

FINANCIAL PERFORMANCE EVALUATION OF PT SARIMELATI KENCANA TBK USING PROFITABILITY RATIOS, ACTIVITY RATIOS, AND SOLVENCY RATIOS FOR THE PERIOD 2021-2023



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Abstract

This study aims to assess the financial performance of PT Sarimelati Kencana Tbk from 2021 to 2023 using several types of financial ratio analysis. The financial ratios used are activity ratios (Total Asset Turnover), profitability ratios (Return on Assets), and solvency ratios (Debt to Asset Ratio). Pizza Hut Indonesia has a significant amount of fixed assets and outlets, making it important to determine whether these assets are being utilized productively through TATO analysis. Since PT Sarimelati Kencana experienced profit fluctuations (including losses in 2023), it is crucial to assess the effectiveness of managerial and operational strategies using ROA analysis, as ROA indicates how efficiently management utilizes assets to generate profits. Meanwhile, PT Sarimelati Kencana is also facing financial pressure marked by store closures and layoffs, so the DAR analysis can be used to measure the proportion of the company's assets financed by debt, whether the financing is healthy or overly reliant on debt. PT Sarimelati Kencana Tbk oversees the Pizza Hut franchise in Indonesia, which has faced significant challenges in recent years, including store closures and financial losses. The research methodology employed is descriptive quantitative, utilizing secondary data analysis obtained from the company's official financial statements. The findings indicate that the debt ratio is below industry norms, suggesting suboptimal asset utilization. The ROA ratio shows a declining trend to negative in 2023, reflecting a decline in profit. Meanwhile, the DAR ratio is very high and exceeds industry standards, indicating significant debt dependence and financial risk. These findings suggest the need for improved operational efficiency, reduced debt dependence, and strategies to improve the company's profitability. This study aims to serve as a reference for management decision-making and to enhance financial analysis studies in the Indonesian food and beverage industry.

Keywords: Financial Performance Evaluation, Profitability Ratios, Activity Ratios, Solvency Ratios

INTRODUCTION

The food and beverage sector has consistently made a positive impact on Indonesia's economy. In 2023, the industry experienced substantial expansion compared to the previous year, emerging as the main contributor to the national trade balance and employing more than 5 million people. The industry ranks third in the category of most sought-after investments in Indonesia, according to statistics from the Central Statistics Agency (BPS). This scenario highlights the significant potential of the food and beverage business, including opportunities for further growth despite intensifying competition. In Indonesia, companies are required to submit annual financial reports to the minister of trade, as stipulated in Government Regulation No. 24 of 1998. Furthermore, these financial statements are classified as public records accessible to the public (Aprianti & Pasundan, 2017).

The F&B industry has experienced rapid growth, but global economic pressures and changing consumption patterns have created new challenges, including for PT Sarimelati Kencana Tbk—the operator of Pizza Hut Indonesia—which has faced significant operational and financial performance declines between 2021 and 2023, ranging from fluctuations, store closures, to layoffs. In 2023, Pizza Hut Indonesia closed 20 out of 615 outlets in Indonesia, incurring losses of IDR 68,329,123,639, or approximately 1.89%, while total assets also decreased by 6.46%. Despite the financial reports showing fluctuations in sales and assets, as well as losses of Rp96 billion and layoffs affecting hundreds of employees, there have been few studies examining the role of activity ratios, profitability, and solvency in sustaining business operations amid such pressures.

Therefore, it is important to examine Total Asset Turnover (TATO), Return on Assets (ROA), and Debt to Asset Ratio (DAR) as quantitative indicators to understand how efficiently the company manages its assets, generates profits, and maintains financial stability (Fathoni & Jairin, 2022; Sihotang et al, 2022).). This study aims to analyze the relationship between asset utilization efficiency, financing structure, and profit-generating capacity as reflected in the three ratios, in order to provide strategic insights into the financial performance of PT Sarimelati Kencana Tbk.

The fluctuations in the activities of PT Sarimelati Kencana Tbk can be seen in the table below:

Description	Year		
	2021	2022	2023
Sales	3,418,818,243,788	3,612,312,039,400	3,543,982,915,761
Total Liabilities	974,961,218,070	1,336,677,280,440	1,271,217,226,098
Total Equity	1,224,108,914,953	1,172,921,203,378	1,076,276,023,698
Net Income	64,401,349,871	8,150,707,052	(96,645,179,680)
Total Assets	2,199,070,133,023	2,509,598,483,818	2,347,493,249,796

In 2023, the company recorded a net loss of Rp96.6 billion, which was influenced by the slowdown in national economic growth from 5.31% to 5.05% and changes in consumer preferences due to global issues such as the crisis in Palestine. As seen in the table above,

PT. Sarimelati Kencana Tbk's sales, total liabilities, total equity, profit, and total assets fluctuated, particularly in 2023.

Total sales from 2022 to 2023 decreased by 68,329,123,639 or approximately 1.89%, and total assets also decreased by 162,105,234,022 or approximately 6.46%. In 2023, the Company recorded a loss of 96,645,179,680, which will impact the Company's financial calculations. In financial management, there are several methods for assessing financial ratios, which are important tools for analyzing company performance.

Total Asset Turnover (TATO) is a metric that assesses a company's efficiency in using its assets to generate revenue (Bella et al, 2024). A higher TATO value indicates that the organization has managed its assets effectively to maintain its operations. The industry standard for Total Asset Turnover (TATO) is twice the asset turnover during one year. If the TATO value within a company is less than twice in a year, the organization has failed to use its assets properly. As shown in the table above, PT. Sarimelati Kencana experienced a decrease in total assets and sales of 1.89% and 6.46%, respectively, indicating that the company has not been able to use its assets effectively and efficiently.

