
ANALYSIS OF THE FINANCIAL PERFORMANCE OF PT KIMIA FARMA, TBK (PERSERO) 2021-2022

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Abstract

The effective management of company operations hinges on precise analysis and informed decision-making. Financial reports are pivotal in this decision-making process. In 2022, PT Kimia Farma, Tbk (Persero) registered a net loss, a stark contrast to its performance in 2021. This study aims to assess the financial performance of PT Kimia Farma, Tbk (Persero) during the 2021-2022 period using quantitative descriptive data sourced from financial reports. The employed methodologies include comparative financial statement analysis and financial ratio. Despite the company's robust performance foundation, the findings indicate a decline in its financial performance. The first research on PT Kimia Farma, Tbk (Persero) conducted financial performance during the pandemic or 2020 until 2021. Originality produces financial performance analysis and any suggestions to pharmaceutical companies.

Keywords: Financial Performance, Comparative analysis, Financial Ratio Analysis, Pharmaceutical Companies.

Introduction

The performance of State-Owned Enterprises (BUMN) in Indonesia has shown remarkable improvement over the past three years, contributing significantly to the country's revenue. Despite the challenges posed by the Covid-19 pandemic, BUMN have not only managed to maintain their operations but have also intensified their efforts during the crisis. This proactive stance has led to substantial progress and underscores the importance of consolidation during challenging times (Rezki, 2023).

However, behind this increased contribution, the holding of BUMN Pharmaceuticals is slightly anomaly compared to other BUMN sectors. The pandemic significantly affected the holding's financial performance, particularly impacting Bio Farma. A substantial decline in net income was witnessed due to decreased demand for Covid-19 vaccines and diagnostic tools in the latter half of 2022 (Nabhani, 2023). Not only Bio Farma but also PT Kimia Farma Tbk and PT Indofarma Tbk experienced declines in revenue during 2022. Factors such as shifting demand patterns and the pandemic's impact contributed to this decline. Both PT Kimia Farma Tbk and PT Indofarma Tbk rely heavily on third-party product revenue. However, contributions from various product categories like ethical drugs, OTC, medical equipment, and more are also present (Ramadhani, 2023).

A number of pharmaceutical companies have announced their performance for the fiscal year 2022, which ended on December 31, 2022. Some have recorded increases, while others have experienced negative growth in both revenue and profit. Overall, there is variation in the financial performance of pharmaceutical companies listed on the Indonesia Stock Exchange, including PT Kalbe Farma Tbk (KLBF), PT Industri Jamu dan Farmasi Sido Muncul Tbk (SIDO), PT Kimia Farma (Persero) Tbk (KAEF), PT Indofarma (Persero) Tbk (INAF), PT Tempo Scan Pacific Tbk (TSPC), PT Phapros Tbk (PEHA), PT Pyridam Farma Tbk (PYFA), PT Darya-Varia Laboratoria Tbk (DLVA), PT Soho Global Health Tbk (SOHO), PT Merck Tbk. (MEREK), PT Organon Pharma Indonesia Tbk (SCPI), and PT Millennium Pharmacon International Tbk (SDPC). Some companies have shown positive growth, while others have faced challenges in achieving favorable results. Sales growth and net profit growth serve as key indicators in assessing financial performance.

Financial reports of several pharmaceutical companies for the year 2022 published in the disclosure information of the Indonesia Stock Exchange. (IDX, 2023) Kalbe Farma recorded net sales of IDR 28.93 trillion, a 10.2% increase from the previous year, with a net profit increase of 6.2% to IDR 3.38 trillion. The company implemented supply chain management strategies, raw material price increases, and product innovation for sustainable business growth. (IDX, 2023) Meanwhile, the performance of PT Industri Jamu dan Farmasi Sido Muncul Tbk (SIDO) in 2022 was less favorable, with a 3.98% decrease in sales and a continuous decline in net profit throughout the year. Kimia Farma (Persero) experienced a decline in financial performance in the fiscal year 2022, with a 25.29% decrease in operating revenue to IDR 9.61 trillion. However, the cost of goods sold was successfully managed, and the company's equity increased. (IDX, 2023) PT Indofarma (Persero) Tbk (INAF) also showed a significant decrease in 2022, with net sales decreasing by 62.07% to IDR 1.14 trillion, resulting in a significant year-to-date loss. The financial report of PT Tempo Scan Pacific Tbk

