

ANALYSIS OF PROFITABILITY AND ACTIVITY RATIO TO ASSESS FINANCIAL PERFORMANCE IN PT. ALUMINDO LIGHT METAL INDUSTRY TBK

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Abstract

This research aims to analyze the financial performance of PT Alumindo Light Metal Industry Tbk based on profitability and activity ratios during the 2022-2023 period. The main problem raised was the decline in financial performance which was marked by the company's consecutive net losses. This research uses a quantitative descriptive method with a time series approach. Data was obtained from company financial reports accessed via the official website of the Indonesia Stock Exchange. The analysis techniques used include activity and profitability ratio analysis to assess the effectiveness of asset management and the company's ability to generate profits. The research results show that the company's activity ratio has not shown optimal efficiency, while the profitability ratio is in the poor category. This indicates that the company's financial performance needs to be improved through efficiency strategies and better asset management.

1. INTRODUCTION

Background of the Problem

In the era of globalization and increasingly tight business competition, the success of a company is not only determined by the quality of the products or services offered, but also depends greatly on how management manages its financial aspects. Financial performance is an important indicator that reflects the health of a company in the short and long term. Therefore, it is very important to carry out financial performance analysis periodically to determine the effectiveness and efficiency of the company's operational activities.

One of the main instruments used to assess financial performance is financial reports. This report presents information about the company's financial position, operating results, changes in capital, and cash flow in a certain period. Analysis of financial reports, especially through the use of financial ratios, can provide a more comprehensive picture of a company's financial strengths and weaknesses. Profitability and activity ratios are tools that are widely used to assess a company's ability to generate profits and manage assets efficiently.

PT Alumindo Light Metal Industry Tbk is a company engaged in the production and trading of aluminum which is listed on the Indonesia Stock Exchange. In recent years, the company has faced serious challenges in maintaining its financial stability, as demonstrated by a continuing net loss trend. This situation raises concerns among investors and stakeholders regarding the sustainability of the company's business.

This research was conducted to examine and analyze the financial performance of PT Alumindo Light Metal Industry Tbk using a financial ratio approach, especially activity and profitability ratios, with the hope of providing an objective picture of the company's financial condition during the period 2022 to 2023. It is hoped that the results of this analysis can become material for strategic evaluation for company management and a reference for other stakeholders.

In the context of the metal manufacturing industry, based on 2021 industry data released by the Indonesian Aluminum Industry Association (AIAI), the average Return on Assets (ROA) for aluminum companies in Indonesia is 5.2%, while Return on Equity (ROE) is in the range of 8.6%. In addition, the inventory turnover rate in this industry is 4.1 times per year. These figures can be used as a comparative reference in assessing the financial performance of PT Alumindo Light Metal Industry Tbk, whether it is below, parallel to, or above the industry average.

By using the activity and profitability ratio approach, this research is expected to provide an objective picture of the company's financial condition during the period 2022 to 2023. The results of this analysis are also expected to be material for strategic evaluation for company management and a reference for other stakeholders in making more appropriate decisions.

Problem Formulation:

What is the activity and profitability ratio of PT Alumindo Light Metal Industry Tbk during the 2022-2023 period?

Research purposes:

To find out and analyze the activity and profitability ratios of PT Alumindo Light Metal Industry Tbk during the 2022-2023 period

2. LITERATURE REVIEW

Financial Management

The definition of financial management is an activity carried out with efforts to obtain funds at minimally regulated costs and manage these funds effectively to achieve the goals of an institution.

In the context of family finances, financial management means managing family finances by making shopping lists, recording every income and expenditure, and seeking additional income by following training provided by the government.

Financial management is a process in the company's financial activities related to efforts to obtain company funds and minimize company costs as well as efforts to manage the finances of a business entity or organization in order to achieve financial goals that have been set [1].

Mihajlović (2020) said that financial management is a field of knowledge that is quite fun, but also challenging because those who are happy in the field of financial management will get wider opportunities to get jobs such as corporate finance managers, banking, real estate, insurance companies, and even other government sectors, so that their careers will grow [2].

Financial Report

Munawir (2010) stated that financial report analysis is an important tool for understanding and evaluating the financial health of a company. By using various analysis techniques and financial ratios, stakeholders can gain deeper insight into the company's performance and condition, and make better business decisions. Comprehensive analysis not only looks at the numbers but also understands the context in which the company operates.

