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ANALYSIS OF COMPANY PROFITABILITY AT PT ARITA PRIMA INDONESIA TBK

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Abstract:

The Analysis of Company Profitability at PT Arita Prima Indonesia Tbk. This study aims to determine and analyze the level of profitability of PT Arita Prima Indonesia Tbk. The analytical method used in this research is quantitative descriptive analysis using the Du Pont System. The research results indicate that the decline in profitability at PT Arita Prima Indonesia Tbk in 2017, as identified by the Du Pont System, was caused by the company's ineffective utilization of its long-term investments, resulting in a decrease in net income by 12.29%.

Keywords: *Profitability, Du Pont System*

1. INTRODUCTION

As time progresses, accompanied by the emergence of companies in various sectors and fields, each company is required to provide its best innovation, which can be the key to overcoming the increasingly tight competition today. Companies must have prominent advantages that are not possessed by other companies. Therefore, companies must have good management in carrying out their activities and operations so that they can continue to grow and achieve their main goal of obtaining profits for the company's survival. To assess a company's success in achieving its goals, measurement of its performance is necessary.

Company performance measurement can be represented by the profit margin, which is a ratio that illustrates the percentage of net income obtained from each company's sales. The higher the profit margin ratio, the better the company's ability to generate profits from sales. However, this profit margin ratio cannot guarantee that the company operates effectively, as the capital used to generate those profits also needs to be considered. The relationship between profit margin and the amount of capital used to achieve those profits is essential in assessing the company's efficiency.

High or low percentages of profitability can reflect the level of effectiveness and efficiency in the company's capital utilization. Profitability is a ratio that describes a company's ability to manage its assets productively to achieve profits during a specific period. The profitability ratio is calculated by comparing the profit earned by the company during a specific period with the total assets owned by the company (Munawir, 2010).

By using the profit margin and profitability ratios, companies can evaluate the extent of their financial performance and how efficiently they utilize their capital resources to achieve optimal profits during a specific period.

PT Arita Prima Indonesia Tbk is a company engaged in the export and import of metals such as fittings, valves, and similar products. The data on net income and total assets of PT Arita Prima Indonesia Tbk for the years 2016-2018 can be seen in Table 1.

Table 1 Net Income, Sales, and Total Assets of PT Arita Prima Indonesia Tbk for the Years 2016-2018.

Year	Net Income (IDR)	Percentage Increase/Decrease	Sales (IDR)	Percentage Increase/Decrease	Total Assets (IDR)	Percentage Increase/Decrease
2016	15.871.882.915	-	170.213.172.087	-	407.985.799.015	-
2017	13.921.992.681	(12,29%)	168.065.942352	(1,27%)	423.181.306.9890	3,72%
2018	30.402.061.201	(118,37%)	216.508.943.536	28,82%	450.303.354.800	6,41%

Source: www.arita.co.id (processed in 2020)

Based on Table 1, it can be seen that the net income experienced a decrease of 12.29% in 2017, but a significant increase of 118.37% in 2018. Additionally, there was a decrease in sales by 1.27% in 2017, but the company's assets experienced an increase of 3.72% in the same year. Observing these fluctuations, the researcher is interested in conducting a study with the title "Analysis of Company Profitability at PT Arita Prima Indonesia Tbk for the Period 2016-2018."

2. RESEARCH METHOD

This study employs a quantitative descriptive analysis method as its approach. With this method, the researcher will conduct relevant calculations related to the research issue. Additionally, the analytical techniques used in this study include the application of the Du Pont System and leverage ratios.

The Du Pont Analysis is an elaboration of the Return On Investment (ROI) scheme. It involves calculating a ratio that shows the rate of return on assets after multiplying the company's profit with its asset turnover. Furthermore, the research also utilizes several other ratios in its analysis. One of these is the total asset turnover, which measures the result of dividing sales revenue by the total assets owned by the company. Additionally, the profit margin ratio is employed, which calculates the result of dividing net profit by the company's sales. Moreover, the analysis includes total assets, which comprise both current and fixed assets of the company. Net income is calculated as the difference between the company's sales revenue and total expenses. By combining the Du Pont Analysis and leverage ratios, this research aims to provide a comprehensive insight into the company's financial performance, the influencing factors, and the efficiency in utilizing assets to generate profit.

