

ANALYSIS OF FINANCIAL RATIOS IN THE SECTOR PALM OIL AGRICULTURE AT PT. SINAR MAS AGRO RESOURCE AND TECHNOLOGY TBK (SMART)

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Abstract

Financial ratios are analytical tools used to measure and evaluate a company's financial performance. These ratios are calculated based on data contained in financial reports, such as balance sheets, income statements, and cash flow statements. Financial ratios provide important information about certain aspects of corporate finance, such as profitability, liquidity, efficiency, and solvency. In the financial world, financial ratios are an important tool for evaluating a company's performance and financial health. This financial ratio is calculated based on the data and components contained in the company's financial statements. With Using financial ratios, we can assess company performance internally, compare company performance between certain time periods, and make comparisons with other companies in the same industry.

Keyword : *Financial Ratios, Profitability Ratios, Liquidity Ratios*

1.INTRODUCTION



Industry in the plantation sector has a very important contribution, namely as a counterweight to the national trade balance. With the development of the same industrial sector, in this case the plantation sector, observers need to analyze more closely the condition of the financial statements in each company, so that decision making related to the company does not carry a risk of loss (Endri, 2021a).

PT Sinar Mas Agro Resources and Technology Tbk. or better known as PT SMART Tbk. is a company engaged in the processing of palm oil. As a company with an international market scope, PT SMART Tbk. trying to maintain the quality of the products produced. However, until now there are still some defects in the finished product menyebabkan target yang telah ditetapkan belum dapat tercapai. PT SMART Tbk. menargetkan produk-produk yang diproduksi dan siap untuk dipasarkan memiliki zero defect.

The financial data used includes the company's three financial reports, namely profit and loss statements, cash flow reports, and balance sheets. Financial reports are used to provide information about a company's financial position and performance to make decisions (Endri et al., 2020a). In addition, financial ratio analysis is needed, which is an analytical tool used to assess financial performance based on financial comparison data for a period.

Observers from financial ratio analysis are divided into two parties, namely investors and management. Even though they use the same financial ratio analysis, both in terms of procedure and type of analysis, the two parties have different purposes for using it (Endri 2021b). Investors take advantage of financial ratios to measure the value of investments made as well as predict profit or loss when investing in a company. By comparing ratios between companies or businesses, investors are able to determine the most profitable investment (Endri et al., 2020b).

On the management side, the utilization of financial ratios is used to monitor company performance as well as a benchmark in evaluating business development. A simple example is, a company can recognize low gross margins in financial ratio analysis, then think of ways to increase them (Endri, 2018a).

2. LITERATURE REVIEW

2.1 Definition of Financial Ratios

Financial Ratio Analysis (Financial Ratio Analysis) is a method of comparing numbers in financial statements by dividing one number by another. This allows comparisons to be made between one component and another in the financial statements. financial statements in the form of numbers for a certain period of time. Companies that have a large size are expected to generate large profits, so that they can distribute dividends and vice versa (Heliani et al., 2021; Lesmana & Iskandar, 2020; Gumelar & Shauki, 2020)

Every month at the end of the month, the company's Finance Division (Accounting Division) compiles and compiles Financial Statements which include Balance Sheets, Income Statements, Cash Flow Statements, Changes in Capital Reports, and Reports submitted to company CEO. Apart from Financial Reports, there are additional elements that must be included in the submission of financial reports, such as Financial Statement Analysis. If financial report information can predict what will happen in the future, financial reports will be more valuable for making economic decisions.

2.2. Financial statements

Financial reports come in all shapes and sizes, as Harapan (2015: 106) explains:

1. A collection of balance sheets that depict a company's financial situation at a particular point in time.
2. Calculation of profit or loss that describes the amount of results, costs, and profits of a company over a certain period of time.
3. Report on sources of funds and expenses. For a given period of time, it includes all sources and cash usage.
4. Statement of cash flows is a financial report that shows the sources and uses of cash during certain time period.
5. A report on production costs detailing the many factors that play a role in the price of goods manufactured goods.
6. The retained earnings report explains the profit position given to shareholders.
7. Report on changes in capital explains the situation of changes in capital, both in the form of PT shares and capital in the company.
8. Activity reports are financial statement transactions that affect cash as described in the company's financial statements.

Financial reports are designed to provide stakeholders with information about a company at a specific point in time. As a result, reading financial reports alone is not enough; Financial analysis, such as ratio analysis, is required. According to Harjito and Martono (2011: 51), financial statement analysis is an analysis of the financial condition of a company that involves balance sheets and profit and loss. According to Harahap (2011: 190), analysis of financial statements means breaking down financial statement items into smaller information units and looking at the relationship that is significant or that has meaning between one another both between quantitative and non-quantitative data with the aim of knowing the condition deeper financials that are very important in the process of making the right decisions.

