BUSINESS AND FINANCIAL PERFORMANCE OF THE INDONESIAN COSMETICS AND HOUSEHOLD INDUSTRY:

A CASE STUDY OF PT MUSTIKA RATU TBK (2017 – 2022)

A THESIS

Presented as a Partial Fulfilment of the Requirements to obtain the bachelor's degree in Accounting Department

by:

NELVA QABLINA

Student number: 20312302

INTERNATIONAL PROGRAM

FACULTY OF ECONOMICS

UNIVERSITAS ISLAM INDONESIA

YOGYAKARTA

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DECLARATION OF AUTHENTICITY

Here in I declare the originality of the thesis; I have not presented anyone else's work to obtain my university degree, nor have I presented anyone else's words, ideas or expression without acknowledgment. All quotations are cited and listed in the bibliography of the thesis.

If in the future this statement is proven to be false, I am willing to accept any sanction complying with the determined regulation or its consequence.

Yogyakarta, April 1, 2024

Nelva Qablina

LEGALIZATION SHEET

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A CASE STUDY OF PT MUSTIKA RATU TBK (2017 – 2022)

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FAKULTAS BISNIS DAN EKONOMIKA

(Prof. Johan Arifin, S.E., M.Si., Ph.D.)

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Yogyakarta, 2 February 2024

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ABSTRACT

The cosmetics industry in Indonesia has been experiencing significant growth year after year. One way to assess the industry's performance is to evaluate its business and financial aspects. The Indonesian Cosmetics and Household Industry has companies of varying sizes, leading to differences in their performance. Some companies perform well, while others do not fare as well in the same year. To evaluate PT Mustika Ratu's performance in the industry, various analyses were conducted, including business, accounting, financial, and prospective evaluations. Based on the results of the data analysis, it can be concluded that the company's performance decreased during the 2017-2022 period in comparison to its competitors in the industry.

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CHAPTER I

INTRODUCTION

1.1 Background of Study

Cosmetics and body care products have become one of the primary consumptions. Before the pandemic, the definition of "beauty" was becoming more global, expensive, and intertwined with individuals' sense of well-being. According to the report from McKinsey & Company, The Global beauty industry generates $500 billion in sales annually. Even though the pandemic has changed business in every aspect, the attractiveness of the cosmetics and beauty industry will remain in the long run. The COVID-19 crisis will not likely have massive impacts on these trends (Gerstell et al., 2020).

The cosmetics market in Indonesia is considered a highly competitive industry. The rise of the middle class with higher purchasing power is critical to this. Indeed, McKinsey & Company also forecast that the middle class in Indonesia will grow from 45 million in 2018 to 135 million people by 2030 (Hadiwidjaja, 2023). This represents a significant increase in purchasing power and presents opportunities for businesses to tap into this growing consumer base.

As cosmetics and household products are essential daily societal needs, Indonesia offers promising markets to support the cosmetic industry. However, the industry has been facing a decline in revenue in recent years. This is due to reaching maturity, making revenue and profits crucial for industrial growth (Ferdinand & Ciptono, 2022).

Before the COVID-19 pandemic, the cosmetics industry increased by 20% by 153 new businesses compared to 2017. The total business reached more than 760 companies. Of this total, 95% is the small and medium enterprise industry, and the rest are big-scale companies (Investor Daily: Kementerian Perindustrian RI, 2018). The impact of the increasing number of new competitors, including the increased trend of imported cosmetics such as Korean and Japanese, becomes the reason for the declining demand for certain products, impacting local industry performance.

Several studies have analyzed the performance of cosmetics in Indonesia. One of them was the research done by Damayanty Taufiqurahman (2021) to analyze the performance of the Indonesian cosmetics industry before the COVID-19 pandemic between 2014-2018. The study concluded that 75% of cosmetics and household industry companies listed on the IDX need better liquidity, solvency, activity, and profitability performance.

A research by Nurdin & Daga (n.d.), comparing the performance of PT Mustika Ratu and Martina Berto, found that the financial condition of both companies is good in the aspects of liquidity and solvability. However, in the profitability aspect, they face a decline in profit, but for the gross profit margin above the average industry.