2.1 *Return On Investment (ROI) using the Du Pont System approach*

Return On Investment (ROI) analysis is a comprehensive technique commonly used to measure a company's effectiveness in all its operations. Return on Investment or ROA is calculated using the following formula:

$$\text{ROI } (Du\ Pont) = \frac{\text{Net Income}}{\text{Sales}} \text{ x } \frac{\text{Sales}}{\text{Total Assets}}$$

2.2 *Net Profit Margin (NPM)*

Net Profit Margin ratio, also known as the income-to-sales ratio, measures the company's ability to generate net profit from its sales during a specific period. The formula used is:

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

2.3 *Total Assets Turnover (TATO)*

Total Assets Turnover is a ratio used to measure the turnover of the company's total assets and determine the amount of sales generated from each asset. The formula used is:

$$Total\ Assets\ Turnover = \frac{Net\ Income}{Total\ Assets} \text{ x } 100\%$$

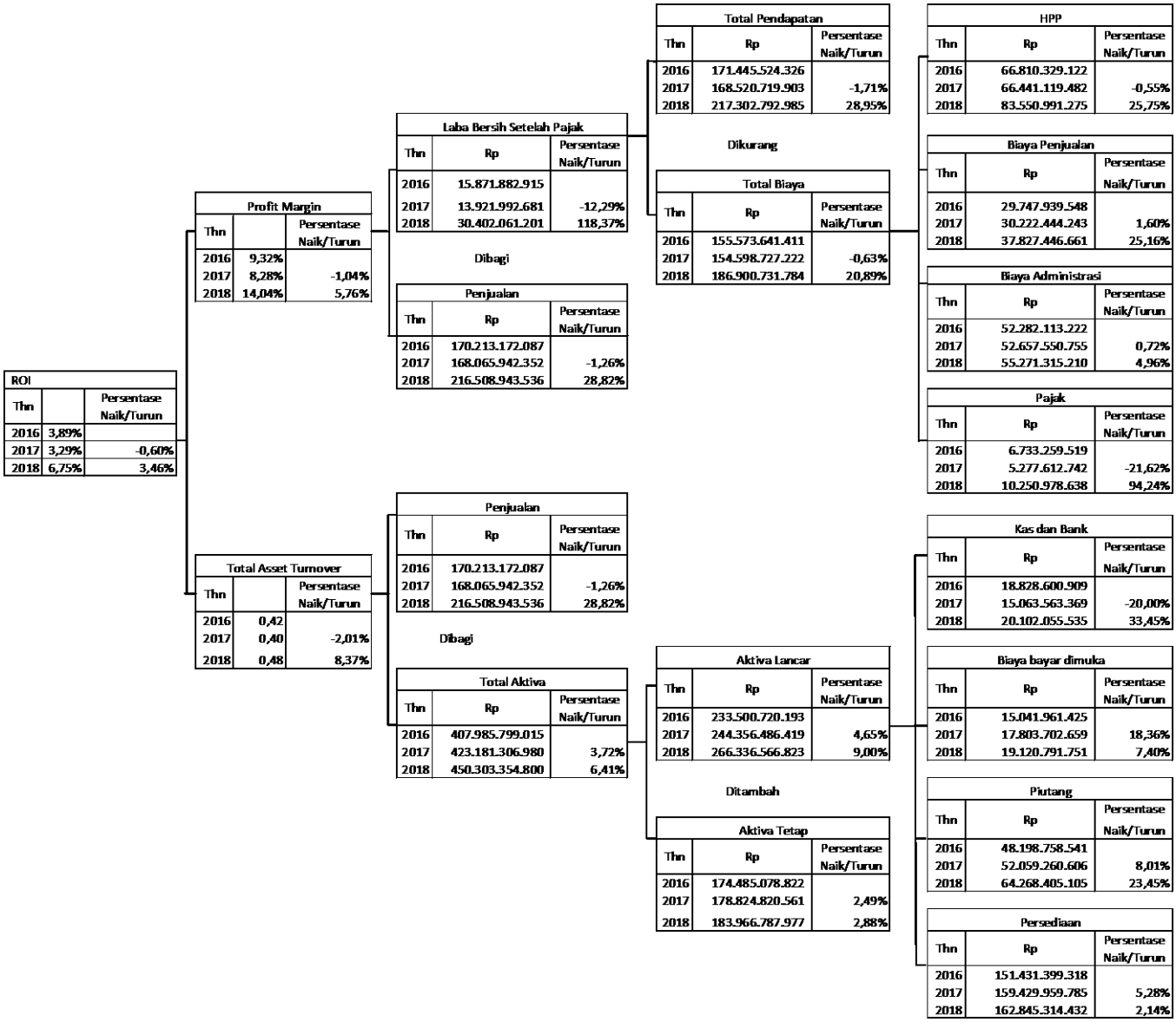
3. RESULTS AND DISCUSSION

3.1 CALCULATION RESULTS

3.1.1 *Du Pont System* Analysis

By applying the Du Pont System, ROI can be analyzed by dividing it into two main components, namely Net Profit Margin (NPM) and Total Assets Turnover (TATO). By examining these two components, we can determine whether there is an increase or decrease in the NPM and TATO factors. The detailed calculation results using the Du Pont System are presented in Figure 1 below:

Figure 1
Modified Du Pont System Analysis for the Years 2016-2018



Source: Processed in 2020

3.1.2 *Return On Investment (ROI)*

The formula for Return On Investment used in this research is as follows:

$$\text{ROI } (Du\ Pont) = \frac{\text{Net Income}}{\text{Sales}} \text{ x } \frac{\text{Sales}}{\text{Total Assets}}$$

a. ROI (2016) = $\frac{IDR\ 15.871.882.915}{IDR\ 407.985.799.015}$ x 100% = 3,89%

b. ROI (2017) = $\frac{IDR\ 19.199.605.423}{IDR\ 423.181.306.980}$ x 100% = 3,29%

c. ROI (2018) = $\frac{IDR\ 30.402.061.201}{IDR\ 450.303.354.800}$ x 100% = 6,75%

3.1.3 *Net Profit Margin (NPM)*

The formula for Net Profit Margin used in this research is as follows:

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

a. NPM (2016) = $\frac{IDR\ 15.871.882.915}{IDR\ 170.213.172.087}$ x 100% = 9,32%

b. NPM (2017) = $\frac{IDR\ 13.921.992.681}{IDR\ 168.065.942.352}$ x 100% = 8,28%

c. NPM (2018) = $\frac{IDR\ 30.402.061.201}{IDR\ 216.508.943.536}$ x 100% = 14,04%

3.1.4 *Total Assets Turnover (TATO)*

The formula for Total Assets Turnover used in this research is as follows:

$$Total\ Assets\ Turnover = \frac{Sales}{Total\ Assets}$$

a. TATO (2016) = $\frac{IDR\ 170.213.172.087}{IDR\ 407.985.799.015}$ = 0,42 times

b. TATO (2017) = $\frac{IDR\ 168.065.942.352}{IDR\ 423.181.306.980}$ = 0,40 times

c. TATO (2018) = $\frac{IDR\ 216.508.943.536}{IDR\ 450.303.354.800}$ = 0,48 times

3.2 DISCUSSION

Based on the calculation results using the modified Du Pont System analysis, we can measure the increase and decrease in profitability by analyzing the balance sheet and income statement items of the company. Table 2 below shows the increase in profitability at PT Arita Prima Indonesia Tbk.

Table 2 Recapitulation of profitability ratio calculation results for PT Arita Prima Indonesia Tbk for the years 2016-2018

Ratio	Year		
	2016	2017	2018
Return On Investment (ROI)	3,89%	3,29%	6,75%
Net Profit Margin (NPM)	9,32%	8,28%	14,04%
Total Assets Turnover (TATO)	0,42 times	0,40 times	0,48 times

Source : The data was processed in 2020.

3.2.1 *Return On Investment (ROI)*

Perubahan pada Return on Investment (ROI) disebabkan oleh fluktuasi laba bersih perusahaan. Laba bersih mengalami penurunan sebesar 12,29% dari IDR 15.871.882.915 pada tahun 2016 menjadi IDR 13.921.992.681 pada tahun 2017. Namun, pada tahun 2018, laba bersih mengalami peningkatan yang signifikan menjadi IDR 30.402.061.201, mencatatkan pertumbuhan sebesar 118,37% dari tahun sebelumnya. Selain itu, total aset juga mengalami peningkatan dari IDR 407.985.799.015 pada tahun 2016 menjadi IDR

423.181.306.980 pada tahun 2017, mencatatkan peningkatan sebesar 3,72%. Lalu, pada tahun 2018, total aset kembali mengalami kenaikan menjadi IDR 450.303.354.800, menunjukkan pertumbuhan sebesar 6,41%.

3.2.2 *Net Profit Margin (NPM)*

The decrease in net income is attributed to changes in total revenue and total expenses. In 2016, the company's total revenue reached IDR 171,445,524,326 and experienced a decline to IDR 168,520,719,903 in 2017, representing a decrease of 1.71%. However, in 2018, total revenue saw a significant increase of 28.95% to IDR 217,302,792,985. Meanwhile, total expenses in 2016 amounted to IDR 155,573,641,411 and decreased by 0.63% to IDR 154,598,727,222 in 2017. However, in 2018, there was an increase in total expenses to IDR 186,900,731,784, marking a growth of 20.89%.

