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PT. GUDANG GARAM PROFITABILITY ANALYSIS ON THE INDONESIA STOCK EXCHANGE

Windi Atriani[1], Muhammad Ali[2], Mursalim Nohong[3]
Hasanuddin University/Faculty of Economics and Business, Makassar
E-mail: windiatriani120100@gmail.com

Abstract

This study aims to determine the financial performance of PT. Gudang Garam Tbk in terms of profitability ratio analysis for 2019-2022. The type of research used is descriptive quantitative. The data collection technique in this study uses documentation techniques in the form of balance sheets and income statements for 2018-2022. The profitability ratios used in this study include Gross Profit Margin (GPM), Net Profit Margin (NPM), Return on Assets (ROA), Return on Equity (ROE), and Earnings Per Share (EPS). The results showed that the financial performance of PT. Gudang Garam Tbk for the last four years has tended to be unfavorable, because the average value of the profitability ratio is below the expected standard of measurement. To overcome the problem of declining financial performance, PT. Gudang Garam Tbk must identify and control production and distribution costs more efficiently, develop appropriate pricing and sales strategies, manage accounts receivable properly, and be prudent in using loans with favorable interest rates to increase the company's net profit.

Keywords: **EPS, Financial Performance, GPM, Profitability Ratios, ROA, ROE**

1. INTRODUCTION

Every company has a goal to seek maximum profit for the company. If the company can achieve these goals, the company can be assessed as having good company performance. On the other hand, a company that cannot achieve its goals needs to analyze how the company is performing so that it can take steps that can be used to make the company's performance even better (Hutabarat, 2020:1).

Financial company performance is a benchmark for assessing a company's financial condition in a certain period. Financial performance reflects the company's ability to earn profits, achieve targets, and achievements during that period. Financial performance can be identified through an analysis of the company's financial statements. Financial statements are one of the important instruments in evaluating and measuring a company's financial performance. Financial reports provide relevant information about the results of operations and financial position of the company. This information reflects the health and capabilities of the company. In addition, financial ratio analysis is often used to interpret financial reports and provide deeper insight into the performance of financial companies.

Financial ratios are activities of comparing the numbers in financial reports by dividing one number by another. This comparison can be made between one component and between components in the financial statements. The results of financial ratios are used to assess management performance whether it reaches the set targets or not (Kasmir, 2019:105).

According to Kasmir (2019:198), the profitability ratio is "a ratio for assessing a company's ability to make a profit". This ratio can provide a measure of the level of management effectiveness of a company. So, the results of profitability can be used as a benchmark or description of the effectiveness of management performance in terms of the profits obtained compared to the company's income and investment results.

Profitability is an aspect that must be given special attention because a company must be in favorable conditions to be sustainable. Without profit, the company will find it difficult to attract capital from outsiders. In this study, several profitability ratios were used, namely Gross Profit Margin (GPM), Net Profit Margin (NPM), Return on Asset (ROA), Return on Equity (ROE), dan Earning Per Share (EPS).

Gross Profit Margin (GPM) is a ratio measuring a company's ability to generate gross profit with sales made by the company. This ratio describes the efficiency achieved by the production department. Net Profit Margin (NPM) is a ratio measuring a company's ability to generate net profit from sales made by the company. This ratio reflects the efficiency of all parts, namely production, personnel, marketing, and finance within the company. Return on Assets (ROA) is a ratio that shows a company's ability to use all of its assets to generate profit after tax. Return On Equity (ROE) is the ratio showing the company's ability to generate profit after tax by using the company's own capital (Harahap, 2018:25). According to Hantono (2018: 11), Earning Per Share (EPS) or earnings per share ratio, also known as book value ratio, is a ratio to measure management's success in achieving profits for shareholders.

PT. Gudang Garam Tbk is a company listed on the Indonesia Stock Exchange and was established to meet consumer needs with profitable sales results for company owners. This company is one of the leading cigarette manufacturers in Indonesia, which was founded in 1958 in the city of Kediri, East Java. PT. Gudang Garam Tbk is widely recognized both at home and abroad as a manufacturer of high quality kretek cigarettes. The cigarette industry is one of the consumer goods with a relatively high demand growth rate, especially among men because cigarettes are considered a basic need for them.