(TSPC) for the year 2022 demonstrated a 21.6% increase in net profit to IDR 1 trillion, with a significant 9.1% increase in net sales. (IDX, 2023) PT Phapros Tbk (PEHA) recorded significant growth in 2022, with substantial increases in both sales and year-to-date profit. PT Pyridam Farma Tbk (PYFA) recorded an increased net profit in 2022, reaching IDR 275.2 billion, up by IDR 5.5 billion from the previous year. (IDX, 2023). Another company that experienced positive growth in both revenue and profit is PT Darya-Varia Laboratoria (DVLA). The company achieved revenue of IDR 1.92 trillion in 2022, a 0.85% increase compared to the previous year's IDR 1.9 trillion. The company's net profit also grew by 1.96% to IDR 149.38 billion. In 2021, the company's net profit was IDR 146.51 billion. Meanwhile, the financial performance of PT Soho Global Health Tbk (SOHO) in the third quarter of 2022 also showed a decrease, with the company's net profit declining by 43.90% compared to the same period in the previous year. Pharmaceutical issuer PT Merck Tbk (MERK) recorded positive financial performance in 2022. The company's revenue increased by 6% from IDR 1.06 trillion in 2021 to IDR 1.12 trillion in 2022. Additionally, operating profit increased from IDR 192 billion to IDR 239 billion in 2022, a 25% increase. This improved financial performance of MERK is also reflected in its net profit achieved in 2022, amounting to IDR 180 billion, a 37% increase from the previous year's IDR 132 billion. Meanwhile, the total comprehensive income for 2022 reached IDR 181 billion, a 43% increase from the previous year's IDR 126 billion. PT Organon Pharma Indonesia Tbk (SCPI) reported a net profit of IDR 174.8 billion in 2022, an increase compared to the same period in 2021, which was IDR 118.7 billion. PT Millennium Pharmacon International Tbk (SDPC) reported a net profit of IDR 24.5 billion in 2022, an increase compared to the same period in 2021, which was IDR 9.6 billion. The position of Kimia Farma in the pharmaceutical industry seems to have experienced a decline in performance in 2022. The company recorded significant decreases in operating revenue, gross profit, operating profit, and also incurred a year-to-date loss attributable to the parent entity.

Accurate analysis and decision-making are vital for effective company management. Financial statements provide essential data for such decision-making processes that enable management to conduct comparative evaluations, trend analyses, and future predictions (Asnawi, 2020) and evaluates a company's fiscal health (Sugiri, 2009). Primary objective of financial reporting is to provide information about the financial position and performance of companies by numbers disclosed in financial statements, which was considered to be a guide for their decision-making process (Arkan, 2016).

Ratio analysis uses the ratio of an item or group to an item or other groups (Sugiri, 2009). According to Babalola & Abiola (2013) ratio analysis examines the connections between different financial aspects of a company. Financial analysis develops the stages of gathering, shaping, and treating a variety of management information to quantify the worth of the company and the goal it pursues. This may help to define the desired diagnostic and prognosis. Refer to Arkan (2016), internal and external users used financial ratios to make economic decisions, including investing and performance evaluation.

Based on this background, this study aims to analyze financial performance using the financial statements of PT Kimia Farma, Tbk (Persero) (hereinafter referred to as Kimia Farma). The analysis method uses comparative financial statement analysis and ratio analysis.

Research Method

The research method employed in this study is the quantitative descriptive method, it means that research data in the form uses numbers from the financial reports (Pongoh, 2013). The quantitative descriptive research method is an approach aimed at providing an objective portrayal or description of a situation using numerical data. This method involves a process that begins with data collection, followed by the interpretation of the data, and culminating in the presentation and its outcomes (Arikunto, 2006). Judging from the source, the quantitative data used categorized as secondary data, namely data that is obtained from a financial Report of Kimia Farma Period 2021-2022. The analytical tools used in analyzing financial reports. The analysis uses comparative financial statement analysis and ratio analysis (Sugiri, 2009; Subramanyam and Wild, 2009).

The primary objective of this quantitative descriptive method is to offer a clear depiction of the subject under investigation. In the context of this research, the subject being examined is the financial performance of Kimia Farma. To achieve this goal, the method employs financial ratio analysis as a tool to describe, analyze, interpret, and depict the extent to which the company's financial performance is good or poor. Thus, this method provides a profound understanding of the financial aspects of the company and aids in identifying the factors influencing its performance.

According to Soleha (2022) the quantitative descriptive method is conducted by calculating financial data from company financial reports using financial ratio formulas, followed by describing the calculation results by comparing them to established industry standards and averages.