The decrease in total expenses can be attributed to various factors, including cost of goods sold (COGS), selling expenses, administrative expenses, and taxes. In 2016, the cost of goods sold was IDR 66,810,329,122, which decreased to IDR 66,441,119,482 in 2017, representing a decrease of 0.55%. However, in 2018, the cost of goods sold increased to IDR 83,550,991,275, experiencing a rise of 25.75%. Selling expenses showed a consecutive increase each year, with IDR 29,747,939,548 in 2016, rising to IDR 30,222,444,243 in 2017, an increase of 1.60%. Then, in the following year, it further increased by 25.16% to IDR 37,827,446,661 in 2018. Administrative expenses also continuously increased, starting from IDR 52,282,113,222 in 2016 to IDR 52,657,550,755 in 2017, a rise of 0.72%, and further increasing by 4.96% to IDR 55,271,315,210 in 2018. As for taxes, in 2016, it amounted to IDR 6,733,259,519, decreasing by 21.62% to IDR 5,277,612,742 in 2017, but increased significantly by 94.24% to IDR 10,250,978,638 in 2018.

3.2.3 *Total Assets Turnover (TATO)*

The fluctuations in net income are caused by changes in total revenue and total expenses. The Total Assets Turnover in 2016 was 0.42 times, then decreased to 0.40 times in 2017, and finally increased to 0.48 times in 2018. From this data, it can be observed that there was a decrease of 0.02% in total assets turnover in 2017, but then it increased by 0.08% in 2018. These fluctuations in total assets turnover are influenced by the performance of the company's current assets and fixed assets. This may be a contributing factor to the decrease in net income that occurred.

The current assets showed an increase each year, with current assets amounting to IDR 233,500,720,193 in 2016, increasing by 4.65% to IDR 244,356,486,419 in 2017, and further increasing to IDR 266,336,566,823 in 2018, marking a growth of 9.00%. This increase in current assets is influenced by cash and bank, prepaid expenses, accounts receivable, and inventory..

However, cash and bank experienced a different trend. In 2016, cash and bank were IDR 18,828,600,909, decreased by 20.00% to IDR 15,063,563,369 in 2017, and then increased to IDR 20,102,055,535 in 2018, marking an increase of 33.45%. Prepayments also

showed a consistent increase, with IDR 15,041,961,425 in 2016, rising by 18.36% to IDR 17,803,702,659 in 2017, and further increasing by 7.40% to IDR 19,120,791,751 in 2018. The same trend is observed for receivables, which increased continuously, with IDR 48,198,758,541 in 2016, rising by 8.01% to IDR 52,059,260,606 in 2017, and experiencing a further increase of 23.45% to IDR 64,268,405,105 in 2018. Inventory also increased, with IDR 151,431,399,318 in 2016, rising by 5.28% to IDR 159,429,959,785 in 2017, and further increasing by 2.14% to IDR 162,845,314,432 in 2018.

The other contributing factor to the increase in Total Assets Turnover is the fixed assets or non-current assets, which also experienced an increase. In 2016, fixed assets amounted to IDR 174,485,078,822, increasing by 2.49% to IDR 178,824,820,561 in 2017. A further increase was observed in 2018, with fixed assets rising by 2.88% to IDR 183,966,787,977.

From this research, using Du Pont as an analytical tool to assess the operational effectiveness of the company, it can be concluded that in 2017, PT Arita Prima Indonesia Tbk did not demonstrate good operational effectiveness. This can be observed from the increase in general and administrative expenses, as well as selling expenses in 2017, which led to an increase in the company's total revenue during that year. When inefficiency occurs in the company's operations, it can result in a decrease in the net income obtained by the company. As seen in the case of PT Arita Prima Indonesia Tbk, there was a decrease in net income by 12.29% in 2017. On the other hand, in 2018, there was an increase in both sales and the company's assets. Both current assets and fixed assets experienced growth, leading to an increase in revenue in 2018. This increase can be attributed to the significant rise of 33.45% in cash and bank, 7.40% in prepayments, 23.45% in receivables, and 2.14% in inventory during 2018. As a result, revenue in 2018 also increased by 28.82%.

4. CONCLUSION

Based on the research conducted by the author and the discussion related to the research findings, using the Du Pont System analysis, it can be concluded that the profitability of PT Arita Prima Indonesia Tbk experienced a decline in 2016-2017 because the company did not effectively utilize its long-term investments during that period. However, in 2018, the company's profitability increased due to effective long-term investments (investments in associate entities), which resulted in increased sales and net income. In fact, in 2018, the net income doubled compared to the previous year.

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