The final assessment approach is Return on Assets (ROA), an important metric for assessing a company's capacity to generate profits from its assets. In the table above, profits of 8,150,707,052 fell to a loss of 96,645,179,680 or 1,285.73%, which means that PT. Sarimelati Kencana has not been able to generate profits from its assets. On the other hand, there is also a Debt to Asset Ratio of

(DAR) which indicates the level of debt relative to total assets owned by the company. This ratio indicates the company's level of leverage and can affect the financial stability and ability of the company to settle its debts. The leverage ratio measures the extent to which a company is financed by debt. Excessive debt can be detrimental to a company, categorizing it under excessive pressure, where it is entangled in a large debt burden, making it challenging to alleviate this financial burden (Rahayu & Sopian, 2017).

The combination of asset utilization (TATO) and funding structure (DAR) is believed to have a significant effect on ROA. Therefore, analyzing the relationship between TATO, DAR, and ROA is relevant for evaluating the financial strategies implemented by PT Sarimelati Kencana Tbk.

This study aims to analyze the financial performance of PT Sarimelati Kencana from 2021 to 2024. This study aims to improve understanding of asset management and financial methods in the company. The findings of this study are expected to provide valuable recommendations for company management in improving its financial performance, as well as a reference for other stakeholders interested in financial performance analysis in the food and beverage industry.

REVIEW OF LITERATURE

Previous Research

No	Researcher Name	Research Title and Year	Research Findings
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1	Andi Hasryningsih Asfar, Wika Kartika, Saripudin Saputra, Malik Fathoni	<i>ECONOMIC VALUE METHOD (EVA) AND RETURN ON ASSETS (ROA) FOR FINANCIAL PERFORMANCE ANALYSIS FINANCIAL PERFORMANCE AT PT SARIMELATI KENCANA TBK, 2024</i>	Based on the results of the discussion at , the findings at , and the research conducted at , regarding the financial performance of of PT Sarimelati Kencana Tbk during the period 2018-2021, measured using <i>Return on Assets (ROA)</i> 's performance in 2020-2021 falls into the "Poor". This is due to the <i>ROA</i> value during the period not meeting the <i>ROA</i> assessment standard of 5.6%.
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Source: *Indonesian Journal of Economy, Business, Entrepreneurship, and Finance* ISSN 2776-6187

2	Daniel Nicson Simanjuntak	<i>Financial Performance Analysis PT. Sarimelati Kencana Tbk Year 2022-2023, 2024</i>	The <i>Current Ratio</i> results are seen from the comparison of the company's liabilities and assets. Sarimelati Kencana demonstrated poor performance, failing to meet the 1:1 standard, while the applicable industry standard is 1:2.
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Source: *Jurakunman (Journal of Accounting and Management)* ISSN 2654-8216

3	Nurjanti Takarini, Nanda Dini Pratiwi	<i>ANALYSIS OF FACTORS INFLUENCING PROFITABILITY IN FOOD AND BEVERAGE SUBSECTOR FOOD AND BEVERAGE LISTED ON THE INDONESIAN STOCK EXCHANGE, 2024</i>	Based on the results of the analysis and discussion conducted previously, it can be concluded that the variables liquidity, Total Asset Turnover, and company size collectively influence on profitability levels in food and beverage companies listed on the Indonesia Stock Exchange during the period 2017-2020.
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Source: *Jurkami (Journal of Economic Education)* ISSN 2541-0938

5	Dewi Lestari	The Influence of Work Motivation and Work Discipline on Employee Performance Employees at PT. Sari Melati Kencana Branch RC Veteran South Jakarta	Based on the description on the previous chapters , and from the results analysis , and , as well as , , and , on employee performance , it can be conclude that work motivation significantly influences employee performance employees with the regression equation $Y = 17.412 + 0.560X1$. Therefore, H0 is rejected and H1 is accepted, meaning that there is significant influence between work motivation and employee performance.
<i>Source: Journal of Accounting and Finance ISSN: 2622-2205</i>			
4	Himawan Pradipta, Merrissa Puji Ambarwati	<i>Financial Statement Analysis Before, During, and After the Covid-19 Pandemic in Assessing the Financial Performance of the Food and Beverage Industry Listed on the the Indonesia Stock Exchange (IDX) Case Study of PT Sarimelati Kencana Tbk, Period 2018-2023, 2024</i>	Pre-COVID Liquidity Ratios (2018) were good, indicating that the company had sufficient capacity to meet its short-term obligations. During and post-COVID (2019-2023), the ratio decreased, indicating difficulties the company in meeting its short-term obligations.
<i>Source: Accounting Research Journal ISSN: 2985-7651</i>			

Conceptual Framework

In order to gain a deeper understanding of the financial performance dynamics of PT Sarimelati Kencana Tbk, a framework is needed that can explain the logical relationship between the main variables under study. This conceptual framework will specifically describe the interrelationship between asset utilization efficiency (TATO), debt financing ratio (DAR), and the company's ability to generate profits from assets (ROA), as a basis for

understanding the company's financial performance amid pressures in the food and beverage industry.

(a) Relationships Among the Variables Studied

This study highlights three main variables:

1. **Total Asset Turnover (TATO):** *independent variable 1*

Indicates the efficiency of a company in using assets to generate sales.

2. **Debt to Asset Ratio (DAR):** *independent variable 2*

Measures the proportion of debt to total assets of a company; reflects financial risk and capital pressure.