Results and Discussions

Profile of Kimia Farma

On the official page (Kimia Farma, 2022) stated that Kimia Farma stands as Indonesia's premier and largest pharmaceutical industry company. Kimia Farma has a mission to contribute to improving public health in

Indonesia. Beyond its business activities, the company is committed to supporting government initiatives and healthcare organizations to ensure access to quality healthcare products. As a pharmaceutical company, Kimia Farma invests in research and development to create innovative products. This includes the discovery of new drugs, improved formulations, and the development of healthcare technologies. While primarily operating in Indonesia, Kimia Farma has also explored international markets by exporting its products. This reflects the company's efforts to expand its business footprint globally.

Being the first pharmaceutical company in Indonesia, Kimia Farma has played a crucial role in shaping and advancing the pharmaceutical industry in the country. It has contributed to the supply of essential medicines and healthcare products for the Indonesian population. In addition to pharmaceuticals, Kimia Farma has diversified its product line to include various healthcare and beauty products, such as dietary supplements, skincare products, medical devices, and more. This diversification helps the company stay relevant in a continuously evolving market.

Analysis of Financial Performance of Kimia Farma

(Fahmi, 2012) Financial performance is an analysis carried out to see the extent where a company has implemented it using financial implementation rules properly and correctly. Such as by creating a financial report that meets the standards and provisions in SAK (Financial Accounting Standards) or GAAP (General Acceptance Accounting Principles), and others (Fahmi, 2012).

Financial reports show the company's financial information. There are four financial statements, namely balance sheets, income statements, cash flow statements, and reports of changes capital (Asnawi, 2020). Another definition states that financial reports are media communication and accountability between the company and its owners or parties other. The financial statements in question include balance sheets, income statements, reports on changes in equity, statements of cash flows and notes to financial statements. Financial statements must be issued by the entity each accounting period, i.e. one year (1 January until 31 December) (Suwardjono, 2010).

Financial Accounting Standards Board of the Indonesian Institute of Accountants (DSAK-IAI) stated that the notes to the financial statements contain: (a) a statement that financial statements have been prepared in accordance with SAK, (b) summary of accounting policies, (c) additional information and specific postal details describing important transactions and material so that it is useful for users to understand financial statements. Financial statement analysis tools are often used to analyze reports financial statements such as: comparative financial statement analysis, financial statement analysis Common-size, ratio analysis, cash flow analysis, valuation (Subramanyam & Wild, 2009).

Comparative financial statement analysis using financial reports successively from period to period (Sugiri, 2009). Meanwhile, according to Subramanyam & Wild (2009), comparative financial statement analysis (comparative financial statement analysis) is carried out by examining the balance sheet, income statement, or cash flow statement sequentially from one period to the next. This analysis includes review changes in the balance of each account from year to year or over several years. Analysis Comparative financial reports are also called horizontal analysis because when analyzing comparative reports, account balances are reviewed left to right (or right to left).

Common-size analysis of financial statements expresses one particular item as percentage of the group or the total number of other similar posts (Sugiri, 2009). (Subramanyam & Wild, 2009) suggest that financial statement analysis common size for the balance sheet, total assets are usually expressed as 100%, then items in this group are expressed as a percentage of the total concerned. In income statement analysis, sales are often expressed as 100% and other income statement items are stated as a percentage of sales. This procedure is also called vertical analysis because it evaluates items from the top down (or bottom to top) in a common-size report.

Ratio analysis uses the ratio of an item or group to an item or other groups (Sugiri, 2009). Subramanyam & Wild (2009) stated that analysis of financial statements with ratio analysis focused on one or more elements financial condition or results of operations of the company that emphasizes the six areas that called the "structuring structure" analysis of financial statements consisting of: a) liquidity short term, b) capital structure and solvability, c) return on investment capital, d) asset turnover, e) operating performance and profitability, and f) forecasting and valuation. Analysis ratio could be calculated by profitability, liquidity and solvability (Maith, 2013; Pongoh, 2013).

Preparation of the Annual Report of Kimia Farma year 2022 using standard parameters and criteria that apply in Financial Services Authority Regulation No. 29/POJK.04/2016 concerning Annual Reports Issuers or Public Companies, as well as Financial Services Authority Circular No. 16/SEOJK.04/2021 concerning the Form and Content of Issuers or Companies' Annual Reports Public.

Financial Position Statement

Financial Position Statement shows the finance activity of a company in a certain time period. Financial Position of Kimia Farma is shown on table 1 below.