According to Hasanaj & Kuqi (2019), financial statements are a document that describes the company's financial condition and company performance in a certain period [3]. According to Setyowati et al., (2022) financial statements are the final result of the accounting process which includes two main reports, namely the balance sheet and the income statement. These reports are not only important for internal management, but also provide crucial information for investors, creditors, and other stakeholders in economic decision-making [4].

Financial statements also serve as a transparent communication tool, allowing all relevant parties to assess the company's financial health and future growth potential [5]. Accurate and timely financial reports are essential in creating trust between the company and stakeholders, as well as aiding in strategic planning and risk management. Additionally, good financial statements can provide insight into a company's operational performance and aid in identifying areas that need further improvements or investments [6].

Financial Ratios

Financial ratios are an important tool in evaluating the performance and financial position of a company. In this context, there are two main ratios used, namely the profitability ratio and the activity ratio.

Profitability Ratio

The profitability ratio is used to measure a company's ability to generate profits from the capital used. According to Kasmir (2019), this ratio reflects management efficiency in managing resources to generate profits. Commonly used indicators include Return on Assets (ROA) and Return on Equity (ROE). According to Hery [1], this ratio reflects management efficiency in managing resources to generate profits. Commonly used indicators include Return on Assets (ROA) and Return on Equity (ROE).

Brigham and Houston (2016) stated that ROA is one of the most important indicators in assessing a company's profitability because it reflects the company's ability to use its total assets to generate profits. Meanwhile, ROE focuses more on the shareholder perspective, because it measures the level of return on investment obtained by company owners.

Activity Ratio

The activity ratio aims to evaluate the efficiency of using assets in the company's operational activities. Inventory turnover, fixed asset turnover, and total asset turnover are ratios that are often used. The higher the turnover rate, the better the efficiency of using these assets (Gitman & Zutter, 2015) [2].

Weston and Copeland (1992) explain that the inventory turnover ratio shows how many times inventory is turned over in one company's operational period. A high ratio indicates efficient management and minimizes capital embedded in unproductive inventory.

Industry Benchmarks

According to a report by the Indonesian Aluminum Industry Association (AIAI), the average standard for the metal manufacturing industry in Indonesia shows an ROA of 5.2%, ROE of 8.6%, and inventory turnover of around 4.1 times per year [3]. This data is important as a comparison in analyzing the financial performance of the companies studied.

3. RESEARCH METHODS

This research is quantitative descriptive with a case study approach. The data source was obtained secondarily from the annual financial report of PT Alumindo Light Metal Industry Tbk for the period 2022 and 2023 which is available on the official website of the Indonesia Stock Exchange (www.idx.co.id).

Data Source

Secondary data was obtained from the company's annual financial reports which have been audited and published on the official website of the Indonesia Stock Exchange (www.idx.co.id) and the company website.

Data Collection Techniques

Data collection is carried out using the documentation method, namely collecting and recording financial data from the company's annual report, especially the balance sheet and profit and loss report.

Data Analysis Techniques

Analysis is carried out using two categories of financial ratios:

a) Profitability Ratio

Return on Assets (ROA) = $\text{Net Profit} / \text{Total Assets} \times 100\%$

Return on Equity (ROE) = $\text{Net Profit} / \text{Total Equity} \times 100\%$

b) Activity Ratio

Inventory Turnover = $\text{Cost of Goods Sold} / \text{Average Inventory}$

The results of the ratio calculation will be compared with metal manufacturing industry standards based on data from the Indonesian Aluminum Industry Association (AIAI) for 2021, namely:

LENGTH: 5.2%

ROE: 8,6%

Inventory Turnover: 4,1 kali

3.4 Analysis Stages

1. Collect and calculate company financial data for 2022-2023
2. Calculate activity and profitability ratios for each period
3. Compare calculation results with industry standards
4. Analyze trends in ratio changes between periods
5. Identify factors that influence financial performance
6. Presenting analysis results in narrative and visual form

4. RESULTS AND DISCUSSION

RESULTS

Financial Report Analysis

Based on the company's financial report, the following is the main financial data of PT Alumindo Light Metal Industry Tbk for the 2022-2023 period:

Table 1. Financial Data of PT Alumindo Light Metal Industry Tbk (in millions of Rupiah)

| Information | 2022 | 2023 |
|--------------|-----------|-----------|
| Total Assets | 3.355.427 | 3.430.892 |

| | | |
|-------------------|-----------|-----------|
| Total Equity | 1.572.592 | 1.960.514 |
| Net profit | (50.320) | (27.447) |
| HPP | 4.891.567 | 5.121.345 |
| Average Inventory | 1.687.437 | 1.652.047 |