3. **Return on Assets (ROA):** *dependent variable*

Indicates the company's ability to generate profit from total assets.

Relationship between the variables studied:

1. High TATO indicates that assets are used effectively → , ROA is likely to increase.
2. A high DAR indicates high debt burden → , which may lead to a decrease in ROA as profits are eroded by financial obligations.

Therefore, TATO and DAR **can simultaneously affect ROA**, either positively or negatively.

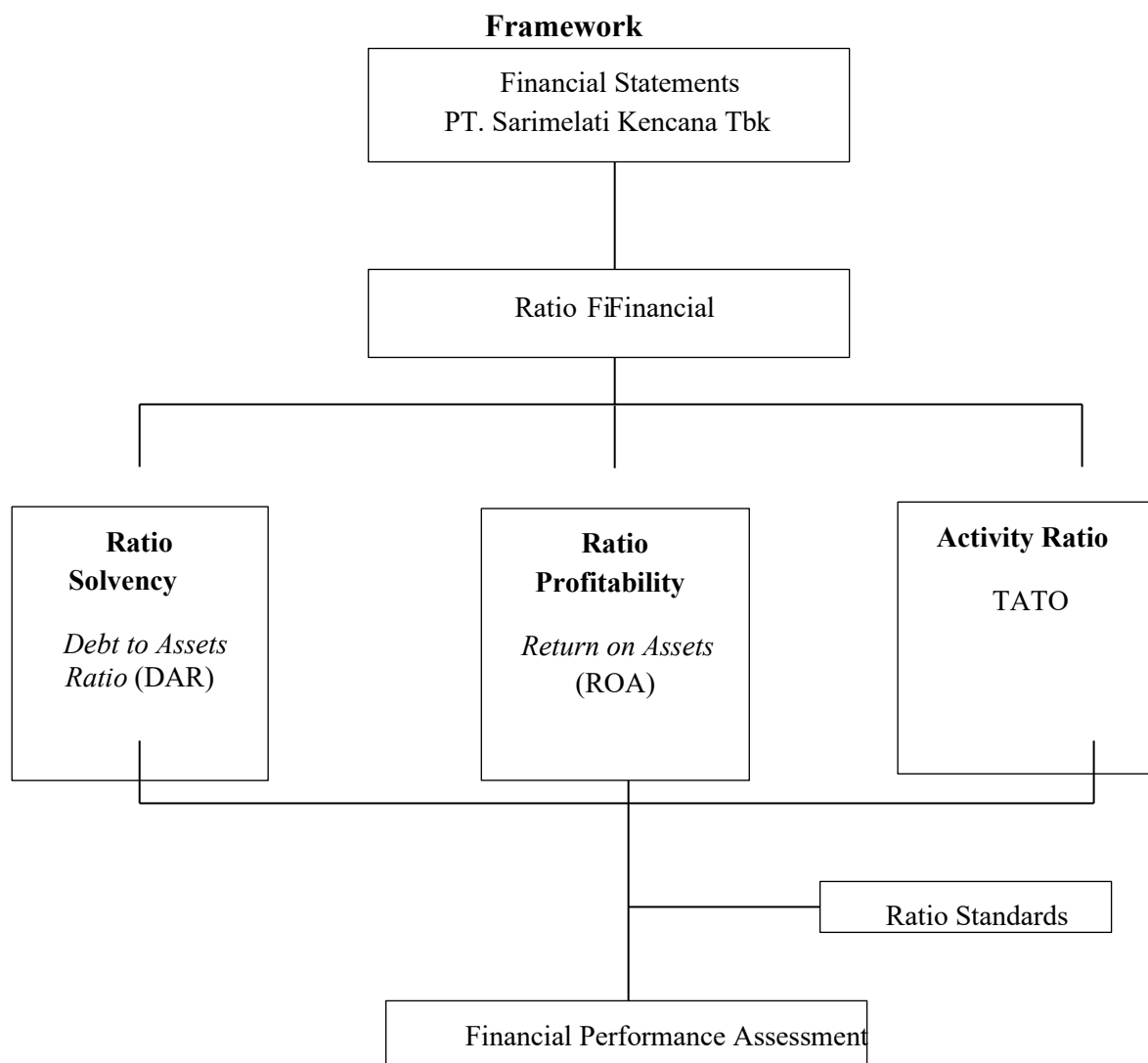
(b) Reasons for Selecting the Three Variables

These three ratios were selected because:

- **TATO** represents *operational activity*, which is highly relevant because the company has experienced a decline in sales and low asset efficiency.
- **DAR** reflects *the financing structure*, appropriate for use because the company's debt exceeds total assets in the last two years, indicating solvency risk.
- **ROA** serves as the primary *financial performance* metric because the company has shifted from profit to significant losses, reflecting management effectiveness and profitability.

(c) Direction of the Relationship to Be Tested (Initial Hypothesis)

1. **H1:** TATO has a positive effect on ROA
The higher the efficiency of asset utilization, the greater the likelihood of profit growth.
2. **H2:** DAR has a negative effect on ROA
The higher the debt ratio, the lower the effectiveness of assets in generating profits due to increased debt burden.
3. **H3:** TATO and DAR simultaneously have a significant effect on ROA
The combination of operational efficiency and funding stability is a major factor in determining a company's profitability.



RESEARCH METHOD

Financial Management

Financial management encompasses the principles and techniques of overseeing cash for individuals, companies, or institutions. This process includes important actions, such as planning, resource allocation, management, and financial assessment, to achieve financial goals effectively and efficiently. In reality, this involves not only maintaining balance in the ledger but also optimizing every penny earned, invested, or spent (*PPM SoM, 2024*).