Table 1. Financial Position Report of Kimia Farma per 31 Desember 2022

On million rupiah

Description	2022	2021	Increase (Decrease)	
			Difference	%
Assets				
Current Assets	8,501,422	6,200,763	2,300,659	37.1
Non Current Assets	11,652,571	11,559,432	293,139	2.54
Total Assets	20,153,993	17,760,195	2,593,798	39.64
Liabilities and Equity				
Current Liabilities	8,030,857	5,980,181	2,050,676	34.29
Non Current Liabilities	2,983,845	4,548,142	-1,564,297	-34.39
Total Liabilities	11,014,702	10,528,323	486,379	4.62
Total Equity	9,339,290	7,231,873	2,107,417	29.14
Total Liabilities and Equity	20,353,992	17,760,196	2,593,796	14.6

Source: Annual Report Kimia Farma (2022)

Kimia Farma's total assets as of 31 December 2022 were recorded at 20.35 trillion IDR, an increase of 14.60% or 2.59 trillion IDR compared to the same period in the year 2021 of 17.76 trillion IDR. The composition of Kimia Farma's assets in 2022 is dominated by non-current assets reached 11.85 trillion IDR or equivalent to 58.23% of the company's total assets. Asset non-current in 2022 increased by 293.14 billion IDR or around 2.54% compared to the same period in 2021.

The current assets owned by Kimia Farma in 2022 are quite large, namely 41.77% of total assets, while current liabilities range from 72.91% of total debt, so less liquid company. Meanwhile in 2021, current assets will reach 34.91% of the total assets, while current debt is 56.80% of total debt, so the company is less liquid.

Comprehensive Income Statement

The 2022 Profit and Loss Report provides an overview of the strength of the assets and Kimia Farma's capital, which is shown in table 2 below:

Table 2. Comprehensive Income Statement

On million rupiah

Description	2022	2021
Net Sales	9,606,145	12,857,627
Cost of Goods Sold	-6,013,310	-8,461,341
Gross Profit	3,592,835	4,396,286
Operating Expenses	-3,286,259	-3,500,533
Other Income Net	252,634	83,250
Foreign Exchange Difference Net	-1,138	6,637

Source: Annual Report Kimia Farma (2022)

Kimia Farma's sales in 2022 will reach 9.61 trillion, a decrease of around 25.29% or around 3.25 trillion from 12.86 trillion IDR in 2021. The cost of goods sold in 2022 is 6.01 trillion IDR or around 62.60% of total sales, resulting in a gross profit of 37.40%, namely 3.59 trillion IDR. In where the gross profit decreased by 34.19% from 2021 of 4.40 trillion IDR. Likewise, operating profit (operating income) in 2022 decreased by 427 billion IDR or around 43.38% of the 2021 operating profit of 986 billion IDR to 558 billion IDR.

In general, operating expenses decreased by 6.12% or IDR 214 billion to 3.29 trillion IDR compared to operating expenses in 2021 which amounted to IDR 3.50 trillion. Thus, Kimia Farma can make efficient business. The decrease in operating expenses (operating expenses) is affected by the decrease in expenses sales volume of 28.93%, from 8.46 trillion IDR in 2021 to 6.01 trillion IDR in 2022.

Net loss for the year 2022 amounted to 109.78 billion IDR, which decreased by 137.87% from 2021 of 289.89 billion IDR in 2021. Decrease in net profit current year due to a decrease in sales. Another Comprehensive Income of 216.23 billion IDR added to profit so that a Comprehensive Profit for the Current Year in 2022 of 106.45 billion IDR was obtained.

Comprehensive profit for the current year in 2022 has increased by 106.45 billion IDR from 2021 which made a loss of 1.21 billion IDR. The Comprehensive Profit for the Year in 2022 is 106.45 billion IDR of 1.11% of sales of 9.61 trillion IDR.

Comprehensive Profit for the Year 2022 attributable to owners of the parent entity of 60.62 billion IDR and to non-controlling interests of 45.85 billion IDR. Total net profit for the year attributable to owners of the entity Kimia Farma parent company in 2022 reached (170.04 billion IDR), decreased by 472.32 billion IDR or 156.26% compared to 2021 of 302.27 billion.

Kimia Farma's basic earnings per share in 2022 reached (30.62 IDR), decreased 85 or 156.27% compared to 2021 of 54.42 IDR per basic share.

Consolidated Cash Flow

The consolidated cash flow of Kimia Farma is shown in table 3 below.