One of the most well-known Indonesian cosmetics and household industry players is PT Mustika Ratu Tbk. The company has been operating in the industry for almost 45 years and has faced numerous challenges during that time. During the pandemic of 2020, according to the annual report of PT Mustika Ratu Tbk, the total net sales were Rp318.4 billion in 2020 compared to Rp305.2 billion in 2019, an increase of 4%. The company strived to seize opportunities to support business growth to remain positive by developing health and personal care products with various innovations and transformations in 2020.

In relation to company financial performance, financial data is highly needed, and the financial statement analysis is a valuable tool for assessing a firm's financial performance through ratios and trend analysis. It allows for comparisons with industry averages and identifies areas of improvement or decline over time (Al-Nasser, 2014). Performance analysis will provide insights into the current conditions of a company, this indicating whether it is facing challenges or is in a favorable position during a specific period.

This information will be beneficial for investors and other interested parties about the current financial condition of a company. Given the significance of a company's financial condition in providing investors with information to assess prospects, developments, weaknesses, strengths, and investment guarantees, this study aims to analyze and evaluate the business and financial performance of an organization operating in the household cosmetic industry. The analysis will span six years to see the complex analysis of the industry's performance before, during, and after the pandemic that affected the Indonesian cosmetics and household industry; study the case of PT Mustika Ratu Tbk.

To make the intermediaries easily understand the Cosmetics and Household companies and the firm's stakeholders, it is necessary to look at the company's competitive strategy, investment, operational decisions, etc. This research provides an overview of the scheme of business intermediaries to understand the financial performance of the company based on the Palepu et al., (2004). There are four key steps used to see the financial performance of Indonesian cosmetics and household industry: (1) Business strategy analysis, (2) Accounting Analysis, (3) Financial analysis, (4) Prospective analysis.

Palepu models describe the first step, business strategy analysis, as the tool for identifying critical success factors and key business risks. The accounting analysis evaluates the degree of financial data report to the business reality. Financial analysis is used to evaluate the firm's current and past data performance to assess the company's going concern. The last is forecasting the firm's future by prospective analysis.

1.2 Problem Formulation

The problem formulation of this research is as follows:

1. How was the business and financial performance of the Indonesian Cosmetics and Household industry in 2017 – 2022?
2. How was the business and financial performance of Mustika Ratu Tbk from 2017 to 2022?

1.3 Study Objectives

The objectives of this study are:

1. To understand the business and financial performance of Indonesia's Cosmetics and household Industry in the past six years period.
2. To determine the business and financial performance of PT Mustika Ratu Tbk in managing companies in the last six years by using an analysis of the company’s financial performance.

1.4 Research Benefits

This research is expected to provide benefits to various parties:

1. Benefits for Future Researchers

   The findings of this study are expected to serve as a resource or research material in the field of finance for future researchers, providing them with a foundation for further exploration and practical application of knowledge in accounting and related fields.

2. Benefits for Companies

   Companies may take advantage of the results of this study to improve their financial performance as well as to improve company performance as a whole.