Financial report analysis is the activity of comparing company performance in the form of financial figures with similar companies or with previous period figures or with budget figures (Khalida, 2019). Financial statement analysis is a process of researching financial statements and their elements which aims to evaluate and predict the financial condition of a company or business entity in the past and present. Analysis of financial statements and other data (quantitative and qualitative), where this aims to determine the company's financial condition more deeply (Izma, 2016). According to Sujaweni (2019: 35) P, financial statement analysis is an analysis carried out to look at a company's financial condition, how the success of the company has been achieved in the past, present, and future predictions.

3. RESEARCH METHODS

3.1. The definition of descriptive qualitative research

This study uses a descriptive qualitative approach. Qualitative research according to Moloeng (2018) is research that intends to understand the phenomenon of what is experienced by participants such as behavior, perception, motivation, actions and others. So that in this study the data collected was qualitative data with qualitative data collection instruments. As according to Sugiyono (2019) qualitative research is research that is used to examine the condition of natural objects and the data obtained tends to be qualitative data with qualitative data analysis techniques. In addition, according to Creswell (2014) a qualitative research approach is research that aims to explore or understand social problems. The descriptive research method according to Sugiyono (2019) belongs to the type of research based on the level of explanation. Descriptive research method is research that aims to describe the condition or value of one or more variables independently. Besides that, according to Sukmadinata (2012) descriptive research is "the lowest research among other studies". Aims to provide an overview of natural phenomena or the results of human engineering. In conducting the research, it does not provide treatment or manipulate the independent variables. But it gives a picture of a condition as it is.

The method of data collection was carried out in this study with documentation to obtain information by looking at the data contained in the documentation for the place of business obtained from the internet and financial report data at SMART (www.smart-tbk.com). then by using the results of previous research to obtain secondary data, as well as other literature related to the current research. The scope of this research was carried out at PT. Sinar Mas Agro Resource and Technology TBK (SMART) at (www.smart-tbk.com) , and is devoted to issues related to financial ratio analysis in terms of liquidity ratios, financial ratios, profitability ratios, and assessment of the 2018-2020 period. The details of the data needed to obtain a clear picture of the problem and solution and facilitate discussion, then the data needed to complete the purpose of this writer is the condition or general description of PT Sinar Mas Agro Resource and Technology TBK (SMART).

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4. RESULTS AND DISCUSSION

PT Sinar Mas Agro Resources and Technology Tbk. (PT SMART Tbk.) is a publicly listed and integrated palm-based consumer company in Indonesia committed to sustainable palm oil production. The main activity of PT SMART Tbk. starting from planting and harvesting oil palm trees, processing Fresh Fruit Bunches (FFB) into Crude Palm Oil (CPO) and Palm Kernel Oil (PK), processing CPO into industrial and consumer products. PT SMART Tbk. has now managed approximately 137,900 hectares of oil palm plantations in Indonesia including plasma land, with 16 palm oil mills processing FFB into CPO and PK with a total capacity of 4.2 million tons per year. To analyze the financial performance capabilities of PT SMART Tbk. then PT SMART Tbk's financial report data is needed. The following are the 2021 financial reports and Consolidated reports for the years ending December 31, 2022 and 2021, namely as follows:

4.1. Financial statements

PT SINAR MAS AGRO RESOURCES AND TECHNOLOGY Tbk DAN ENTITAS ANAK Laporan Posisi Keuangan Konsolidasian 31 Desember 2021 dan 2020 (Disajikan dalam jutaan Rupiah, kecuali dinyatakan Lain)		PT SINAR MAS AGRO RESOURCES AND TECHNOLOGY Tbk AND ITS SUBSIDIARIES Consolidated Statement of Financial Position December 31, 2021 and 2020 (Expressed in Millions of Rupiah, unless Otherwise Stated)	
	2021	Catatan/ Notes	2020
ASET			ASSETS
ASET LANCAR			CURRENT ASSETS
Kas dan setara kas	2.717.223	4	Cash and cash equivalents
Investasi jangka pendek	-	8	Short-term investments
Piutang usaha	4.173.388	8	Trade accounts receivable
Pihak berelasi			Related parties
Pihak ketiga			Third parties
setelah dikurangi cadangan kerugian penurunan nilai sebesar Rp 1.282 dan Rp 1.407 masing-masing pada tanggal 31 Desember 2021 dan 2020	3.627.655		net of allowance for impairment of Rp 1.282 and Rp 1.407 as of December 31, 2021 and 2020, respectively
Piutang lain-lain - pihak ketiga	112.985		Other receivables - third parties
Persediaan	7.410.243	7	Inventories
Aset biologis	332.863	8	Biological assets
Pajak Pertambahan Nilai dibayar di muka - bersih	657.719	17	Prepaid Value Added Tax - net
Biaya dibayar di muka dan aset lancar lainnya	3.181.870	9	Prepaid expenses and other current assets
JUMLAH ASET LANCAR	22.418.032		TOTAL CURRENT ASSETS
ASET TIDAK LANCAR			NONCURRENT ASSETS
Piutang dari pihak berelasi non-usaha	450.574	34	Due from related parties
Aset pajak tangguhan - bersih	583.784	17	Deferred tax assets - net
Investasi dalam saham dan utang muka investasi	2.547.479	10	Investments in shares of stock and advances
Tanaman produktif		11	Bearer plants
Tanaman telah menghasilkan setelah dikurangi akumulasi amortisasi sebesar Rp 1.340.551 dan Rp 1.263.395 masing-masing pada tanggal 31 Desember 2021 dan 2020	926.682		net of accumulated amortization of Rp 1.340.551 and Rp 1.263.395 as of December 31, 2021 and 2020, respectively
Tanaman belum menghasilkan	355.724		Immature plantations
Aset tetap		12	Fixed assets
setelah dikurangi akumulasi penyusutan sebesar Rp 7.763.964 dan Rp 6.932.696 masing-masing pada tanggal 31 Desember 2021 dan 2020	12.003.692		net of accumulated depreciation of Rp 7.763.964 and Rp 6.932.696 as of December 31, 2021 and 2020, respectively
Goodwill	22.232	13	Goodwill
Aset lain-lain	274.141	17	Other assets
Taksiran tagihan pajak	85.653		Estimated claims for tax refund
Biaya tangguhan hak atas tanah - bersih	54.898		Deferred landrights - net
Ukutan	16.414		Nursery
Biaya tangguhan lain-lain - bersih	617.418	14	Other deferred charges - net
Lain-lain			Others
JUMLAH ASET TIDAK LANCAR	17.826.871		TOTAL NONCURRENT ASSETS
JUMLAH ASET	40.244.903		TOTAL ASSETS