Table 3. Consolidated Cash Flow

On million rupiah

Description	2022	2021	Increase (Decrease)	
			Difference	%
Cash Flows from Operating Activities	51,743	-223,925	275,668	123.11
Cash Flows from Investing Activities	-119,416	-648,454	529,038	-81.58
Cash Flows from Financing Activities	1,462,709	364,351	1,098,358	301.46
Net Increase (Decrease) in Cash Equivalent	1,395,036	-508,029	1,903,065	-374.6
Exchange Rate Fluctuation Effect on Cash and Cash Equivalent	9,506	6,516	2,990	45.89
Cash and Cash Equivalents at Beginning of Year	748,481	1,249,994	-501,513	-40.12
Cash and Cash Equivalent at End of Year	2,153,024	748,481	140,454	187.65

Source: Annual Report Kimia Farma (2022)

Total cash and cash equivalents at the end of 2022 was recorded at 2,153.02 billion IDR, which increased by 187.65% compared to the position at the beginning of the year of 748.48 billion IDR. Net cash provided by used in operating activities in 2022 recorded at 51.74 billion IDR, which increased by 123.11% compared to 2021 of 223.93 billion IDR. Net cash provided by used in investing activities in 2022 amounting to 119.42 billion IDR, down 81.58% compared to 2021 of 648.45 billion IDR. Net cash provided by used in financing activities in 2022 of 1.46 trillion IDR, an increase of 301.46% compared to 2021 of 364.35 billion IDR. In 2022, cash flows from financing activities will have a larger portion dominant compared to cash flows from operating activities, while cash flows from investment activity classified as minus.

Capital Structure

The capital structure of the company and its subsidiaries includes salvageable equity attributable to owners of the Parent Entity, consisting of share capital, additional paid-up capital, and retained earnings; and net loans and payables consisting of rent financing, bank loans less cash and cash equivalents. Capital structure of Kimia Farma is shown in table 4 below:

Table 4. Capital Structure Statement

On million rupiah

Description	2022		2021		Increase (Decrease)	
	Total	Composition	Total	Composition	Difference	%
Interest Bearing debts						
Medium Term Loans			500.000	3.31	-500.000	-100
Bank Loans	7.992.539	49.28	7.341.931	48.54	650.608	7.91
Loans from Shareholder	121.927	0.75	109.703	0.73	12.224	11.15

Lease Liabilities	62.759	0.38	35.628	0.24	27.131	75.65
Interest Bearing debts total	8.107.055	50.43	7.987.261	52.8	119.794	1.49
Equity attributable to owner of the Parent	7.968.362	49.57	7.139.643	47.2	828.719	11.61
Total Capital Structure	16.075.417	100	15.126.905	100	948.512	6.27
Ratio of interest-bearing debts to equity (%)	101.74		111.87			

Source: Annual Report Kimia Farma (2022)

In 2022, Kimia Farma's capital is recorded at 16.08 trillion IDR, which is an increase of 6.27% compared to 2021 which was 15.13 trillion IDR. The capital structure in 2022 is dominated by interest-bearing debt of 8.11 trillion IDR or around 50.43% of the total capital structure. While the rest comes from equity attributable to owners of the parent entity amounting to 7.97 trillion IDR or around 49.57% in 2022. Interest-bearing debt in 2022 increased by 1.49% compared to 2021 of 7.98 trillion IDR. Equity attributable to owners of the entity in 2022 experienced an increase of 11.61% compared to 2021.

Interest-bearing debt includes bank loans, loans to shareholders, and lease liabilities. Bank debt in 2022 will reach 7.92 trillion IDR or 49.28% of the overall capital structure. The value of bank debt increased by 7.91% or 580.61 trillion IDR from 2021 of 734 trillion IDR. Loans to shareholders in 2022 of 121.93 billion IDR or around 0.75% of the total capital structure, where the value increased by 11.15% from 2021 which amounted to 109.70 billion IDR. Lease liabilities in 2022 are only 62.58 billion IDR or 0.38% of the total capital structure. This figure increased by 75.65% compared to 2021 which of 35.63 billion IDR.

Financial Ratios

Measurement of effectiveness and efficiency as well as ability to produce Kimia Farma's profit or profitability is formulated through profitability ratios and ratios operational in table 5 as follows:

Table 5. Profitability and Operational Ratio

Description	2022	2021	Difference
Profitability Ratio			
Return on Equity (ROE)%	-1.98	4.22	-6.2
Return on Assets (ROA)%	-0.84	1.7	-2.54
Gross Profit Margin %	37.4	34.19	3.21
Net Profit Margin %	-1.14	2.25	-3.39
EBITDA Margin %	-9.62	10.82	-1.2
Asset Turnover Ratio %	50.41	72.8	-22.39
Operational Ratio			
Days Inventory Turnover (day)	119	111	8
Days Accounts Payable Turnover (day)	65	45	20
Cash to Cash Cycle (unit)	121	116	5

Source: Annual Report Kimia Farma (2022)

Profitability Ratio

Kimia Farma's profitability is measured by the ratios of ROE, ROA, gross profit margin, net profit margin, EBITDA margin, and asset turnover ratio.