PT. Gudang Garam Tbk in 2019-2022 experienced various changes in financial performance. It can be seen from the results of the collection of financial reports that there has been an increase in sales revenue from 2019 to 2021. In 2018, sales revenue increased by 14.9% to IDR 95.7 trillion compared to the previous year. In 2019, there was an increase of 15% to IDR 111.5 trillion. In 2020, sales revenue reached IDR 114.5 trillion, an increase of 3.6% from the previous year. In 2021 it also recorded an increase of 9.1% to 124.9 trillion.

However, in 2022 there was a decrease in sales revenue of -0.2% to 124.7 trillion compared to 2021.

Meanwhile, the company's net profit before tax also fluctuated. In 2018, net profit before tax reached IDR 10.5 trillion. In 2019, net profit before tax increased to IDR 14.5 trillion. However, in 2020, net profit before tax decreased to IDR 9.7 trillion. In 2021 it also recorded a decrease in net profit before tax to IDR 7.3 trillion, and in 2022, net profit before tax to IDR 3.6 trillion.

In terms of net profit after tax, in 2018 net profit after tax was IDR 7.8 trillion. In 2019, it recorded a net profit after tax of IDR 10.9 trillion. In 2020, net profit after tax reached IDR 7.6 trillion. In 2021, it recorded a net profit after tax of IDR 5.6 trillion, and in 2022, net profit after tax is IDR 2.8 trillion.

Thus, it can be seen that during the period mentioned, the company's sales revenue and net profit experienced fluctuations which indicated changes in the financial performance of PT. Gudang Garam. Therefore, an analysis is needed to assess the company's financial performance using profitability ratios from 2019 to 2022.

2. RESEARCH METHOD

The type of research used in this research is descriptive research with a quantitative approach. Descriptive research methods aim to present a description, picture, or picture of facts, characteristics, and the relationship between the phenomena being investigated in a systematic, factual, and accurate manner.

This study seeks to describe, analyze and interpret the financial performance of PT. Gudang Garam Tbk is measured by calculating profitability ratios based on the profit and loss financial statements for 2019-2022 and presented in written form systematically.

The focus in this study is the ability of the financial performance of PT. Gudang Garam Tbk in 2019-2022. Data collection techniques use documentation techniques. This study uses secondary data where the data is data derived from the annual financial reports of manufacturing companies published by the Indonesia Stock Exchange (IDX), namely www.idx.co.id and the official website of the company PT. Gudang Garam Tbk, namely www.gudanggaramtbk.com.

This research uses descriptive analysis method. In this analysis, things related to knowing the financial performance of PT. Gudang Garam is then interpreted using quantitative data analysis. The steps taken to analyze the data are as follows:

1) Collect the required data such as quarterly financial reports PT. Gudang Garam Tbk Period 2019-2022.
2) Calculating data using profitability ratios, namely:
   a. $Gross\ Profit\ Margin = \frac{Gross\ Profit}{Sales} \times 100$

b. $Net\ Profit\ Margin = \frac{Net\ Profit\ After\ Tax}{Sales} \times 100$

c. $Return\ on\ Assets = \frac{EAT}{\text{Total Assets}} \times 100$

d. $Return\ on\ Equity = \frac{Net\ Profit\ After\ Tax}{Own\ Capital} \times 100$

e. $Earning\ per\ Share = \frac{\text{EAT}}{Number\ of\ Shares}$

3) Interpret data calculated using the average standard size of the cigarette industry which is the result of calculations from 5 (five) cigarette sector companies listed on the Indonesia Stock Exchange in 2019-2022 which is the core of the analysis process as a guide between the results of comparison/measuring with the theoretical rules that apply. The following is the average standard size of the cigarette sector industry:

Table 1 Average standard size of the cigarette industry

Ratio	Industry Average
GPM	20%
NPM	7%
ROA	9,1%
ROE	14,4%
EPS	-

Source: Data processed in 2023

3. RESULTS AND DISCUSSION

The results of measuring the financial performance of PT. Gudang Garam Tbk in 2019-2022 uses a profitability ratio analysis which includes Gross Profit Margin, Net Profit Margin, Return on Assets, Return on Equity, and Earning per Share are as follows:

3.1 Financial Performance of PT. Gudang Garam Tbk based on Gross Profit Margin

The results of the calculation of the gross profit margin ratio of PT. Gudang Garam for 2019-2022 is shown in the following table:

Table 2 The gross profit margin ratio for 2019-2022

Year	Ratio	Industry Average
2019	20,6%	20%
2020	15,2%	
2021	11,4%	
2022	8,9%	
Rata-Rata	14%	

Source: Data processed in 2023

The results of calculating the Gross Profit Margin of PT. Gudang Garam Tbk from 2019 to 2022 shows a continuous decline. This was caused by an increase in cost of goods sold that was not offset by a proportional increase in selling prices. That is, the costs incurred to produce and distribute products increase faster than the increase in the selling price of the product. As a consequence, the gross profit generated from sales also decreased.

This condition needs attention because a low Gross Profit Margin can indicate problems in cost management and operational efficiency of the company. If production costs are not managed properly, the company may face difficulties in achieving optimal gross profit. In addition, the comparison of the average gross profit margin of PT. Gudang Garam Tbk with the industry average shows that the company is still below the industry average. This indicates that PT. Gudang Garam Tbk has lower performance in generating gross profit compared to similar companies in the same industry.

3.2 Financial Performance of PT. Gudang Garam Tbk based on Net Profit Margin

The results of the calculation of the net profit margin ratio of PT. Gudang Garam for 2019-2022 is shown in the following table:

Table 3 Net profit margin ratio for 2019-2022

Year	Ratio	Industry Average
2019	9,8%	7%
2020	6,7%	
2021	4,5%	
2022	2,2%	
Rata-Rata	6%	

Source: Data processed in 2023

The results of calculating the net profit margin of PT. Gudang Garam Tbk from 2019 to 2022 shows a continuous decline. This decrease was caused by several factors. Although marketing expenses were managed well and relatively stable, general and administrative expenses experienced an increase. This increase in administration costs was mainly due to an increase in employee compensation costs related to the adjustment of the post-employment benefits liability balance in 2021. As a result, net profit margins became thinner due to higher administrative expenses affecting the profit that should have been generated by the company.

In addition, interest expense also increased significantly due to an increase in the average balance of bank loans. This increase in interest expense caused a higher financial burden and had an impact on the company's net profit. Factors such as rising operating costs and high interest expenses may have contributed to the decline in the company's sales performance and net profit.

It should also be noted that the comparison of the average Net Profit Margin results of PT. Gudang Garam Tbk with the industry average shows that the company is still below the industry average. This indicates that the company's financial performance has not been able to achieve a level of profitability comparable to similar industries.

3.3 Financial Performance of PT. Gudang Garam Tbk based on Return on Assets

The results of the calculation of the return on assets ratio of PT. Gudang Garam for 2019-2022 is shown in the following table:

Table 4 Return on assets ratio for 2019-2022

Year	Ratio	Industry Average
2019	13,8%	9,1%
2020	9,8%	
2021	6,2%	
2022	3,1%	
Rata-Rata	8,2%	

Source: Data processed in 2023

The results of calculating the return on assets of PT. Gudang Garam Tbk from 2019 to 2022 shows a continuous decline. This decrease was caused by several changes that occurred in the company's assets and liabilities and a number of changes made by the company in line with its business needs.

One of the changes that had an impact was a decrease in prepaid VAT and a decrease in trade receivables. Although inventories remained the same compared to the previous year, the decline in overall current assets contributed to lower ROA.

In addition, there was a decrease in the amount of trade receivables that were past due for more than 30 days. Although all receivables are considered collectible and there is no provision for impairment, the decrease in these receivables still affects the company's net profit.