Lihat catatan atas laporan keuangan konsolidasian yang merupakan bagian yang tidak terpisahkan dari laporan keuangan konsolidasian.

See accompanying notes to consolidated financial statements which are an integral part of the consolidated financial statements.

PT SINAR MAS AGRO RESOURCES AND TECHNOLOGY Tbk
DAN ENTITAS ANAK
Laporan Posisi Keuangan Konsolidasian
31 Desember 2021 dan 2020
(Dinyatakan dalam Jutaan Rupiah, kecuali Dinyatakan Lain)

PT SINAR MAS AGRO RESOURCES AND TECHNOLOGY Tbk
AND ITS SUBSIDIARIES
Consolidated Statements of Financial Position
December 31, 2021 and 2020
(Expressed in Millions of Rupiah, unless Otherwise Stated)

	2021	Catatan/ Note	2020	
LIABILITAS DAN EKUITAS				LIABILITIES AND EQUITY
LIABILITAS				LIABILITIES
LIABILITAS JANGKA PENDEK				CURRENT LIABILITIES
Utang bank jangka pendek	7.043.750	18	9.049.108	Short-term bank loans
Utang usaha		18		Trade accounts payable
Pihak berelasi	1.143.438		871.127	Related parties
Pihak ketiga	1.808.300		1.417.788	Third parties
Utang lain-lain - pihak ketiga	255.789	18	290.146	Other accounts payable - third parties
Utang muka pelanggan				Advances from customers
Pihak berelasi	4.267		2	Related parties
Pihak ketiga	1.653.777	37c	303.169	Third parties
Beban akrual	286.004	18	293.856	Accrued expenses
Utang pajak	393.980	17	81.564	Taxes payable
Bagian liabilitas jangka panjang yang akan jatuh tempo dalam waktu satu tahun:				Current portion of long-term liabilities:
Utang bank jangka panjang	1.872.235	20	1.412.008	Long-term bank loans
Utang obligasi	1.296.469	21	889.647	Bonds payable
Liabilitas sewa	36.974	22	78.118	Lease liabilities
JUMLAH LIABILITAS JANGKA PENDEK	15.406.950		14.358.830	TOTAL CURRENT LIABILITIES
LIABILITAS JANGKA PANJANG				NONCURRENT LIABILITIES
Liabilitas pajak tangguhan - bersih	388.375	17	293.903	Deferred tax liabilities - net
Liabilitas imbalan pasca-kerja	422.080	32	671.250	Post-employment benefits liabilities
Utang kepada pihak berelasi non-usaha	20.574	34i	16.227	Due to related parties
Liabilitas jangka panjang - setelah dikurangi bagian yang akan jatuh tempo dalam waktu satu tahun:				Long-term liabilities - net of current portion:
Utang bank jangka panjang	4.579.454	20	8.254.809	Long-term bank loans
Utang obligasi	5.105.152	21	1.696.028	Bonds payable
Liabilitas sewa	3.588	22	37.115	Lease liabilities
Liabilitas jangka panjang lainnya	-	34a	394.548	Other noncurrent liabilities
JUMLAH LIABILITAS JANGKA PANJANG	10.518.224		8.143.800	TOTAL NONCURRENT LIABILITIES
JUMLAH LIABILITAS	25.925.174		22.502.630	TOTAL LIABILITIES
EKUITAS				EQUITY
Ekuitas yang Dapat Didistribusikan kepada Pemilik Entitas Induk				Equity Attributable to Owners of the Parent Company
Modal saham				Capital stock
Nilai nominal Rp 200 per saham (Dalam Rupiah penuh)				Rp 200 par value per share (In full Rupiah)
Modal dasar - 5.000.000.000 saham				Authorized - 5,000,000,000 shares
Modal ditempatkan dan disetor penuh - 2.872.193.305 saham	574.439	25	574.439	Issued and fully paid - 2,872,193,305 shares
Tambahan modal disetor	1.756.878	25	1.758.878	Additional paid-in capital
Saldo laba				Retained earnings
Telah ditentukan penggunaannya	114.888	26	114.888	Appropriated
Belum ditentukan penggunaannya	11.863.036		9.784.017	Unappropriated
Komponen ekuitas lainnya	295.555	2	295.448	Other components of equity
Jumlah	14.407.128		12.515.568	Total
Kepentingan Nonpengendali	10.701	24	8.013	Non-controlling interests
JUMLAH EKUITAS	14.417.829		12.523.581	TOTAL EQUITY
JUMLAH LIABILITAS DAN EKUITAS	40.342.003		35.026.171	TOTAL LIABILITIES AND EQUITY

