

Determining the Most Viable Cement Company Stock Investment Using PER and PBV

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ABSTRACT

The cement industry is one of the many industries that are the basis of industrial and economic development in Indonesia. The cement industry business is increasing every year because they need for cement in Indonesia is expanding. The research aims to determine cement companies' most viable stock investment using the PER and PBV methods. This type of research is quantitatively descriptive by using purposive sampling methods as well as establishing specific criteria. The study sample amounted to 4 companies with a sample population of 6 cement companies listed on the Indonesia Stock Exchange in 2016-2018. The data was taken through the cement company's annual financial statements obtained from the www.IDX.co.id website. The data analysis method uses PER and PBV analysis. The results showed that three companies are undervalued, so that they can be used to invest in stocks. The three companies are PT Semen Indonesia Tbk, PT Holcim Indonesia Tbk and PT Baturaja Tbk. Of the three cement companies that are most suitable for investing in shares in PT Holcim Indonesia Tbk.

Keywords: Stock Investment, PER, PBV, Undervalued, Overvalued

1. INTRODUCTION

The cement industry is one of the many industries that are the basis of industrial and economic development in Indonesia. The cement industry business is increasing every year. This growth was felt by cement companies, especially in 2017, domestic sales increased by 66.3 million tons of export sales by 2.95 tons compared to the previous year. The increasing amount of domestic cement consumption is caused by several government infrastructure projects in various regions in Indonesia, such as the construction of toll road projects, smelters, petrochemicals, power plants, MRT projects, and the development of ports and airports throughout Indonesia.

The population of Indonesia, which almost reaches 270 million people, requires the construction of decent infrastructure in office, industry, and housing. One of the important raw materials used is cement, so that the need for cement in Indonesia is increasing. The growth in the number of capital investors in Indonesia from data published by the Indonesia Stock Exchange (IDX) in 2018 experienced increasingly rapid growth. Investors must master the financial statements of an issuer to provide maximum return for investors [1].

PER and PBV are used to determine the position of the company is in an overvalued or undervalued

condition [2]. Overvalued condition is the condition of the company's stock above the relative value that has a value of more than one [3]. This shows that the company is not worthy of investment [4]. At the same time, the undervalued condition is the condition of the company's shares below the relative value of less than one. Thus, showing that the company deserves to be an investment [5].

The research aims to determine the most viable cement company stock investment using the PER and PBV.

2. RESEARCH METHOD

This research is a descriptive quantitative study that analyzes data systematically [6]. This type of research aims to show facts. The research population is six cement companies listed on the Indonesia Stock Exchange in 2016 - 2018. The sample uses purposive sampling techniques and considers certain criteria to obtain four companies [7]. The four companies are:

PT Indocement Tunggul Perkasa Tbk (INTP)

PT Semen Indonesia Tbk (SMGR)

PT Semen Baturaja Tbk (SMBR)

PT Solusi Bangun Indonesia Tbk (SMCB)

The data used in the study is secondary data[8]. Secondary data is data obtained indirectly provided by the source[9]. This research data was obtained by researchers in the form of company financial statements listed on the Indonesia Stock Exchange in 2016-2018 through the www.IDX.co.id website.

The data analysis method uses PER and PBV analysis. Price Earning Ratio (PER) analysis is the ratio that investors use to determine investment decisions[10]. Price Earning Ratio shows the potential attractiveness of stocks[11]. Companies that experience rapid growth will have a high Price Earning Ratio value, while companies with a low Earning Ratio value are companies with high risk[12]. PBV compares a stock's book value and market price[13]. If the higher the value of PBV, the more successful a company realizes value for shareholders and other benefits, namely an increase in the company's stock price [14]. PER and PBV are calculated using the following formulas[15]:

$$\text{Price Earning Ratio} = \frac{\text{Harga Pasar}}{\text{Penghasilan Per Saham}}$$

$$\text{Relative PER} = \frac{\text{Current PER}_{\text{firm}}}{\text{Current PER}_{\text{market}}}$$

3. RESULT AND DISCUSSIONS

Of the four companies studied, obtained the following results:

Table 3.1 Calculated Results Using Price Earning Ratio (PER)

Company Name	PER Company	PER Cement Industry	Relative PER	Information
PT Indocement Tunggal Perkasa Tbk	57,59	28,92	2,12	Overvalued
PT Semen Baturaja Tbk	21,87	28,92	0,67	Undervalued
PT Holcim Indonesia Tbk	14,83	28,92	0,51	Undervalued
PT Semen Indonesi Tbk	18,53	28,92	0,64	Undervalued

Data Source: Company Financial Statements 2016-2018 (Data Processed by Researchers)

Table 3.2 Calculated Result Using Price to Book Value (PBV)

Company Name	PBV Company	PBV Cement Industry	Relative PBV	Information
PT Indocement Tunggal Perkasa Tbk	2,89	2,7	1,66	Overvalued
PT Semen Baturaja Tbk	2,21	2,7	0,82	Undervalued
PT Holcim Indonesia Tbk	0,79	2,7	0,23	Undervalued
PT Semen Indonesi Tbk	1,69	2,7	0,53	Undervalued

Data Source: Company Financial Statements 2016-2018 (Data Processed by Researchers)

Based on table 3.1 calculation results using Price Earning Ratio (PER) and table 3.2 calculation results using Price to Book Value (PBV), it is known that from the company studied, there are three companies that are undervalued. The three companies are PT Semen Baturaja Tbk, PT Holcim Indonesia Tbk, and PT Semen Indonesia Tbk. Undervalued conditions indicate that the stock price is low. Due to declining stock demand, investors also have access to information related to the capital market. The capital market will be known which stocks have decreased; in the end, the stock that has decreased will reduce the level of stock purchases in investors. The decision experienced investors can make to buy shares in a specified amount of the company is a long-term consideration. Prospective investors who want to invest in shares can have a long-term that can be expected to make stock purchases.

PT Holcim Indonesia Tbk is the most viable cement company's stock investment using PER and PBV This is because the results of the PER and PBV calculations of PT Holcim Indonesia Tbk are in the undervalued position. Based on the theory, if the stock is in an undervalued position is predicted to increase in price so that the return or profit that investors will obtain can be maximized. So that this company can be used as the most viable option to invest in stocks.

4. CONCLUSION

Based on the study results, there are three companies undervalued, so it can be used to invest in stocks. The three companies are PT Semen Indonesia Tbk, PT Holcim Indonesia Tbk and PT Baturaja Tbk. The most viable cement company to invest in shares is PT Holcim Indonesia Tbk

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