Understanding Financial Performance

Irham Fahmi (2020) states that "Financial performance is an analysis conducted to determine how well a company has implemented using financial implementation rules properly and correctly."

Prof. DR. H. Edy Sutrisno (2017) in Hutabarat (2020) states that "financial performance is the achievement of a company in a certain period that reflects the level of

health of the company. Financial performance is management performance, which is an extension of financial value and its estimated benefits."

According to Hery (2015), financial performance is defined as "a formal effort to evaluate the efficiency and effectiveness of a company in generating profits and a certain cash position."

Functions of Financial Performance

According to Irham Fahmi (2020), financial performance is an analysis conducted to determine the extent to which a company has implemented financial management rules and regulations properly and correctly. Company performance is a picture of a company's financial condition that is analyzed using financial analysis tools, so that the financial condition of a company can be determined, reflecting its performance during a certain period. This is very important so that resources can be used optimally in facing environmental changes.

Financial performance appraisal is one of the ways that management can fulfill its obligations. In fact, companies are not required to create or plan employee performance appraisals. However, given the important role of appraisals, almost all organizations everywhere have a performance appraisal system in place.

Financial Performance Objectives

The purpose of ratio analysis is to determine the level of liquidity, solvency, operational effectiveness, and profitability of a company, in addition to that ratio analysis is one of the techniques in analyzing financial statements that are widely used to assess the financial performance of a company because of its relatively easy application (Putri et al., 2014).

There are four objectives of measuring company financial performance according to Munawir (2004), namely:

1. To determine the level of liquidity, which is the ability of a company to meet its financial obligations that must be settled immediately when due.
2. Knowing the level of solvency, which is the ability of a company to meet its financial obligations if the company is liquidated, the financial obligations in question include both short-term and long-term finances.
3. Knowing the level of profitability or profit, which is the ability of a company to generate profits during a certain period by using assets or capital productively.
4. Knowing the level of stability, which is the ability of a company to run and maintain its business so that it remains stable.

Stages in Analyzing Financial Performance

According to Irham Fahmi (2020), there are five stages in analyzing the financial performance of a company in general, namely:

1. Reviewing financial statements.

The review is conducted to ensure that the financial statements have been prepared in accordance with generally accepted accounting principles, thereby ensuring that the financial statements are reliable and accountable.

2. Performing Calculations

The calculation methods used here are tailored to the specific issues being addressed, ensuring that the results of the calculations provide conclusions consistent with the desired analysis.

3. Conducting a comparison of the results obtained

From the results obtained, comparisons were then made with the calculations of various other companies.

4. Interpreting various issues found

At this stage, the analysis looks at the company's financial performance after the three stages have been completed, followed by an interpretation to identify the problems experienced by the company.

5. Identifying and providing solutions to the problems found.

In the final stage, after identifying the various issues faced, solutions are sought to provide input so that the obstacles can be overcome.

Understanding Financial Statements

Kasmir (2019) defines Financial Statements as reports that show the condition of a company at a certain point in time or during a certain period.

Sofyan Syafri Harahap (2016) defines financial statements as a description of the financial condition and operating results of a company at a certain point in time or over a certain period of time.

Irham Fahmi (2020) defines financial statements as information that describes the financial condition of a company, and furthermore, this information can be used as an overview of the company's financial performance.

Purpose of Financial Statements

According to Kasmir (2019), the following are some of the objectives of preparing or compiling financial statements:

1. To provide information about the types and amounts of assets owned by the Company at the present time.
2. To provide information about the types and amounts of liabilities and capital owned by the Company at the present time.
3. To provide information about the amount and types of expenses incurred by the Company during a certain period.
4. To provide information about the types and amounts of income earned during a specific period.
5. To provide information about changes that have occurred in each asset, liability, and equity of the Company.
6. Providing information about the Company's management performance during a certain period.
7. Providing information about notes to the financial statements.
8. Other financial information.

Types of financial statements

According to Kasmir (2019), financial reports prepared by a company consist of several types depending on the purpose and objective of the financial report.

The types of reports that can be prepared are:

1. **Balance Sheet**
This is a report that shows the financial position of a company on a specific date. The meaning of financial position refers to the position of the amount and type of assets (property) and liabilities (obligations and equity) of a company.
2. **Income statement**
In practice, an income statement generally consists of a summary of a company's revenues and expenses during a specific period, ending with a profit or loss for that period.
3. **Statement of changes in equity**
The statement of changes in equity is a report on the amount and types of equity owned at the present time. This report also explains changes in equity and the reasons for these changes in the company's cash flow statement.
4. **Cash Flow Statement**
This is a report that shows all aspects related to the company, whether directly or indirectly affecting cash.
5. **Report on financial statements**
A report on financial statement notes is a report that provides information if there are financial statements that require specific explanations.

Financial Ratios

Mamduh M. Hanafi & Abdul Halim (2016) define that: "Financial ratios are basically compiled by combining figures in or between income statements and balance sheets."

Sofyan Syafri Harahap (2016) defines that: "Financial ratios are figures obtained from the comparison of one item in a financial statement with another item that has a relevant and significant (meaningful) relationship."