1.5 Scope of Research

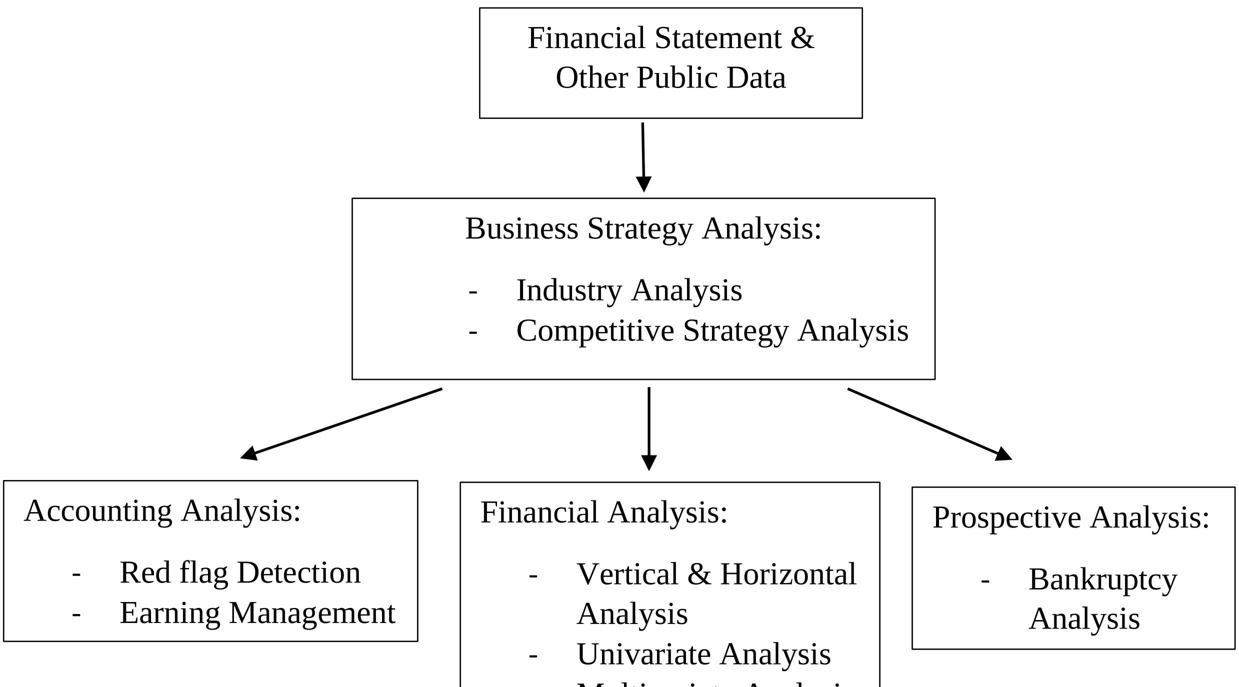
Based on the formulation of the problem, the researcher had limits to the scope of the discussion. Therefore, this final report's research will not deviate from the existing problems. Furthermore, this research is more focused on the object being examined to produce research that can contribute to the development of science and an early warning of financial distress for the company.

The limitations of this research are:

1. The data used in this research is secondary data obtained from the Indonesian Stock Exchange website, www.idx.co.id. Therefore, there was no direct confirmation (no primary data) from related parties to support the data used in this research because the researcher did not conduct interviews.
2. One limitation of this research is the choice to analyze a relatively short period of financial years, specifically only two years before the pandemic and a short period after the pandemic. By focusing on this specific timeframe, the analysis may not capture the long-term impact and trends in the financial performance of PT Mustika Ratu Tbk. Additionally, the limited timeframe may not fully reflect the challenges and opportunities faced by the company in the context of the COVID-19 pandemic and its aftermath.

1.6 Research Framework

Figure 1. Research Framework



1.7 Analysis Method

This research makes use of a descriptive-qualitative method. The goal of descriptive research is to describe a phenomenon and its characteristics. Qualitative research is collecting data from various sources to better understand individual participants, including their opinions, perspectives, and attitudes (Nassaji, 2015). This research is concerned with "what" happened in the situation and focuses on answering the question of "why" and "how" it happened.

In analyzing the performance of the business and financial performance in this research, the business and financial analysis will gather data from various qualitative sources, including numerical data, for further comparison and evaluation and analyze them qualitatively. This study analysis aims to understand the business and financial performance of Indonesia's cosmetics and household industry, focusing on PT Mustika Ratu Tbk between 2017 and 2022.

1.8 Source of Data

The data used in this study is secondary data in the form of financial reports for the body care products sector registered and listed on the Indonesia Stock Exchange in 2017-2022. The data sources in this research were obtained from www.idx.co.id and the company's official website. The data collection method in this study used the documentation method; the data were collected from several relevant sources and then studied related to the research problems. The data collection method used the website www.idx.co.id and the company's official website.

The additional sources of data for this research are the industry report and news published by the Indonesian Ministry of Industry (kemenperin.go.id); the industry news and report from the Ministry of Industry served as a comprehensive and reliable source of information, offering a macro-level perspective on the overall performance and dynamics of the cosmetic industry in Indonesia. The news and report provided data on key market indicators, such as revenue growth, market size, and market share of different companies operating in the industry.