Uraian catatan atas laporan keuangan konsolidasian yang merupakan bagian yang tidak terpisahkan dari laporan keuangan konsolidasian.

See accompanying notes to consolidated financial statements which are an integral part of the consolidated financial statements.

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PT SINAR MAS AGRO RESOURCES AND TECHNOLOGY Tbk DAN ENTITAS ANAK Laporan Laba Rugi dan Penghasilan Komprehensif Lain Konsolidasian Untuk Tahun-tahun yang Berakhir 31 Desember 2021 dan 2020 (Disajikan dalam jutaan Rupiah, kecuali dinyatakan Lain)		PT SINAR MAS AGRO RESOURCES AND TECHNOLOGY Tbk AND ITS SUBSIDIARIES Consolidated Statements of Profit or Loss and Other Comprehensive Income For the Years Ended December 31, 2021 and 2020 (Expressed in Millions of Rupiah, unless Otherwise Stated)		
	2021	Catatan/ Notes	2020	
PEJUALAN BERSIH	67.004.234	27	40.434.346	NET SALES
BIAYA POKOK PEJUALAN	46.047.334	28	34.667.139	COST OF GOODS SOLD
LABA KOTOR	10.956.900		5.877.216	GROSS PROFIT
BIAYA USAHA		29		OPERATING EXPENSES
Penjualan	5.809.088		2.367.789	Selling
Umum dan administratif	1.215.864		1.196.390	General and administrative
Jumlah Biaya Usaha	7.074.650		3.564.189	Total Operating Expenses
LABA USAHA	3.881.950		2.313.027	PROFIT FROM OPERATIONS
PENGHASILAN (BIAYA) LAIN-LAIN				OTHER INCOME (EXPENSES)
Pendapatan bunga	243.826		221.078	Interest income
Ekuitas pada laba bersih entitas asosiasi - bersih	87.883	10	16.710	Share in net earnings of associates - net
Rugi selisih kurs - bersih	(46.312)	30	(243.225)	Loss on foreign exchange - net
Biaya bunga dan keuangan lainnya	(1.110.870)	31	(746.366)	Interest and other financial charges
Lain-lain - bersih	506.983	8, 12, 34f	516.556	Miscellaneous - net
Biaya Lain-lain - Bersih	(288.210)		(235.247)	Other Expenses - Net
LABA SEBELUM PAJAK	3.593.740		2.067.780	PROFIT BEFORE TAX
BIAYA PAJAK		17		TAX EXPENSE
Kiri	(638.080)		(446.224)	Current
Tangguhan	(226.239)		(399.758)	Deferred
Jumlah Biaya Pajak	(764.322)		(547.982)	Total Tax Expense
LABA BERSIH TAHUN BERJALAN	2.829.418		1.519.798	NET PROFIT FOR THE YEAR
PENGHASILAN KOMPREHENSIF LAIN				OTHER COMPREHENSIVE INCOME
Poa yang tidak akan direklasifikasi ke laba rugi:				Items that will not be reclassified
Pengukuran kembali liabilitas imbalan				subsequently to profit or loss:
pekerja-pekerja	93.294	32	45.582	Remeasurement of post-employment
Ekuitas pada pengukuran kembali liabilitas				benefits liabilities
imbalan pekerja-pekerja dari entitas asosiasi	1.456		97	Share of remeasurement of post-employment
Pajak sehubungan dengan poa yang tidak				benefits liabilities in associates
akan direklasifikasi ke laba rugi	(20.724)		4.781	Tax relating to items that will not be
				reclassified subsequently to profit or loss
Poa yang akan direklasifikasi ke laba rugi:				Item that will be reclassified subsequently
Selisih kurs atas penjabaran				to profit or loss:
laporan keuangan	11.811		7.986	Exchange differences on translation of
				financial statements
Penghasilan Komprehensif Lain - Bersih	55.637		58.435	Other Comprehensive Income - Net
JUMLAH PENGHASILAN KOMPREHENSIF	2.885.055		1.598.233	TOTAL COMPREHENSIVE INCOME
Jumlah laba bersih yang dapat				Total net profit attributable to:
distribusikan kepada:				Owners of the parent company
Pemilik entitas induk	2.626.908		1.538.742	Non-controlling interests
Keperluan nonpengendali	2.610		1.056	
Jumlah	2.629.418		1.539.798	Total
Jumlah penghasilan komprehensif				Total comprehensive income
yang dapat distribusikan kepada:				attributable to:
Pemilik entitas induk	2.882.367		1.597.099	Owners of the parent company
Keperluan nonpengendali	2.688	24	1.134	Non-controlling interests
Jumlah	2.885.055		1.598.233	Total
LABA PER SAHAM DASAR				BASIC EARNINGS PER SHARE
(Dalam Rupiah penuh)	964	33	536	(In full Rupiah)