It should also be noted that the results of the comparison of the average Net Profit Margin of PT. Gudang Garam Tbk with the industry average shows that the company is still below the industry average. This indicates that the company's financial performance has not been able to achieve a level of profitability that is comparable to companies in the same industry.

3.4 Financial Performance of PT. Gudang Garam Tbk based on Return on Equity

The results of calculating the return on equity ratio of PT. Gudang Garam for 2019-2022 is shown in the following table:

Table 5 Return on equity ratio for 2019-2022

Year	Ratio	Industry Average
2019	21,36%	14,4%
2020	13,07%	
2021	9,45%	
2022	4,80%	
Rata-Rata	12,17%	

Source: Data processed in 2023

The results of calculating the return on equity of PT. Gudang Garam Tbk from 2019 to 2022 shows a continuous decline. This decrease was caused by net profit not increasing in proportion to the increase in equity, which resulted in a decrease in ROE. In addition, the payment of dividends to shareholders from the company's profits in 2021 also contributed to a decrease in equity, which contributed to a decrease in ROE during this period.

It should also be noted that the results of the comparison of the average return on equity of PT. Gudang Garam Tbk with the industry average shows that the company is still below the industry average. This indicates that the company's financial performance has not been able to achieve a level of profitability that is comparable to companies in the same industry.

3.5 Financial Performance of PT. Gudang Garam Tbk based on Earning per Share

The results of calculating the ratio of earnings per share PT. Gudang Garam for 2019-2022 is shown in the following table:

Table 6 Earnings per share ratio for 2019-2022

Year	Ratio
2019	5.655/Lembar Saham
2020	3.975/Lembar Saham
2021	2.913/Lembar Saham
2022	1.445/Lembar Saham

Source: Data processed in 2023

The results of the calculation of earnings per share of PT. Gudang Garam Tbk from 2019 to 2022 shows a continuous decline. This decline was caused by several key factors. First, earnings per share decreased by 29.7% from 2019 due to a decrease in gross profit margins. This decrease in margin occurred due to an increase in excise duty without being followed by an increase in product selling prices, as well as a decrease in sales volume of 6.5%. In addition, there were also reductions in operating expenses and interest expenses which helped reduce the impact of lower earnings per share, but were not enough to offset the negative effects of other factors. Second, in 2021, the company's profit decreased by 26.7% compared to 2020. This decrease was mainly due to a significant increase in excise duty without being offset by an increase in product selling prices, thus affecting the company's gross profit margin. Overall, the decline in PT. Gudang Garam Tbk was caused by a decrease in gross profit margin due to an increase in excise duty and a decrease in sales volume, which was not offset by reduced operating expenses and lower interest.

4. CONCLUSION

Based on the results of the analysis of the financial performance of PT. Gudang Garam Tbk based on the financial ratios presented is a continuous decline in Gross Profit

Margin, Net Profit Margin, Return on Assets, and Earning per Share from 2019 to 2022. This decrease was caused by various factors, such as an increase in cost of goods sold which was not offset by a proportional increase in selling prices, a decrease in sales volume, an increase in administrative expenses and interest expenses, as well as a decrease in gross profit margin due to an increase in excise duty without being followed by an increase in selling prices. In addition, the company is still below the industry average in each of these financial ratios, showing lower performance in generating profits and profitability compared to other companies in the same industry.

Solutions that need to be considered to overcome this problem, PT. Gudang Garam Tbk (1) Must identify and control production and distribution costs more efficiently. By carrying out proper analysis and improving cost management, companies can increase gross profit margins and optimize gross profit. (2) Developing the right price and sales strategy is important to deal with increases in excise tax and changes in market demand. Companies must find ways to adjust the selling prices of their products to reflect rising production costs and increase profitability. (3) Companies must carry out effective management of trade receivables and reduce the amount of receivables that are past due for more than 30 days. Good management will help increase the company's cash flow and reduce the risk of losses due to bad debts. (4) Companies need to consider using loans wisely and look for options with better interest rates. Thus, interest expenses can be reduced and the company's net profit can be increased.

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