Types of Financial Ratios

According to Munawir (2004), there are five groups of financial ratios, namely:

1. **Liquidity Ratios**, which measure a company's ability to finance its operations and meet its financial obligations when they are due. Liquidity ratios consist of: Current Ratio, Quick Ratio, and Net Working Capital.
2. **Activity Ratios**, which measure a company's ability to carry out its daily activities or its ability to sell, collect accounts receivable, and utilize its assets. Activity ratios consist of: Inventory Turnover, Accounts Receivable Turnover, Fixed Asset Turnover, and Total Asset Turnover.
3. **Profitability Ratio**, a ratio used to determine a company's ability to generate profits from various policies and decisions that have been made. Profitability Ratio consists of: Gross Profit Margin, Net Profit Margin, Return on Investment (ROI), Return on Equity, and Operating Ratio.
4. **Solvency Ratios**, ratios used to measure the extent to which a company's assets are financed by debt. Solvency ratios consist of: Debt to Total Assets, Debt to Equity Ratio, Times Interest Earned, and Fixed Charge Coverage.

5. **Market Ratios**, which describe conditions in the market. Market ratios consist of: Earnings Per Share, Price-Earnings Ratio, Book Value Per Share, Dividend Yield, and Dividend Payout Ratio.

The financial ratios examined in this study are activity ratios proxied by Total Asset Turnover (TATO), profitability ratios proxied by Return On Assets (ROA), and solvency ratios proxied by Debt to Asset Ratio (DAR).

Activity Ratios

Activity ratio is a ratio used to measure a company's ability to manage its assets effectively and efficiently (Rinnaya et al, 2016).

According to Kasmir (2019), activity ratios are ratios used to measure a company's effectiveness in using its assets.

According to Eugene F. Bringham & Joel F. Houston (2019), activity ratios measure how effectively the firm is managing its assets.

Activity ratios are ratios that show how optimally resources are used to determine the level of efficiency of a company that affects the value of the company (Tobing and Niadiyasti, 2020).

Purpose and Benefits of Activity Ratios

Activity ratios provide many benefits for companies. According to Kasmir (2019), the following are some of the purposes of using activity ratios:

1. Measuring how long it takes to collect accounts receivable during a period or how many times the funds invested in accounts receivable turn over during a period.
2. Calculating the average days of receivables (days of receivable), where the result of this calculation indicates the number of days (how many days) the receivables are on average uncollectible.
3. Calculating the average number of days inventory is stored in the warehouse.
4. Measuring how many times the funds invested in working capital are turned over in one period or how much sales can be achieved by each unit of working capital used (working capital turnover).
5. Measuring how many times the funds invested in fixed assets are turned over in one period.
6. Measuring the use of all company assets compared to sales.

In addition to the objectives mentioned above, there are several benefits of activity ratios, namely:

1. In the field of accounts receivable
 - a) The company or management can determine how long it takes to collect accounts receivable during a period. Management can also determine how many times the funds invested in accounts receivable are rotated during a period. This allows management to determine the effectiveness of the company's collection activities.
 - b) Management can determine the average number of days it takes to collect accounts receivable (days of receivable), thereby also knowing the average number of days these accounts remain uncollected.

2. In the area of inventory, management can determine the average number of days that inventory is stored in the warehouse. This result is compared with the predetermined target or industry average. The company can then compare this result with measurements from several previous periods.
3. In the area of working capital and sales, management can determine how many times the funds invested in working capital are turned over in a period, or in other words, how much sales can be achieved by each unit of working capital used.

Activity Ratio Measurement Methods

Activity ratios describe the effectiveness and efficiency of a company in managing its assets, so that activity ratios can positively influence company value (Rinnaya et al, 2016). The higher the level of activity in a company, the greater the cash flow received by the company, which means that it is more effective in managing its transactions (Thendi, 2018). According to Kasmir (2019), there are several types of activity ratios, namely:

1. Receivable Turn Over

Accounts receivable turnover is a ratio used to measure how long it takes to collect accounts receivable during a period or how many times the funds invested in accounts receivable turn over in a period.

2. Inventory Turnover

Inventory turnover is a ratio used to measure how many times the funds invested in inventory turn over in a period.

3. Working Capital Turnover

Working capital turnover is a ratio used to measure or assess the effectiveness of a company's working capital during a specific period.

4. Fixed Asset Turnover

Fixed asset turnover is a ratio used to measure how many times funds invested in fixed assets are turned over in a period. In other words, it measures whether a company has fully utilized its fixed asset capacity or not.

5. Total Asset Turnover

Total asset turnover is a ratio used to measure the turnover of all assets owned by a company and to measure the amount of sales obtained from each rupiah of assets.

$$\text{Total Assets} \quad \text{Sales} \\ (\text{TATO} = \frac{\text{Sales}}{\text{Total Assets}})$$

Source: Kasmir (2017)

The following are the standard ratios set for the Total Asset Turnover Ratio:

Type of Ratio	Standard Ratio	Conclusion	Description
Total Assets	2 times	\geq Above Standard Ratio	Efficient

Turnover Ratio		≤ Below Standard Ratio	Inefficient
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Source: (Kasmir 2021)

The higher this ratio, the better the company's total assets are at achieving sales.

The method of measuring the activity ratio in this study is proxied by Total Asset Turn Over (TATO) because TATO measures the effectiveness of the use of funds in all assets in generating sales. The higher this ratio, the better the company's performance. A higher TATO indicates larger sales, more efficient asset utilization, and greater expectations for profits, thereby increasing the company's value (Kay & Pamungkas, 2022).

Profitability Ratio

According to Kasmir (2019), the profitability ratio is a ratio used to assess a company's ability to generate profits. This is indicated by the profit generated from sales and investment income.

(Eugene F. Bringham & Joel F. Houston, 2019) define profitability ratios as: "A group of ratios that show the combined effects of liquidity, asset management, and debt on operating results".