Lihat catatan atas laporan keuangan konsolidasian yang merupakan bagian yang tidak terpisahkan dari laporan keuangan konsolidasian.

See accompanying notes to consolidated financial statements which are an integral part of the consolidated financial statements.

- 3 -

4.2. Financial Review

In 2022, SMART's net sales increased by 32%, reaching a record high of IDR 75.05 trillion. EBITDA2 grew significantly by 56% to Rp 9.53 trillion. Net profit also recorded the highest achievement in history of IDR 5.50 trillion. This extraordinary performance is the result of optimal utilization of an integrated business model and is supported by the appreciation of CPO prices. The Company's financial position also strengthened with a better debt to equity ratio of 0.95 times from 1.37 times last year.

4.3. Net sales

Sales consist of CPO, PK and their derivative products, such as cooking oil, margarine, shortening, oleochemicals and biodiesel. Net sales increased by 32% to IDR 75.05 trillion, 34% higher than the 2022 target. This was motivated by the strengthening of selling prices and an increase in sales quantity. Overall sales of both branded and bulk derivative products, including oleochemicals and biodiesel, accounted for 84% of net sales. For 2023, we are targeting net sales of IDR 62.13 trillion assuming a lower average CPO price compared to the record high prices in 2022. However, the supply and demand for vegetable oil globally are expected to remain tight.

Net sales from the consumer product business integration segment and trading activities

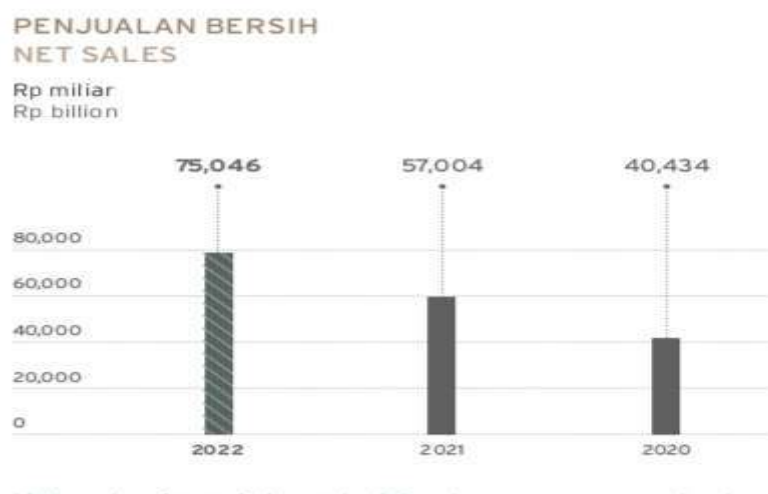
Sales from this segment increased significantly by 34% to Rp 68.29 trillion compared to the previous year, which was contributed by an increase in both average selling price and sales quantity.

Net sales from plantation segment

Sales from the plantation segment increased by 11% to IDR 8.59 trillion due to the strengthening market price of CPO.

Net sales from other segments

The other segment is primarily the oleochemicals business. Sales from other segments grew strongly by 48% to Rp. 5.96 trillion, mainly due to the strengthening of the average selling price and sales quantity.



4.4. Cost of goods sold

Cost of goods sold consists of raw materials used, plantation management expenses, production costs and other indirect expenses. Cost of goods sold in 2022 increased by 34% to IDR 61.73 trillion mainly due to rising raw material prices in line with increased sales and strengthening CPO market prices.

