

# HOLDING RESTRUCTURING ANALYSIS TOWARDS THE SOLVABILITY AND PROFITABILITY OF PT INALUM (PERSERO)

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**Abstract**—This study aims to examine the effect of corporate restructuring of the parent of the Mining Industry Holding towards the solvability and profitability of PT Indonesia Asahan Alumunium (Persero). The method used in this study is descriptive analysis, which aims to explain the results of the calculation of financial ratios consisting of profitability ratios and solvency ratios that occurred in companies between 2013 and 2017. Data collection is done by analyzing the company's financial performance.

**Keywords**— *Holding, Solvability, Profitability, Inalum*

## I. INTRODUCTION

Since 2017, INALUM have initiated synergies with State owned Enterprises (SOE), specifically among the Holding of Mining Industries, like establishing a Smelter Grade Alumina Refinery (SGAR). The corporate views are of a collaboration with business partners within the course of conducting its business as a crucial strategy amidst progressively intense business competition. Strategic alliances or synergies aren't alone aimed toward driving efficient production, but also to provide opportunities to boost penetration. However, we also realize that the company's important task as an SOE isn't just to garner profits, but is also for the sake of national interest. Therefore, promoting performance potency by synergizing operations in addition to production activities is primarily supposed as a trial to become an important half in developing the state. For that purpose, we'll still pursue our business strategy through synergies within the years ahead, thus ensuring that our contribution, which of SOEs' normally, towards Indonesia's future development can still grow. The purpose of this research is to examine how much influence company restructuring has on the holding of state-owned holding companies' solvency & profitability and to find out whether the restructuring policy has positive or negative effects on the company.

## II. LITERATURE REVIEW

A holding company could be a company that has the most well-liked stocks or major stocks of other corporations in a sense that there is a minimum of one representative member on the board of administrators of these corporations, and it's vote, and thereby it may manage the businesses, and gain advantages returning from the style of those businesses (Babaei, 2004). One of the management methods to maximize profits for trade establishments is combining business units. Capable organizations have functioned as holdings to enter international competition, to cope with instability in market environments, to grow, to realize market share, to be concerned with new and profitable activities, to make profit, and to scale back prices so that they may be concerned with international competition in addition to addressing issues (Dastmalchi et al. 2011).

The challenge facing holding managers is that their decision-making affects not only corporations but also the holding itself, thus it is necessary to review and acknowledge the workers of the organization, it ought to have a broader outlook and a full understanding of the future for decision-making subsidiary corporations so that it may create selections and apply its own views. Therefore, holdings ought to manage many corporations (Gharabi, 2010). One of the methods at a corporation scale is that the strategy of takeover and merger that is adopted to make valley and increase wealth for shareholders. The foremost necessary motive that encourages senior managers of the businesses to try such transactions is to urge activity to extend wealth for shareholders, economies of scale and scope, to extend market share, to boost effectiveness, to extend analysis and development capability, company growth, and risk reduction (Jasbi, 1985).

Holding corporations have some variations with merger corporations in organizational structure. Merger corporations usually use divisional structure whereas holding corporations uses a decentralized structure (Mohgammadi, 2011). One the foremost necessary problems mentioned within the emergence

of holdings is consolidated money statements of constituent corporations of a company and money reportage of large economic units. Consolidated money statements typically consist of monetary information related to the first unit and every one of the subsidiary units. It represents shareholders that invest in subsidiary corporations for which there is a profit to them (Saleh Ardestani, 1994).

### III. METHODS

The method used in this study is descriptive analysis, namely, to explain the results of the calculation of financial ratios consisting of profitability ratios and solvency ratios that occurred in companies between 2013 and 2017. Data collection is done by analyzing the company's financial performance. The population in this study is the financial statements of PT. Indonesia Asahan Alumunium (Persero) in 2013 ~ 2017.

The researcher did not enter the company's 2018 financial statement data because it was not final. The research method compared the solvency and

profitability ratios each year and compared the solvency and profitability ratios in the same year between the consolidated financial statements and the non-consolidated financial statements. The researcher also reviewed the previous studies related to this study.

### IV. RESULT AND DISCUSSION

Through Holding of Mining structure, the government expects that SOEs in the mining industry are able to expand to other countries. The holding company is expected to be a world class company which is able to compete with global mining companies.

The presence of the holding has the potency to provide opportunities for the community to participate in developing related supporting industries and their development. In addition, the opening of new job opportunities will absorb the manpower in significant amounts. This synergy of mutual benefit drives the creation of products at competitive prices.