Purpose and Benefits of Profitability Ratios

The purpose of using profitability ratios according to Kasmir (2019) is:

1. To measure or calculate the profit earned by a company in a specific period.
2. To assess the company's profit position in the previous year compared to the current year.
3. To assess profit development over time.
4. To assess the amount of net profit after tax with own capital.
5. To measure the productivity of all company funds used, both borrowed capital and own capital.

The benefits obtained are as follows:

1. To determine the level of profit earned by the company in a given period.
2. To compare the company's profit position from the previous year to the current year.
3. To understand the development of profits over time.
4. To determine the amount of net profit after tax using equity capital.
5. To determine the productivity of all company funds used, including borrowed capital and equity capital.

Profitability Ratio Measurement Methods

According to Kasmir (2019), there are several types of profitability ratios, namely:

1. Profit Margin on Sales Profit

Margin on sales, also known as the profit margin ratio or profit margin on sales, is a ratio used to measure the profit margin on sales. This ratio is calculated by comparing net profit after tax with net sales.

2. Return on Equity (ROE)

Return on equity, or return on capital, is a ratio used to measure net income after tax in relation to capital. **3. Earnings Per Share of Common Stock** The earnings per share ratio, also known as the book value ratio, is a ratio used to measure the success of management in generating profits for shareholders.

3. Return on Investment (ROI)

Return on investment, sometimes referred to as return on assets (ROA), is a ratio that shows the results generated from the assets used by an organization. ROA serves as an indicator of management's success in overseeing its investments.

$$ROA = \frac{\text{Net Profit}}{\text{Total Assets}}$$

Source: Hanafi (2018)

The following are the standard ratios established for the *Return on Assets Ratio*:

Type of Ratio	Standard Ratio	Conclusion	Description
Return on Asset Ratio	30	≥ Above Standard Ratio ≤ Below Standard Ratio	Profitable Unprofitable

Source: (Kasmir 2021)

A higher ratio indicates that the corporation is more effective in obtaining assets from its net profit.

This study uses profitability ratios represented by Return on Assets (ROA), as it provides insight into the income generated by the company for every rupiah of assets owned.

Widiastari and Yasa (2018) emphasize that an increase in ROA can convince investors of a company's ability to provide substantial returns on investment, thereby signaling to investors the potential for an increase in the company's share price, which in turn increases the value of the company.

Based on the financial ratios described above, the ratios that will be used in this study are:

1. Debt to Assets Ratio (DAR)
2. Total Asset Turnover (TATO)
3. Return on Assets

Solvency Ratio (Leverage Ratio)

According to Sofyan Syafri Harahap (2016), solvency ratios describe a company's ability to pay its long-term liabilities or obligations if the company is liquidated.

Meanwhile, according to Kasmir (2019), solvency ratio is a ratio used to measure the extent to which a company can meet its long-term obligations using all of its assets. This ratio shows the company's ability to pay all long-term obligations if all of its assets are sold.

In addition, according to Irham Fahmi (2020), the solvency ratio is a ratio used to measure the extent to which a company can cover its total debt with its total assets.

Purpose and Benefits of Solvency Ratio (Leverage Ratio)

According to Kasmir (2019), the solvency ratio has the following purposes and benefits:

1. Assessing a company's ability to pay its long-term obligations.
2. Assessing the level of debt risk.
3. Assessing the financial health of a company.
4. Assisting investors and creditors in decision-making.
5. Improving financial transparency.
6. Evaluating the company's debt.
7. Determining the appropriate sources of financing.
8. Serving as an evaluation tool for company managers.

Types of Solvency Ratios (Leverage Ratios)

Kasmir (2019) identifies the types of solvency ratios used to assess a company's capacity to meet its long-term commitments. Debt to Equity Ratio (DER), Debt to Asset Ratio (DAR), Equity Ratio, and Long-Term Debt to Capitalization Ratio.

Based on these types of solvency ratios, the researchers selected two relevant ratios, namely Debt to Asset Ratio (DAR) and Cash Flow to Debt Ratio.

Debt to Asset Ratio (DAR)

According to Kasmir (2019), "The DAR ratio is used to measure the extent to which a company is financed by debt compared to its assets. This ratio provides an overview of the company's risk in paying its long-term obligations."

Meanwhile, according to Sofyan Syafri Harahap (2016), "This ratio shows the extent to which debt can be covered by assets; the higher the ratio, the safer (*solvable*) it is. It can also be interpreted as the proportion of debt compared to assets. To be safe, the proportion of debt to assets must be smaller."

The formula for *the Debt to Asset Ratio* (DAR) according to Kasmir (2018:127) is as follows:

$$\text{Debt to Asset Ratio} = \frac{\text{Total Debt}}{\text{Total Assets}}$$

The following are the standard ratios set for *the Debt to Asset Ratio*:

Type of Ratio	Standard Ratio	Conclusion	Description
	35	≥ Above Standard Ratio	Insolvent
Debt to Assets Ratio		≤ Below Standard Ratio	Solvable

Source: (Kasmir 2021)

The higher this ratio, the greater the assets owned by the company that are financed by debt.

Cash Flow to Debt Ratio

Inrawan (2024:48) explains that *the cash flow to debt ratio* assesses a company's ability to meet its obligations using operating cash flow. This ratio shows the company's success in generating sufficient cash to meet its debt commitments.