4.5. Operating expenses

In 2022, operating expenses decreased by 5% to IDR 6.72 trillion from IDR 7.07 trillion in the previous year, mainly due to lower selling expenses. Selling expenses mainly consist of export duties and levies, freight and delivery costs; advertising and promotion; salaries, wages and employee welfare; export sales administration; rent, taxes and permits; and insurance expense. Selling expenses in 2022 amounted to IDR 5.42 trillion, down 8% from IDR 5.86 trillion in the previous year. This decrease was mainly due to the decrease in export duties and export levies, especially in the second half of the year, which was partly offset by the increase in freight and delivery costs in line with the increase in sales quantity. General and administrative expenses mainly consist of salaries, wages and employee benefits; depreciation and amortization; professional services; maintenance and repair; rent, taxes and permits; communication; official travel; and corporate social responsibility; less the allocation to management services and commissions. Allocations to management services and commissions are expenses associated with providing various services to related parties, such as providing human resources, accounting and taxation, information technology (hardware and software), sales and purchases, and other related services. General and administrative expenses slightly increased to IDR 1.31 trillion from IDR 1.22 trillion in the previous year, mainly due to an increase in salaries, wages and employee benefits; and decreased allocations to management services and commissions, which were partly offset by lower depreciation and amortization expenses.

4.6. Operating profit

The Company's operating profit increased significantly to IDR 6.59 trillion from IDR 3.88 trillion in 2021, contributed by an increase in gross profit which was offset by an increase in general and administrative expenses.

The results of the business integration segment of consumer products and trading activities

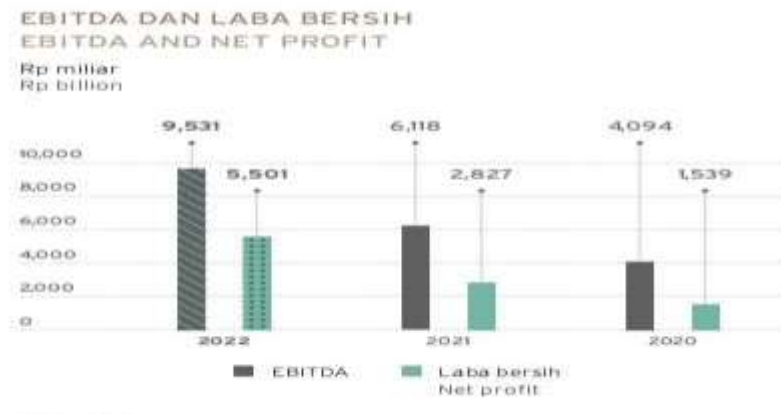
In line with the increase in net sales, the results of the business integration segment for consumer products and trading activities more than doubled to IDR 4.36 trillion compared to IDR 2.05 trillion in 2021.

Plantation segment results

Yield from the plantation segment increased slightly to Rp 2.50 trillion from Rp 2.42 trillion in the previous year, due to the stronger average selling price.

Other segment results

Results from other segments grew significantly by 62% to Rp 970 billion from Rp 600 billion in the previous year. This increase was mainly contributed by an increase in the average selling price and sales quantity.



4.7. EBITDA

The company recorded a new record for EBITDA of IDR 9.53 trillion, growing 56% from IDR 6.12 trillion in 2021. This performance far exceeded the target of 51% mainly due to the appreciation of the CPO market price and optimal utilization of integrated business models. For performance in 2023, the Company targets to achieve a lower EBITDA of 34% due to the lower CPO price assumption.

Other Income or Expenses

This account mainly consists of interest and other financial expenses, equity in net income of associates, and loss on foreign exchange, most of which were unrealized, which came from the translation of debt denominated in US Dollars to Rupiah. In 2022, the Company recorded other income - net of IDR 217 billion, compared to other expenses - net of IDR 288 billion recorded in the previous year. Other income - net was mostly derived from the absorption of income from associates of IDR 828 billion and other income of IDR 782 billion, which was partly offset by an increase in interest and other financial expenses of IDR 1.34 trillion due to the larger balance of bonds payable in Rupiah, as well as foreign exchange loss recorded in the current year. At the end of 2022, the Rupiah weakened against the US Dollar to IDR 15,731 from IDR 14,269 at the end of 2021.

Net profit

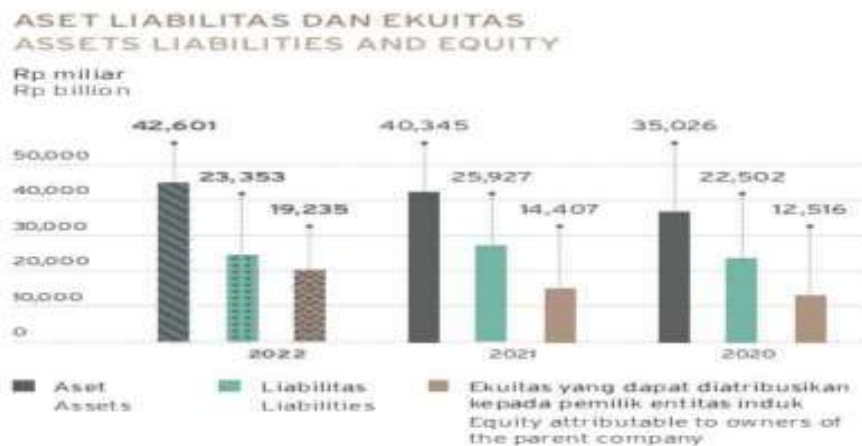
The company recorded a significant increase in net profit of IDR 5.50 trillion in 2022 compared to the previous year's achievement of IDR 2.83 trillion. Thus, earnings per share amounted to IDR 1,915.