**TABLE 1. INFORMATION OF CONSOLIDATED FINANCIAL STATEMENT**

Description	2017	2016	2015	2014	2013
	in million Rupiah		in thousand USD		
	Consolidated		Inalum - Operating		
<b>Statement of Financial Position</b>					
Current Assets	37,463,082	33,415,272	719,287	717,638	663,562
Non-Current Assets	55,781,647	39,686,430	414,631	372,794	384,047
Total Assets	93,244,729	73,101,702	1,133,919	1,090,432	1,047,609
Current Liabilities	15,125,792	13,600,770	56,547	89,391	41,840
Non-Current Liabilities	12,111,663	11,109,820	18,329	18,305	17,540
Total Liabilities	27,237,455	24,710,590	74,877	107,696	59,380
Total Equities	66,007,274	48,391,112	1,059,342	982,737	988,229
Total Liabilities and Equity	93,244,729	73,101,702	1,133,919	1,090,432	1,047,609
<b>Statement of Profit or Loss and Other Comprehensive Income</b>					
Net Sales	47,184,283	35,904,458	490,626	632,450	521,111
Cost of Goods Sold (COGS)	-33,276,439	-27,693,307	-356,740	-393,535	-418,247
Gross Profit	13,907,844	8,211,151	133,886	238,916	102,864
Operating Expenses	-4,661,577	-3,828,903	-39,675	-43,173	-30,379
Operating Profit	9,246,267	4,382,248	94,211	195,742	72,485
Other Net Income (Expenses)	676,274	165,667	9,541	10,242	13,101
Profit before Income Tax Expense	9,286,039	4,469,176	103,752	205,984	85,586
Income Tax Expense	-2,474,385	11,175	-24,704	-49,255	-21,544
Profit	6,805,157	4,439,271	79,048	156,729	64,042
Other Comprehensive Income (Loss)	-538,502	-333,931	-153	42	-
Total Comprehensive income	6,266,655	4,105,340	78,895	156,772	64,042
EBITDA	12,137,653	6,891,113	113,109	222,831	99,458
<b>Profitability Ratio (%)</b>	%	%	%	%	%

Return On Asset (ROA)	7.29	6.07	6.97	14.37	6.11
Return On Equity (ROE)	10.31	9.17	7.46	15.95	6.48
Gross Profit Ratio	29.48	22.87	27.29	37.78	19.74
Net Profit Ratio	14.42	12.36	16.11	24.78	12.29
EBITDA Margin	25.72	19.19	23.05	35.23	19.09
<b>Liquidity Ratio (%)</b>	%	%	%	%	%
Current Ratio	247.68	245.69	1,272.01	802.81	1,585.95
<b>Solvability Ratio (%)</b>	%	%	%	%	%
Debt to Equity Ratio (DER)	41.26	51.06	7.07	10.96	6.01
Debt to Asset Ratio (DAR)	29.21	33.80	6.60	9.88	5.67
Liabilities/EBITDA	224.40	358.59	66.20	48.33	59.70

**TABLE 2. COMPARISON OF CONSOLIDATED FINANCIAL STATEMENT AND INALUM FINANCIAL STATEMENT**

Description	2017		2016	
	in million Rupiah		in million Rupiah	
	Inalum - Operating		Consolidated	
<b>Statement of Financial Position</b>				
Current Assets	761,086	684,520	37,463,082	33,415,272
Non-Current Assets	4,983,986	938,971	55,781,647	39,686,430
Total Assets	5,745,986	1,623,492	93,244,729	73,101,702
Current Liabilities	122,239	85,180	15,125,792	13,600,770
Non-Current Liabilities	14,233	5,512	12,111,663	11,109,820
Total Liabilities	136,471	90,692	27,237,455	24,710,590
Total Equities	5,608,601	1,532,800	66,007,274	48,391,112
Total Liabilities and Equity	5,745,072	1,623,492	93,244,729	73,101,702
<b>Statement of Profit or Loss and Other Comprehensive Income</b>				
Net Sales	436,545	433,682	47,184,283	35,904,458
Cost of Goods Sold (COGS)	-283,071	-303,658	-33,276,439	-27,693,307
Gross Profit	153,474	130,024	13,907,844	8,211,151
Operating Expenses	-46,609	-46,019	-4,661,577	-3,828,903
Operating Profit	106,865	84,005	9,246,267	4,382,248
Other Net Income (Expenses)	20,875	-113	676,274	165,667
Profit before Income Tax Expense	139,731	89,975	9,286,039	4,469,176
Income Tax Expense	-29,594	-23,534	-2,474,385	11,175
Profit	110,137	66,441	6,805,157	4,439,271
Other Comprehensive Income (Loss)	-410	-431	-538,502	-333,931
Total Comprehensive income	109,727	497,472	6,266,655	4,105,340
EBITDA	140,507	111,345	12,137,653	6,891,113