Kimia Farma's ROE in 2022 was recorded at -1.98%, which decreased by -6.20% compared to 2021 of 4.22%. This is in line with the decline in current profit in 2022. The ROE ratio shows that in 2022, Kimia Farma will make a loss of 1.98% of the total equity owned by the company. 1 rupiah of equity the company lost 1.98%. So, the total equity has not been fully utilized optimally to generate profits so that the company suffers losses. Temporarily in 2021, the ROE ratio is 4.22%, so that means that from 1 rupiah of equity the company is able to generate a profit of 4.22%.

Kimia Farma's ROA in 2022 is -0.84%, which is a decrease of 2.54% from last year previously which was 1.70%. This means that assets cannot be optimized to generate profits, because from 1 rupiah of assets, a loss of 0.84% is obtained. Meanwhile in 2021, ROA is positive, where from 1 rupiah in assets a profit of 1.70%.

Kimia Farma's gross profit margin (GPM) in 2022 was recorded at 37.40%. an increase of 3.21% from 2021 which amounted to 34.19%. This means that in 2022, the company leaves 37.40% of its revenue as profit, while in 2021 the company leaves 34.19% of its revenue as profit. The company leaves more of its revenue as profits in 2022. Kimia Farma's net profit margin in 2022 is -1.14%, which decreased by 3.39% from NPM in 2021 of 2.25%. This means that in 2022, with a negative NPM, the company is not effective in converting income into actual profit. Unlike in 2021, NPM is still positive, which means the company can still turn revenue into actual profit. EBITDA Margin in 2022 was 9.62%, which decreased by 1.2% from the previous year's EBITDA margin was 10.82%. Decreased EBITDA margin shows higher operational costs related to total revenue in 2022, compared to 2021.

The last profitability ratio is the asset turnover ratio. There was a decline in the asset turnover ratio of 22.39% from 72.80% in 2021 to 50.41% in 2022. This decrease in the asset turnover ratio indicates that in 2022, it will occur decreased efficiency compared to 2021 in the use of assets at Kimia Farma, so that every rupiah invested in assets decreases in its income.

Operational Ratio

The operational ratio at Kimia Farma consists of inventory turnover days ratio, accounts payable turnover ratio, and cash to cash cycle ratio. Table before shows the ratio of Kimia Farma inventory turnover days in the year 2022 is 119 days, which is 8 days less than the ratio in 2021 (111 days). So, in 2022, it takes the company 119 days to sell its inventory, while in 2021, it will take the company 111 days to sell its inventory.

Kimia Farma's trade payables turnover ratio in 2022 is 65 days, which is an increase of 20 days from the ratio in 2021, which is 45 days. This ratio measures the company's effectiveness in managing trade payables, by counting the number of times the company pays its suppliers for a year. The Cash-to-Cash Cycle Ratio in 2022 is 121 units, an increase of 5 units of the ratio in 2021 of 116. The amount of this ratio shows that in 2021, there will be additional period in paying cash to Kimia Farma suppliers for inventory and receive cash from customers.

Liquidity Ratio

The liquidity ratio shows the company's ability to pay short-term liabilities is reflected. Kimia Farma's liquidity uses current ratio, quick ratio, and cash ratio. Table 6 shows the liquidity ratio of Kimia Farma in 2022.

Table 6. Liduidity Ratio

Description	2022	2021	Difference
Liquidity Ratio			
Current Ratio %	1.05	1.05	
Quick Ratio %	0.66	0.60	0.06
Cash Ratio %	0.25	0.13	0.12

Source: Annual Report Kimia Farma (2022)

At the end of 2022, the company's cash equivalent position is 2.15 trillion IDR, the current asset position is 8.50 trillion IDR, and the short-term liability position is 8.03 trillion IDR. Kimia Farma's company liquidity is measured using the current ratio, the quick ratio and cash ratio. In 2022, the current ratio is 105.86%, which increases by 0.003% from 2021, namely 105.45%. Fast ratio in 2022 of 66.40% an increase of 9.77% from 2021 of 60.41%. Cash ratio in 2022 by 25%, which decreased by 12% from 2021 of 12.52%.

Solvability Ratio

The solvability ratio is used to describe the Company's ability to fulfill all of its obligations both short term and long term. Kimia Farma's solvability is measured using solvability, Debt ratio, Equity ratio, Debt to Equity Ratio, Debt to Equity Ratio (Interest Bearing) and Debt Service Coverage Ratio. The data can be seen in table 7.