The formula for this ratio, according to Inrawan (2024:48) is:

$$\text{Cash Flow to Debt Ratio} = \frac{\text{Operating Cash Flow}}{\text{Total Debt}}$$

RESULTS AND DISCUSSION

a) Data Collection, Sources, Analysis Period

- Data collection in this study was conducted through documentation methods, namely by accessing, recording, and processing secondary data in the form of official financial reports of PT Sarimelati Kencana Tbk.
- Data
Data was obtained from the company's public financial reports available on the official website of PT Sarimelati Kencana Tbk and the Indonesia Stock Exchange (IDX).
- Time period **analyzed**
Fiscal years 2021, 2022, and 2023.

b) Unit of analysis

The unit of analysis in this study is the financial ratio of PT Sarimelati Kencana Tbk, which is calculated and analyzed based on financial report data for three years. Each unit consists of total sales (for TATO), total assets and net income (for ROA), total debt and total assets (for DAR).

c) Population and sample

- **Population:** All annual financial statements of PT Sarimelati Kencana Tbk from 2021 to 2023.
- **Sample:** The study uses saturated sampling, where the entire population is used as the sample due to its limited size (three years of reports).
- **Justification:** The saturated sampling technique was chosen to ensure that all relevant data from the period could be analyzed comprehensively without selection.

d) Statistical analysis techniques

- **Descriptive Analysis:** Financial ratio calculations are performed using standard formulas:
TATO = Sales ÷ Total Assets
ROA = Net Profit ÷ Total Assets
DAR = Total Debt ÷ Total Assets
- **Qualitative Interpretation:** Ratio results are compared with industry standards:
TATO: ≥ 2 is considered efficient
ROA: $\geq 30\%$ is considered profitable
DAR: $\leq 35\%$ is considered solvent

CONCLUSION

The research used is quantitative descriptive research, which collects, analyzes, and interprets data to provide a comprehensive understanding of the situation being studied based on numerical analysis. In this study, the researcher assesses the company's financial

statements using financial measures to draw conclusions about the company's financial performance. PT. Sarimelati Kencana, 2021-2024

Sugiyono (2020:16) Quantitative methodology is

A positivist research technique used to investigate a specific population or sample, using research tools for data collection. The analysis is quantitative/statistical, aiming to test the given hypothesis.

The data analysis methodology used is quantitative, specifically involving the calculation of company ratios. Comprehensive evaluation of companies using Ratio Analysis:

1. Activity Ratios

This ratio assesses the efficiency of a company in utilizing its assets. It measures the efficiency of resource utilization within the company.

$$\text{TATO} = \frac{\text{Sales}}{\text{Total Assets}}$$

2. Profitability Ratio

This ratio evaluates a company's capacity to generate profits. It also serves as an indicator of an organization's managerial effectiveness.

$$\text{ROA} = \frac{\text{ProfitNet}}{\text{Total Assets}}$$

3. Solvency Ratio

This ratio measures the extent to which a company's assets are financed by debt. It shows the size of the company's debt burden relative to its assets.

$$\text{DAR} = \frac{\text{Total Debt}}{\text{Total Assets}}$$

Types and Sources of Data

This study uses primary data. Primary data refers to information obtained directly in the field by the researcher from the individuals concerned, as quoted in the book "Pokok-Pokok Materi Metodologi Penelitian" (Fundamentals of Research Methodology). The data sources for this study consist of the financial reports of PT. Sarimelati Kencana Tbk for the years 2021-2023, obtained from the official website of PT. Sarimelati Kencana Tbk.

Research variables include all elements defined by researchers to be examined in order to obtain knowledge, as a research leading to conclusions (**Sugiyono, 2016:38**).

Operational definitions in research variables refer to the properties or values of items or activities that show certain variations, as determined by the researcher for further analysis and findings. This study uses a singular variable: the financial performance of PT. Sarimelati Kencana Tbk, assessed through the aspects of activity, profitability, and solvency to evaluate the efficiency and effectiveness of the company during a certain period.

Table

Operational Variables
 Financial Statement Analysis of
 PT. Sarimelati Kencana Tbk

No	Variable	Operational Definition of Scale Parameters		
1.	Activity Ratio	This ratio is used to measure the effectiveness of a company in utilizing its assets	$TATO = \frac{\text{Penjualan}}{\text{Total Aset}}$	Ratio
2.	Profitability Ratio	This ratio is used to assess a company's ability to generate profit	$ROA = \frac{\text{Laba Bersih}}{\text{Total Aset}}$	Ratio
3.	Solvency Ratio	This ratio is used to measure the extent to which a company's assets are financed by debt	$DAR = \frac{\text{Total Utang}}{\text{Total Aktiva}}$	Ratio

Source: *Financial Statement Analysis, Dr. Kasmir, S.E., M.M 2020*

Data Analysis Method

This study uses profitability analysis and activity ratios to examine the data.

1. The first step is to collect the financial statements of PT Sari Melati Kencana TBK for the period 2021-2024.
2. The second step involves calculating activity ratios to assess the turnover of all assets owned by the company and to determine the sales generated from each rupiah of assets. The formula is as follows:

$$\text{Total Assets} \quad \left(TATO = \frac{\text{Sales}}{\text{Total Assets}} \right)$$

Source: *Kasmir (2019)*

3. The third step uses solvency ratio calculations, which are used to measure the extent to which a company's assets are financed by debt. The solvency ratios used are *the Debt to Asset Ratio* and *the Debt to Equity Ratio*. The formula is as follows:
 - a. *Debt to Asset Ratio*

$$\text{Total Assets} \quad \left(DAR = \frac{\text{Total Debt}}{\text{Total Assets}} \right)$$

Source: *Sujarweni (2019)*

4. The fourth step uses profitability ratio calculations to show the results of the total assets used in the company. The profitability ratio used is *Return on Assets (ROA)* with the following formula:

$$\text{Total Assets} \quad \text{Net Profit}$$

$$\text{Source: Kasmir (2019)} \quad \left(\text{ROA} = \frac{\quad}{\quad} \right)$$

Calculation

Activity Ratio (Total Asset Turnover)

This ratio assesses the effectiveness of a company in using its assets to generate income. A higher ratio indicates superior asset management by the organization.