Other Comprehensive Income

Other comprehensive income in 2022 increased sharply to IDR 218 billion compared to IDR 56 billion in the previous year. This increase was mainly due to exchange differences on the translation of financial statements.

Total Comprehensive Income

After taking into account other comprehensive income, total comprehensive income for 2022 is IDR 5.72 trillion compared to IDR 2.89 trillion in the previous year.



4.8.Asset

As of 31 December 2022, the Company's total assets increased by 6% to IDR 42.60 trillion from IDR 40.35 trillion at the end of 2021. Current assets amounted to IDR 23.71 trillion at the end of 2022, 6% higher than the previous year of IDR 22.42 trillion. This increase was mainly due to an increase in inventories and trade receivables, which were partly offset by a decrease in advances for purchases. This increase in inventories and trade receivables was in line with the increase in net sales. Furthermore, the aging of accounts receivable is slightly shorter at 40 days. The composition of trade receivables that are not yet due or have matured in less than three months is more than 99%. Inventory turnover is relatively stable at 7.7 times. Non-current assets increased to IDR 18.89 trillion at the end of 2022 from IDR 17.93 trillion in the previous year. The increase was mainly due to an increase in investment in shares which came from absorbing the profit share of associates and an increase in fixed assets.

4.9.Liability

As of 31 December 2022, total liabilities decreased to IDR 23.35 trillion from IDR 25.93 trillion in the previous year mainly due to a decrease in short-term liabilities. Short-term liabilities decreased to Rp 12.10 trillion from Rp 15.41 trillion previously, mainly due to short-term bank debt payments and decreased down payments from customers. Long-term liabilities were recorded at IDR 11.25 trillion, an increase from IDR 10.52 trillion the previous year. This increase mainly came from the issuance of the Company's bonds on the Indonesia Stock Exchange in February and July 2022. As of December 31, 2022, the balance of loans (including bonds payable) amounted to IDR 18.17 trillion, lower than the previous year of IDR 19.70 trillion. Protection of creditors' rights is a priority for the Company. During the current year, SMART complied with all loan requirements, including certain financial ratio limits; not sell, rent, and/or transfer collateral items to other parties; does not change the general nature of the business; and various other administrative requirements. During 2022, both interest and principal debt payments will be carried out according to schedule.

Equity Attributable to Owners of the Parent Entity

By the end of 2022, equity attributable to owners of the parent entity reached IDR 19.23 trillion, an increase of 34% from IDR 14.41 trillion in the previous year. The Company's retained earnings grew to IDR 16.46 trillion compared to IDR 11.78 trillion at the end of 2021 contributed from profit for the year, which was partially offset by the distribution of dividends for profits for 2021 and an interim dividend for profits for 2022.

Capital Structure

A healthy capital structure is needed to support smooth operations, business growth and long-term increase in shareholder value. In order to balance these factors, SMART regularly reviews its capital structure, particularly its debt to equity ratio. Supported by an outstanding financial performance in 2022, the Company managed to reduce debt levels, so that the debt to equity ratio was lower to 0.95 times at the end of 2022, from 1.37 times previously. In addition, the ratio of EBITDA to interest expense increased to 7.11 times in the current year.

Dividend

On 24 August 2022, SMART distributed an interim cash dividend for 2022 profits to shareholders of IDR 200 per share or IDR 574 billion in total. For 2021 profits, SMART distributed a final cash dividend of IDR 295 per share or a total of IDR 847 billion, which was paid on 24 November 2021 and 22 June 2022. For 2020 profits, SMART distributed a final cash dividend of IDR 160 per share or a total of IDR 460 billion on July 2, 2021.

Based on SMART's dividend distribution policy, the following factors are considered in determining the dividend value:

- a. operating results, cash flow and financial position;
- b. industry prospects and capital expenditure plans;
- c. debt payment schedule;
- d. receipt of dividends from subsidiaries; And
- e. other factors deemed relevant by the Board of Directors, Board of Commissioners and shareholders.