Sumber: Data Olahan, 2025

Ratio Calculation Results

a) Profitability Ratio

ROA 2022 = Net Income / Total Assets $\times 100\%$ = $(50,320) / 3,355,427 \times 100\%$ = -1.5%

ROA 2023 = $(27.447) / 3.430.892 \times 100\%$ = -0.8%

ROE 2022 = Net Profit / Total Equity $\times 100\%$ = $(50,320) / 1,572,592 \times 100\%$ = -3.2%

ROE 2023 = $(27.447) / 1.960.514 \times 100\%$ = -1,4%

b) Activity Ratio

Inventory Turnover 2022 = COGS / Average Inventory = $4,891,567 / 1,687,437$ = 2.9 times

Inventory Turnover 2023 = $5.121.345 / 1.652.047$ = 3,1 kali

DISCUSSION

a) Profitability Ratio Analysis

The company's ROA ratio showed negative values for two consecutive years, although there was an improvement from -1.5% to -0.8%. This figure is far below the industry average (5.2%), which indicates that the company has not been able to generate profits from the assets it owns. This loss can be caused by several factors, including:

- 1) High operational costs compared to income
- 2) Fluctuations in the price of aluminum raw materials on the international market
- 3) Production capacity is not yet optimal
- 4) Competitive pressures in the aluminum industry

Likewise, ROE is negative (-3.2% in 2022 and -1.4% in 2023), indicating that the company has not been able to generate returns for shareholders. Despite improvements, this figure is still far below the industry average (8.6%). This can be a serious concern for investors because it indicates that the invested capital is not generating positive returns.

Even though both profitability ratios show negative values, there is an improvement trend from 2022 to 2023. This indicates that the restructuring and efficiency efforts carried out by management are starting to show results, although they are not yet significant enough to turn a loss into a profit.

b) Activity Ratio Analysis

Inventory Turnover has increased from 2.9 times in 2022 to 3.1 times in 2023. Although this trend is positive, this figure is still below the industry average (4.1 times). This indicates that inventory management is not yet efficient and the company still holds inventory for too long before selling, which can affect liquidity and carrying costs.

A low inventory turnover ratio can be caused by several factors:

- 1) The company's strategy is to maintain large inventory stocks in anticipation surge in demand
- 2) Decrease in market demand for aluminum products
- 3) Lack of effective supply chain management
- 4) Mismatch between production and market demand

However, the increase in the inventory turnover ratio from 2.9 times to 3.1 times shows that there are efforts to improve inventory management. If this trend continues, the company may be able to approach the industry average in the next few years.

c) Implications for Management

Based on the results of the financial ratio analysis, the management of PT Alumindo Light Metal Industry Tbk needs to take strategic steps to improve financial performance, including:

- 1) Operational cost efficiency to reduce losses and increase profitability
- 2) Optimizing asset use to increase turnover ratio and profitability ratio
- 3) Improved inventory management to increase inventory turnover ratio
- 4) Product diversification to expand markets and reduce dependence on aluminum price fluctuations
- 5) Debt restructuring if necessary to reduce financial burden

5. CONCLUSION

2022-2023 has not shown optimal performance when compared to industry standards. Profitability ratios (ROA and ROE) are below average and negative, indicating a low ability to generate profits from assets and own capital. However, there is an improvement trend from 2022 to 2023 which shows management's efforts to improve the company's financial performance.

Activity ratios, especially inventory turnover, also showed values below the industry average despite increasing from 2.9 times to 3.1 times. This shows that inventory management has not yet reached the expected level of efficiency, but there are ongoing improvement efforts.

Overall, PT Alumindo Light Metal Industry Tbk needs to make strategic improvements in asset management and operations to overcome losses experienced and improve financial performance gradually.

6. SUGGESTION

Based on the research results, the following are suggestions that can be given:

1. Companies need to evaluate operational strategies and the efficiency of using fixed assets. Effort Required reduction in operational costs and increase in sales volume in order ratio profitability improves.
2. Optimizing inventory management must be a priority so that activity ratios increase and approached industry standards. Companies can implement a just-in-time system or re-evaluate raw material purchasing policy.
3. Product and market diversification can be a long-term strategy to reduce risk and improve income. Companies need to identify aluminum products with margins high and stable demand.
4. Financial restructuring may be necessary to reduce debt burden and improve the structure capital. This can improve long-term financial health.
5. For further research, it is recommended to expand the scope of analysis by adding ratio liquidity and solvency to get a more comprehensive picture about performance company finances.

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