Tahun	Penjualan	Total Aset	%	TATO
2021	3.418.818.243.788	2.199.070.133.023	100%	1,554665398
2022	3.612.312.039.400	2.509.598.483.818	100%	1,439398399
2023	3.543.982.915.761	2.347.493.249.796	100%	1,509688224

Source: Processed data, 2025

Tato assesses a company's effectiveness in using its assets to generate revenue. The industry benchmark for this ratio is 2:1. The corporation achieved a value of 1.55 in 2021, then declined to 1.43 in 2022, and experienced a slight increase to 1.51 in 2023. This indicates that the organization has failed to achieve the anticipated efficiency. Although there was a slight improvement in 2023 compared to the previous year, this ratio remains below the industry benchmark, indicating suboptimal use of assets to generate revenue. To improve TATO, the company can implement operational efficiencies, optimize the use of fixed assets, and improve marketing strategies to increase sales volume.

Asset Utilization Efficiency (TATO): The analysis results indicate that the company's TATO ratio fluctuated during the research period. This indicates that the efficiency of the company's assets in generating revenue is not yet optimal. The industry benchmark for this ratio is 2:1. The corporation achieved a value of 1.55 in 2021, then dropped to 1.43 in 2022, and saw a slight increase to 1.51 in 2023. This indicates that the company has not yet been able to achieve the expected efficiency as the value is still far from the industry standard.

Profitability Ratio (Return on Assets)

Return on Assets (ROA) assesses a company's capacity to generate profits relative to its total assets. The applicable industry norm is 30%.

Tahun	Lab a Bersih	Total Aset	%	ROA
2021	64.401.394.871	2.199.070.133.023	100%	0,029285739
2022	8.150.707.052	2.509.598.483.818	100%	0,003247813
2023	-96.645.179.630	2.347.493.249.796	100%	-0,041169524

Source: Data processed

Return on Assets (ROA) assesses a company's efficiency in generating profits from its assets. The ideal industry standard is 30%, but the company's performance is far from that figure. In 2021, the company's ROA was only 2.93%, dropping sharply to 0.32% in 2022, and even turning negative in 2023 at -4.12%, indicating that the company incurred losses. With an ROA ratio far below the standard, this indicates that the assets owned are not generating sufficient profits. The causes of this decline could stem from high operational

costs, declining profit margins, or inefficiency in asset management. To improve this situation, the company needs to enhance its profitability strategies, such as reducing unnecessary costs, improving production efficiency, and exploring opportunities to increase revenue through product or service diversification.

Profitability (ROA): The ROA study shows that the company's ability to generate profits from its assets needs to be improved. The ideal industry standard for ROA is 30%, but the company's performance is far from that figure. In 2021, the company's ROA reached only 2.93%, dropping sharply to 0.32% in 2022, and incurred a loss of 4.12% in 2023, meaning the company incurred a loss.

Solvency Ratio (Debt to Asset Ratio)

DAR measures how much of the company's assets are funded by debt. The industry standard is 35%.

Tahun	Total Utang	Total Aktiva	%	DAR
2021	974.961.218.070	1.224.108.914.953	100%	0,796466071
2022	1.336.677.280.440	1.172.921.203.378	100%	1,139613877
2023	1.271.217.226.098	1.076.276.063.698	100%	1,181125614

Source: Data processed

The Debt-to-Asset Ratio (DAR) indicates the proportion of a company's assets that are financed by debt. The optimal industry standard is around 35%, but the company reported a much higher ratio. In 2021, the company's DAR stood at 79.65%, meaning that most of its assets were financed by debt. This condition worsened in 2022 with a ratio of 113.96%, and continued to increase to 118.11% in 2023.

A figure above 100% indicates that the company's total debt exceeds the total value of its assets, which is a very risky financial situation. If this condition is allowed to continue, the company may experience difficulties in meeting its obligations and face the risk of bankruptcy. To overcome this problem, the company needs to reduce its dependence on debt by increasing equity through retained earnings or seeking additional investment. Additionally, the company should restructure its debt to secure loans with lower interest rates and reduce its financial burden.

Financing Structure (DAR): The Debt to Asset Ratio (DAR) indicates that the company has a relatively high level of debt dependency. A healthy industry standard for DAR is around 35%, but the company recorded a much higher ratio. In 2021, the company's DAR stood at 79.65%, which means that most of its assets were financed by debt. This situation worsened in 2022 with a ratio of 113.96%, and continued to rise to 118.11% in 2023. A ratio above 100% indicates that the company's total debt exceeds the value of its total assets, which is a highly risky financial situation.

Overall, PT Sarimelati Kencana's current financial condition faces significant challenges. Asset utilization efficiency remains low, profitability is minimal and even resulting in losses, and debt dependency is extremely high. If not addressed promptly, the company may face more serious financial issues in the future. Steps that can be taken to improve this situation include enhancing operational efficiency, reducing costs, optimizing marketing strategies to increase revenue, and exploring ways to reduce reliance on debt. With

the right strategic changes, the company can improve its performance and achieve a healthier financial condition.

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