1.9 Analysis of Data

Here are the definitions and brief explanations for the data analysis techniques used in this study:

1) Business Strategy Analysis

According to International Institute of Business Analysis IIBA, (n.d.), the strategic business analysis involves outcome-focused thinking and a deeper understanding of business context, challenges, and the complexities of the internal and external business environment. The analysis aims to identify key profit drivers and business risks and assess the company's profit potential at a qualitative level. The analysis involves analyzing the firm's industry environment from aspects of competing for bargaining power and facing threats from customers, suppliers, new entrants, and substitute products.

The difference in competitiveness between industries is the reason why it is necessary to conduct a thorough analysis. Effective competition analysis is crucial for identifying growth opportunities, managing risks, and developing sustainable competitive advantage. Business strategy analysis consists of two methods- industry analysis and competitive strategy analysis.

a. Industry Analysis

Industry analysis is conducted to evaluate the potential and current competition in an industry in which a company operates as the profitability of various industries differs systematically and predictably over time. The components of the industry analysis are:

a) Rivalry among existing firms

b) Threat of new entrants

c) Threat of substitute power

d) Bargaining power of suppliers

e) Bargaining power of buyer

b. Competitive Strategy Analysis

Strategy analysis is an evaluation of the company's business decisions and the company's success in building its competitive advantage. In a concentrated industry with large companies and strong brands, strategic analysis is crucial (Faulkner et al., 1997).

When analyzing a company's strategy, it's crucial to gain knowledge of the strategies used by competitors in the industry to obtain valuable insights into their strategies. This information can typically be obtained through a company's annual report, or interviews in newspapers given by senior employees of competing companies.

There are two generic competitive strategies:

a. Cost Leadership

b. Differentiation

2) Accounting Analysis

The purpose of accounting analysis is to evaluate the degree to which a firm’s accounting captures its underlying business reality. The quality of financial analysis depends on the quality of financial statement information. Applying uniform methods to all transactions is difficult due to their complexity; the quality of financial statements relies on judgment guided by accounting principles. Another factor that affects the quality of financial statements is accounting estimation errors due to incomplete or incorrect information.

These factors lead to two problems, the first is a comparison problem if companies apply different accounting methods for the same transactions or events. The second problem is that accounting can distort financial statement information.

By identifying places where there is accounting mater, analysts can assess the degree of distortion in a firm’s accounting numbers. Accounting distortion is the deviation of accounting information from the underlying economy. This distortion appears in several forms, one of which is earnings management because management can make choices in accounting to manipulate or window dressing.

In conclusion, accounting analysis involves evaluating a company's earnings or more broadly, the quality of its accounting. The method used is Beneish M-score (Beneish, 1999) which developed a model that can identify companies that are engaged in the manipulation of earnings based on the data from financial statements using eight variables. Model variables are designed to capture either the effects of manipulation or the assumptions that may force enterprises to be engaged in such activities.

These are the steps in doing an accounting analysis:

a. Identify key accounting policies
b. Assess accounting flexibility
c. Evaluate accounting strategy
d. Evaluate the quality of disclosure
e. Identify potential red flags
f. Earning management
g. Undo Accounting distortions

3) Financial Analysis

The goal of financial analysis is to assess the performance of a firm in the context of its stated goals and strategy. Financial analysis involves comparing and processing data from financial statements, that resulted in a form with much higher information value. Managers use the results of financial analysis to establish an appropriate future financial strategy (Alfonz Denes, 2021).

The following analyses are used to assess financial performance:

a. Horizontal Analysis (Trend)

Trend analysis analyzes each item in the financial statements, including those that have changed significantly. The advantage of horizontal analysis is that changes can be expressed in quantities as well as in percentages. Otherwise, trend comparisons are index numbers where changes may be due to economic or industry factors.

Horizontal analysis (also known as trend analysis) looks at trends over time on various financial statement line items. The analysis will look at one period (usually a year) and compare it to another period. The trending of items on these financial statements can give a business valuable information on overall performance and specific areas for improvement.

b. Vertical Analysis (Common size)

Common size analysis is an analysis of financial statements performed by calculating each item in the statement of profit or loss and statement of financial position to be proportioned through the sales amount (for the statement of profit or loss) or from total assets (for the statement of financial position).

