good	PT. Hexindo Adi P., Tbk 4.4	
		0%-5% = enough		enough
		<0% = poor		
5.	Current Ratio	1.75-2.00 = excellent	PT. United Tractors, Tbk. 2.1	excellent
		1.50-1.74 = good	PT. Hexindo Adi P., Tbk 5.34	
		1.25%-1.49 = enough		excellent
		<1.25 = poor		
6.	Debt to equity ratio	Trend up : good	PT. United Tractors, Tbk.	poor
		Trenddown : poor	PT. Hexindo Adi P., Tbk	poor
7.	Debt to asset ratio	Trendup : good	PT. United Tractors, Tbk.	poor
		Trenddown : poor	PT. Hexindo Adi P., Tbk	poor

Financial performance analysis is based on the liquidity ratio measured by calculating the Current Ratio. From the analysis of the liquidity ratio of the period 2011 to 2015, it can be said that the two companies good Current Ratio PT. United Tractors, Tbk. and PT. Hexindo Adi Perkasa from year to year increases. In general it looks very good, especially in 2015 the two companies value the Current Ratio of more than 2:00, it means the company has a sizeable cash smoothly. But keep in mind is if it turns smoothly cash that is dominated by the stock of unsold products. Stock product was included cash but is the most difficult smoothly than any other cash disbursed. Both companies have been classified as excellent in the discharge of its short-term obligations because of the low current ratio will affect the company's liquidity to meet its short term obligations.

From the analysis of the debt ratio shows the unfavorable conditions that can be seen in the ratio of debt to equity and debt to assets that show a decline from year to year. In 2015 the two companies posted the smallest value in these two ratios. PT united Tractors, Tbk. 0.06 figures recorded for the ratio of debt to equity and 0.04 for the ratio of debt to assets, meaning every one rupiah debt secured by 6 or 4 capital asset. PT. Hexindo Adi

Perkasa recorded a figure slightly better with a 00:23 debt to equity ratio and debt to asset ratio is 0:19, which means every one USD debt secured by USD 23 or USD 9 capital asset.

Profitability Analysis measured by the ratio between the other three Gross Profit Margin (GPM) Net Profit Margin (NPM), Return on Equity (ROE) and Return on Assets (ROA). In the period 2011-2015, Return On Assets of the company amounted to 6.3% for PT United Tractors and 2.7% for PT Hexindo Adi Perkasa Tbk. This means that for every USD 10,000 Assets which benefit companies can only produce a net Operating Income of USD 630, - for PT United Tractors and USD 270 for PT Hexindo Adi Perkasa. If viewed from the aspect ratio of ROA two companies from the years 2011-2015 showed decreasing trends. Return on assets owned by the two companies in a state good enough because in between the range of 1% -9%, which means the ability to rotate the assets invested in generating sufficient profits either.

From the analysis of Return On Equity (ROE) it can be seen from the years 2011 until 2015 both of the ROE companies are decline. ROE value of PT United Tractors Tbk. in good category in 2015 and for PT. Hexindo Adi Perkasa Tbk. in good enough condition in 2015.Although classified in secure areas, a decrease in the value of ROE two companies that continually need to be a concern. Companies are still having the ability to generate profits for the company but progressively decreased ability from year to year. Of course this will be a consideration for investors to invest or will sell its shares. Gross profit margin of PT. United tractors, Tbk. get into the good category while PT. Hexindo Adi Perkasa shows things that are less good. But after net calculated and obtained the value of net profit margin then the condition of the two companies that are in poor condition. More effort is needed from the company to generate more profit by decrease operating costs or increase sales of products that generate greater profits.

Conlusion

The result of the above discussion shows that the company's good financial performance of PT. United Tractors Tbk, and PT. Hexindo Adi Perkasa Tbk. from 2011 to 2015 in general decreased. Performance in the last year that 2015 can be said to be less good. Even for the numerical ratio in 2015 showed quite good, better or less good but actually when compared to a year - relatively lower prior year. Investors as well as in investing or lending capital will definitely consider the value of existing financial ratios. To improve its performance, especially in terms of profitability both should not only increase sales but also the company needs to focus on superior products that have a high profit. Noteworthy is also the ratio of debt to equity and assets, if the constant value is small creditors most likely will think again to lend funds to the company.

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