<b>Profitability Ratio (%)</b>	%	%	%	%
Return On Asset (ROA)	1.92	4.09	7.29	6.07
Return On Equity (ROE)	1.96	4.33	10.31	9.17
Gross Profit Ratio	35.16	29.98	29.48	22.87
Net Profit Ratio	25.23	15.32	14.42	12.36
EBITDA Margin	32.19	25.67	25.72	19.19

<b>Liquidity Ratio (%)</b>	%	%	%	%
Current Ratio	622.62	803.62	247.68	245.69
<b>Solvability Ratio (%)</b>	%	%	%	%
Debt to Equity Ratio (DER)	2.42	5.92	41.26	51.06
Debt to Asset Ratio (DAR)	2.38	5.59	29.21	33.8
Liabilities/EBITDA	97.13	81.45	224.4	358.59

The comparison between target and realization in this report are not stated in consolidation, as group consolidation was established at the end of November 2017, whereas targets for the corporate work set up and budget were established at the start of 2017. However, the company presented the consolidated performance separately in this report. Company assets in the work plan and corporate budget are as much as of USD.7 billion, in the financial year reached USD 5.7 billion or 335.8% beyond the stipulated target. Even when compared with the previous year, which amounted to USD 1.6 billion, there has been a growth of 256.25%. The increase in these assets was mainly driven by an increase in equity, which was 336.28% beyond target.

The increase in the company's equity comes from additional state investment from the four mining companies, namely PT Timah Tbk, PT Aneka Tambang Tbk, PT Bukit Asam Tbk and PT Freeport Indonesia. The government has transferred all of its shareholdings in the four companies as additional state equity participation for the company. In terms of sales, the company also showed excellent performance in 2017 at 99.9% of the target. In the Company Work Plan and Budget, the company set the target of net sales at USD 436,8 million. The actual sales achieved amounted to USD 436,5 million. The above-target realization and improvement from 2016 was mainly due to the increase of the aluminium reference price in the global market. The price in 2016 was well below USD 2,000 per ton, and started in 2017 the price reached USD 2,069 per ton. As a result of the increase in sales, the company's net profit reached USD 110,14 million, or 160.3% beyond the target. In comparison with the previous year, the increase in net profit is 65,8%. In addition to the rise in aluminium reference prices, the growth in profits is also driven by efficiency measures that were successfully implemented by the company. The company recorded a lower Cost of Goods Sold in 2017 compared to the previous year.

As for the consolidated financial performance, gross profit was Rp 13.91 trillion, a growth of 69.4% over the previous year. The largest contributor to gross profit was PT Bukit Asam Tbk with Rp 8.5 trillion. Meanwhile, operating profit was Rp 9.25 trillion, an increase of 111% from the previous year of Rp 4.38 trillion due to increased revenues compared to the previous year. The increase in operating profit was mainly driven by the 31.4% increase in revenues, from

Rp 35.90 trillion in 2016 to Rp 47.18 trillion in 2017. The largest contributor to revenues was the sale of coal that amounted to Rp 18.25 trillion, or 38.7% of total revenues. Meanwhile, total consolidated assets increased by 27.6% from Rp 73.10 trillion as of December 31, 2016 to Rp 93.24 trillion per December 2017, the largest contributor to the increase came from PT INALUM (Persero) fixed assets. Of the total consolidated assets, current assets amounted to Rp 37.46 trillion, increased by 12.1% compared to 2016 at Rp 33.42 trillion. The largest contributor to the increase came from the trade receivables of subsidiary, PT Bukit Asam Tbk. Meanwhile, consolidated cash flows from operating activities recorded an increase of 36.6%, from Rp 4.34 trillion as of December 31, 2016, to Rp 5.94 trillion as of December 31, 2017. Among contributors to cash flows is receivables from customers, which grew by 26.0% from Rp 34.58 trillion in 2016 to Rp 43.57 trillion in 2017. The largest revenue came from PT Bukit Asam Tbk amounting to Rp 16.41 trillion.

## V. CONCLUSION

The restructuring of a company into a holding has a very large impact on increasing the company's ability to increase effectiveness and efficiency to earn profits. The restructuring of a company into a holding also has a huge impact on increasing the company's ability to pay off its obligations. Becoming a holding has a very significant positive impact and can be an alternative strategy to improve company performance.

A good profitability ratio will make the company able to measure management effectiveness as a whole which is aimed at the size of the profit obtained in relation to sales and investment. The better the profitability ratio, the better the ability to describe the company's high profitability. A good solvency ratio will enable the company to be able to assess the company's ability to pay off all of its obligations both short and long term by guaranteeing assets or assets owned by the company until the company is closed or liquidated.

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