4.10.Cash flow

Cash flows provided by operating activities increased sharply to IDR 4.28 trillion in 2022 compared to IDR 651 billion in 2021. This increase was due to sales receipts that were much higher than payments to suppliers, decreased payments for other operational activities, and decreased payment of export duties and export levies, which were partly offset by increased payments of corporate income tax, decreased collection of tax bills, and increased interest payments in the current year. Cash flows used in investing activities slightly decreased to Rp 1.30 trillion from Rp 1.36 trillion in the previous year. The decrease was mainly due to the investment in shares in PT Sumber Indahperkasa which occurred in 2021, which was partially offset by an increase in capital expenditure during the year. Net cash flow used in financing activities in 2022 reached IDR 3.29 trillion, compared to net cash flow provided by financing activities in 2021 of IDR 586 billion. The difference resulted mainly from the increase in servicing of short-term bank loans and the lower value of bonds issued during the year.

5.CONCLUSION

Financial Ratio Analysis (Financial Ratio Analysis) is a method of comparing numbers in financial statements by dividing one number by another. This allows comparisons to be made between one component and another in the financial statements. financial statements in the form of numbers for a certain period of time. Companies that have a large size are expected to generate large profits, so that they can distribute dividends and vice versa (Heliani et al., 2021; Lesmana & Iskandar, 2020; Gumelar & Shauki, 2020). PT SMART Tbk. now manages oil palm plantations in Indonesia covering an area of around 137,900 hectares including plasma land, with 16 palm oil mills processing FFB into CPO and PK with a total capacity of 4.2 million tons per year To analyze PT SMART's financial performance capabilities Tbk.

then PT SMART Tbk's financial report data is needed. The following are the 2021 financial reports and Consolidated reports for the years ending December 31, 2022 and 2021, namely as follows:

Financial overview : In 2022, SMART's net sales increased 32%, reaching a record high of IDR 75.05 trillion. EBITDA2 grew significantly by 56% to Rp 9.53 trillion.

Net sales : For 2023, we target net sales of IDR 62.13 trillion assuming a lower average CPO price compared to the record high prices in 2022

Cost of sales: Cost of goods sold in 2022 increased by 34% to IDR 61.73 trillion mainly due to rising raw material prices in line with increased sales and strengthening CPO market prices.

Operating expenses : In 2022, operating expenses decreased by 5% to IDR 6.72 trillion from IDR 7.07 trillion in the previous year, mainly due to lower selling expenses.

Operating profit : The Company's operating profit increased significantly to IDR 6.59 trillion from IDR 3.88 trillion in 2021, contributed by an increase in gross profit which was offset by an increase in general and administrative expenses.

Other income or expenses : In 2022, the Company recorded other income - net of IDR 217 billion, compared to other expenses - net of IDR 288 billion recorded in the previous year. Other income - net mostly came from the absorption of revenue from associates of IDR 828 billion and other income of IDR 782 billion.

Net profit : The Company recorded a significant increase in net profit of IDR 5.50 trillion in 2022 compared to the previous year's achievement of IDR 2.83 trillion.

Other comprehensive income : Other comprehensive income in 2022 increased sharply to IDR 218 billion compared to IDR 56 billion in the previous year.

Total comprehensive income : After taking into account other comprehensive income, total comprehensive income for 2022 is IDR 5.72 trillion compared to IDR 2.89 trillion in the previous year.

Assets : As of 31 December 2022, the Company's total assets increased by 6% to IDR 42.60 trillion from IDR 40.35 trillion at the end of 2021. Current assets amounted to IDR 23.71 trillion at the end of 2022, 6% higher than the previous year of IDR 22.42 trillion. Non-current assets increased to IDR 18.89 trillion at the end of 2022 from IDR 17.93 trillion in the previous year.

Liabilities : As of 31 December 2022, total liabilities decreased to IDR 23.35 trillion from IDR 25.93 trillion in the previous year mainly due to a decrease in short-term liabilities. Short-term liabilities decreased to Rp 12.10 trillion from Rp 15.41 trillion previously, mainly due to short-term bank loan payments and decreased down payments from customers. Long-term liabilities were recorded at IDR 11.25 trillion, an increase from IDR 10.52 trillion the previous year.

Equity attributable to owners of the parent entity : By the end of 2022, equity attributable to owners of the parent entity reached IDR 19.23 trillion, an increase of 34% from IDR 14.41 trillion in the previous year.

Capital structure : capital structure SMART regularly reviews its capital structure, particularly its debt to equity ratio. Supported by an outstanding financial performance in 2022, the Company managed to reduce debt levels, so that the debt to equity ratio was lower to 0.95 times at the end of 2022, from 1.37 times previously.

Dividend : On 24 August 2022, SMART distributed an interim cash dividend for 2022 profit to shareholders of IDR 200 per share or IDR 574 billion in total

Cash flows : Cash flows provided by operating activities increased sharply to IDR 4.28 trillion in 2022 compared to IDR 651 billion in 2021. Cash flows used for investing activities slightly decreased to IDR 1.30 trillion from IDR 1.36 trillion in the previous year. Net cash flow used in financing activities in 2022 reached IDR 3.29 trillion, compared to net cash flow provided by financing activities in 2021 of IDR 586 billion.

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