Table 7. Solvability Ratio

Description	2022	2021	Difference
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Solvability Ratio

Solvability %	184.79	168.69	16.1
Debt Ratio %	54.12	59.28	-5.16
Equity Ratio %	45.88	40.72	5.16
Debt to Equity Ratio %	117.94	145.58	-27.64
Debt to Equity Ratio (Interest Bearing) %	85.57	108.44	-22.87
Debt Service Coverage Ratio (times)	0.43	0.75	-0.32

Source: Annual Report Kimia Farma (2022)

Kimia Farma's solvability in 2022 was recorded at 184.79%, which increased by 16.10% from 168.69% in 2021. Kimia Farma's debt ratio in 2022 is 54.12%, which decreased by 5.16% of 59.28% in 2021. Debt Ratio is used to measure how much Companies rely on debt to finance their assets. Debt Ratio shows the proportion of the company's debt to its total assets. The higher it is the ratio, the greater the risk associated with the company's operations. Meanwhile, a low debt ratio indicates conservative financing with the opportunity to borrow in the future without significant risk. The debt ratio that is shown lower also means that only a small portion of the company's assets is financed from Debt. (ilmumanagemenindustri.com). Here, the Kimia Farma ratio is greater than 0.5, so that most of the company's assets are financed through debt. Kimia Farma's equity ratio in 2022 is 45.88%, which has increased by 5.16% from 40.72% in 2021. This ratio shows how effective a company is in financing asset needs without using debt. Equity ratio a low one means that the company primarily uses debt to acquire assets, which are widely viewed as indicative of greater financial risk. Ratio equity with a higher value generally indicates that the company is effectively funding its asset needs with a minimal amount of debt. Equity ratio those of 0.50 or below are considered leveraged companies. They have a ratio of 0.50 and above and is considered conservative, because it has more funds than equity rather than debt. (Corporate finance institute. com). Thus, Kimia Farma is a leveraged company.

Kimia Farma's debt to equity ratio in 2022 is 117.94%, which decreases of 27.65% from 145.58% in 2021. Debt to equity ratio shows the company's financial independence from loans. Debt to equity ratio of Kimia Farma shows that the company's condition is getting better because there is a decrease in the portion of debt to capital. Kimia Farma's Debt Service Coverage Ratio in 2022 is 0.43 times, which increased by 42.67% from 0.75 times in 2021. Debt Service Coverage Ratio (DSCR) is a financial ratio that measures the ability of operating income the efforts of a company to pay off obligations (debt) or total liabilities. DSCR used to see whether a company can pay off loans (debt or credit). DCSR below 1 means that the company's EBITDA is unable to repay debt. (investnesia.com). Kirkpatrick (2009) concluded that on market environment level, accomodating regulations while at the same time being competitive on said market is one of main challenge that faced by an entity's boards and financial management. Considering that Covid-19 had changed many regulations on how companies operate, including in Indonesia, many companies had been struggling to accommodate such regulations. Kimia Farma, as a pharmaceutical firm, was in a much tighter condition: how could they fulfill their objective to improve Indonesia's public health while at the same time abiding new regulations? Or how could they survive the worst possible outcome that can be caused by financial crisis? At these kinds of events, a risk management strategy is something they could rely on.

COSO 2004, as cited in Kirkpatrick (2009) defined a process that includes all elements of one entity which refers to the directors, management unit and personnels on applying strategies designed to not just identify potential threats to said entity, but manage the risks so it would be within their capability of handling it so they can provide assurance to achieve the objectives of said entity as Enterprise Risk Management (ERM). This mechanism is one of many ways a company can use to face future challenges, including – but not limited to – worldwide pandemic like what Covid-19 had been taken the world by storm.

Conclusions

Based on the analysis, there was an increase in total assets in 2022 by 14.60% to 20.35 trillion IDR from 17.76 trillion IDR in 2021. The composition of assets in 2022 is dominated by non-current assets equivalent to 58.23% of the company's total assets. Current assets in 2022 is quite large, namely 41.77% of total assets, while debt Current accounts range from 72.91% of total debt, so the company is less liquid. Meanwhile in 2021, current assets will reach 34.91% of total assets, furthermore current debt is 56.80% of total debt, so the company is less liquid. Based on the income statement, in 2022, there was a decrease in sales of 25.29% from 2021. The cost of goods sold in 2022 is around 62.60% of the total sales, resulting in a gross profit of 3.59 trillion IDR. Gross profit decreased by 34.19% from 2021. Net loss for the year in 2022 decreased by 137.87% from 2021 in connection with the decline sale.