This can help a business to know the extent to which one item is contributing to overall operations. For example, a business may want to know how much inventory contributes to total assets. They can then use this information to make business decisions such as preparing the budget, cutting costs, increasing revenues, or investing in property plants or equipment. The business will need to determine which line item they are comparing all items to within that statement and then calculate the percentage makeup.

c. Univariate Ratio Analysis

This financial ratio analysis can be divided into two types based on the variates used in the analysis (Ang, 2010).

1) Univariate Ratio Analysis is a financial ratio analysis that uses one variate in carrying out the analysis.
2) Multivariate Ratio Analysis is a financial ratio analysis that uses more than one varied.

The univariate analysis used to assess the performance of company finances includes ratios of liquidity, solvency, activity, and profitability. Investors can use Univariate Ratio Analysis to analyze company growth for alternative investments (Saladin & Sudiyanto, 2017)

1. Liquidity Analysis

This ratio represents a company's ability in paying its bills in due course of time (Ang, 2010). The efficiency of the company's payment of its short-term liabilities can be understood clearly by calculating the liquidity of the company. The success of a company's liquidity management is measured by comparing current assets and current liabilities(Durrah et al., 2016).

If a company shows its current ratio to be one or higher, it is a good sign indicator. Thus, a company that shows a good liquidity ratio seldom show sign of financial hardships (Lalithchandra & Rajendhiran Research Scholar Retd Professor, 2021).

2. Solvability analysis

Solvency analysis implies that a business can meet its long-term obligations and will likely stay in business in the future. To stay in business, the company must generate more revenue than debt in the long-term.

Solvency analysis involves several key elements, one of which is capital structure. Capital structure is the equity and debt funding of a company. It is often calculated based on the company and the risk of failing to pay off debt depending on the source of funding and the type and amount of various assets owned by the company. Therefore, it is important to determine the ratio between the amount of total long-term debt of the company to the capital and total assets owned by the company.

3. Activity Analysis

The activity ratio shows the company's ability and efficiency in utilizing the assets it owns or the turnover of these assets (Ang, 2010). Efficiency shows how well a business uses and manages its assets. Areas of importance with efficiency are management of sales, accounts receivable, and inventory(White et al., 2022).

The activity ratio can also be said to be a measure of a company's ability to utilize its assets to generate revenue. In a broader sense, it is also a valuable tool for measuring how efficiently a company manages the various items on its balance sheet.

These multiples indicate how quickly capital and assets are converted into cash or sales. Just as other financial ratios, activity ratios provide meaningful insights and can be compared to industry averages or company’s historical data.

These ratios provide little value when examined individually but, when combined, offer comprehensive insight into operating efficiency (Balvota, 2023). To calculate Activity Ratios, Each activity ratio formula contains Balance Sheet items in the denominator, and most activity ratios include items from the Income Statement in the numerator.

In examining efficiency, analysis used in this study are total asset turnover, accounts receivable days, payable days, and inventory days.

4. Profitability Analysis

The purpose of analyzing profitability is to help assess the adequacy of profits earned by the company and also to determine whether profitability is increasing or decreasing. The level of profitability of the company is the net result of many policies and decisions. The profitability ratio shows the combined effects of liquidity, asset management, and debt management on operating results (Kokila & Ramprathap, 2021).

A company's profitability analysis is crucial in assessing its financial statements. Profitability measures how efficiently a business produces returns based on its operational performance. The income statement is the most important report in analyzing profitability.

The analysis is important for all users of financial statements, especially for equity investors, profit is a determining factor in changes in the value of securities (Wild et al., 2005). In this study, the researcher analyzed profitability of the companies using Return on Total Asset, Gross Profit Margin, and Operating Profit Margin.