Based on the consolidated statements of cash flows, the amount of cash and cash equivalents at the end in 2022 was recorded at 2,153.02 billion IDR, an increase of 187.65% compared to the position at the beginning

of the year of 748.48 billion IDR. Based on the capital structure report, recorded capital of 16.08 trillion IDR, an increase of 6.27% from 2021. The capital structure in 2022 is dominated by interest-bearing debt of about 50.43% of the total capital structure, the rest comes from equity attributable to owners of the parent entity of 49.57%.

Based on reports of known financial ratios: 1) Profitability is measured by ROE, ROA, gross profit margin, net profit margin, EBITDA margin, and asset turnover ratio. ROE in 2022 is -1.98% which decreased by -6.20% compared to 2021, in line with the decline current profit in 2022, meaning that total equity has not been fully utilized optimally to generate profits so that the company suffers losses. A decrease in ROA in 2022 indicates assets cannot be optimized for generate profit. Gross profit margin ratio in 2022, more companies leaving its earnings as a profit in 2022 versus in 2021. Negative NPM in 2022 shows the company is not effective in turning revenue into actual profit, while in 2021, NPM is still positive, which means the company can still change earnings be actual profit. The decline in EBITDA margin shows higher operational costs related to total revenue in 2022, compared to in 2021. A decrease in the asset turnover ratio indicates a decline efficiency in the use of assets in 2022 compared to 2021. 2) Operational ratio is measured by inventory turnover days ratio, days ratio accounts payable turnover, and cash to cash cycle ratio. In 2022, the ratio of days Inventory turnover decreased, while the ratio of days of accounts payable turnover and the ratio of cash-to-cash cycle has increased, compared to the year 2021. 3) Liquidity ratio: current ratio, quick ratio, and cash ratio. In year 2022, the fast ratio and current ratio will increase while the ratio cash has decreased compared to 2021. 4) Solvability is measured using solvency, Debt ratio, Equity ratio, Debt to Equity Ratio, Debt to Equity Ratio (Interest Bearing) and Debt Service Coverage Ratio. Solvability in 2022 is 184.79%, an increase of 16.10% from 2021. In 2022, the Debt ratio and Debt to Equity ratio experienced a temporary decline in Equity ratio and Debt Service Coverage. The ratio has increased compared to 2021. Although financial performance has decreased, from a fundamental standpoint, Kimia Farma recorded a very good increase in performance. There is an increase in Company Assets by 14.60% to 20.35 trillion IDR in cash of 2.15 trillion IDR. Equity in 2022 also rose 29.14% to 9.34 trillion IDR. This achievement is a very strong capital to improve future performance.

Based on the analysis, we have concluded that Kimia Farma were struggling on some aspects regarding their operational within the period of pandemic, which was indicated by financial ratios and some parts of the financial statements. Even though many of Kimia Farma's financial ratios showed a rather unfavorable condition, this Indonesian oldest pharma group still had a promising future performance as shown by increasing Company Assets and Equity, thus opening a new opportunity for Kimia Farma's future. Pandemic made people become aware with their health. As a State-Owned Enterprise, Kimia Farma has a big chance to contribute to the country especially for profit and social function. By best managing and collaborating with all of stakeholders, Kimia Farma can maximize the profit, and provide the health needs and job vacancies to make more prosperous community life. Even though the pharmaceutical SOE holding is performing less promisingly, the performance of Kimia Farma still better with the smallest decrease in revenue, namely 25.3% to 9.606 trillion IDR from the previous year.

This situation indicates that Kimia Farma might be facing challenges in maintaining a strong financial performance and will need to take strategic steps to improve their performance. This could involve product and service innovation, operational efficiency enhancement, exploring new markets, or adapting to changing regulations and industry trends. However, the company managed to control the cost of goods sold and experienced an increase in equity, which could reflect restructuring efforts or adaptation to changing market conditions. Considering that Covid-19 had changed many regulations on how companies operate, including in Indonesia, at these kinds of events how could they survive the worst possible outcome that can be caused by financial crisis? A risk management strategy is something they could rely on. Besides, the mechanism of Enterprise Risk Management (ERM) is one of many ways a company can use to face future challenges, including – but not limited to – worldwide pandemic like what Covid-19 had been taken the world by storm.

This study of Kimia Farma's financial conditions was based on the entity's official financial statements and other reports, and it did not consider what financial risk management tactics they took to achieve their final position at the end of Fiscal Year 2022. It is possible to assume strategies that are applied for surviving such financial challenges, but a further insight into how said strategies work would be considered preferable. Future research need a more in-depth view of what steps the management had taken to overcome financial challenges so the conclusion could be more detailed.

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