5. Market Analysis

This ratio shows important company information disclosed on a per-share basis (Ang, 2010). Market ratio also known as stock ratio, includes Earning per share (EPS) and Price Per Share (PER).

a. Earnings Per Share (EPS)

EPS is a comparison between net profit after tax in a financial year and the number of shares issued (outstanding shares). This net tax profit is usually called Net income after Tax. it can be concluded that the larger the dividend distributed, the smaller the EPS will be, or the smaller the net income after tax, the smaller the EPS will be.

b. Price Per Share (PER)

PER is a comparison between the market price of a share and the EPS of the share concerned. The use of this ratio is to see how the market values the performance of a company's shares relative to the company's performance as reflected in its EPS. The greater the PER of a share, the more expensive the share is in terms of net income per share.

d. Multivariate Analysis (Du Pont System Analysis)

Du Pont system analysis is one of the techniques to assess a company’s financial performance. Performance can be defined as a firm’s ability to generate profit from its investments through an economic activity involving transformation, production, or trade of goods or services. Du Pont system analysis is the approach to evaluate profitability and rate of return on equity. It is a combination of financial ratios from ratio activities and profitability in which the result shows interaction from assets profitability of the company (Dwiningsih & Sulistyowati, 2020).

Thus Du-Pont System analysis assesses the company's capital management effectiveness by combining turnover ratio of total assets with profit margin ratio on sales to determine Return on Investment (ROI).

According to (Sugiono, 2009) the ratios used in Du-Pont System analysis, among others are:

1. Total Assets Turnover (TATO).

   Total Assets Turnover shows the ability of a company to manage all assets or investments to generate sales.

2. Net Profit Margin (NPM).

   Net Profit Margin (Return on Sales) shows how much net profit the company gets.

3. Return on Investment (ROI).

   Return on Investment (ROI) measures the rate of return from the business on all existing assets.

4. Equity Multiplier (EM).

Equity Multiplier describes the amount of equity or capital when compared to the company's total assets or how much assets are financed by debt.

5. Return on Equity (ROE).

   This ratio measures the rate of return of the business on all available capital.

4) Prospective Analysis

Prospective analysis plays a crucial role in assessing safety. Residual income models rely on projections of future net income and book value of equity to calculate current stock prices. Prospective analysis is also beneficial in evaluating the practicality of a company's strategic plan.

In assessing prospective analysis, managers need to forecast for planning and to provide performance targets; analysts need forecasts to help communicate their views of the firm's prospects to investors; bankers and debt market participants need forecasts to assess the likelihood of loan repayment or loan prepayment.

a. Bankruptcy prediction

   Law No. 37 of 2004 is a legislative regulation that governs bankruptcy and the postponement of debt payment obligations. While it has brought about positive outcomes in its implementation, various issues have emerged over time because of its enactment. The legal declaration of bankruptcy for a company carries significant implications for debtors, employees, and the state (Tan et al., 2023).

The risk of bankruptcy or insolvency can be considered as a financial risk which is appropriate to study as a separate risk because solvency is an important chapter in the economic and financial analysis of any economic unit. In general terms, solvency is the ability of the company, or the bank to meet falling due obligations, although they come from previous, current, or compulsory levies engagements (taxes, contributions to social funds) (Bordeianu et al., 2011).

One Bankruptcy Analysis is using Altman Z-score Model, invented by Edward I. Altman, and this is the first multivariate bankruptcy prediction model for measuring the financial health of a business firm with Altman's Z-score to predict the possibilities of bankruptcy. Altman (1968) defines five predicted factors that can be used to test the validity of the Multivariate model (Prasetiyani & Sofyan, 2020).

From of the large number of variables found to be significant indicators of corporate problems in past studies, a list of 22 potentially helpful variables (ratios) was compiled for evaluation. The five financial ratios used in the Z-score are X1, X2, X3, X4, and X5 which respectively reflect (1) liquidity, (2) stock company age and cumulative profitability, (3) profitability, (4) financial structure, and (5) capital turnover ratio.

1.10 Systematics of Writing

This research is organized in a systematic way consisting of Chapter I, Introduction, Chapter II Literature Review, Chapter III General Description of The Cosmetics Industry and The Company, Chapter IV Data and Analysis, and Chapter V Conclusions. The following is an explanation of each chapter.

CHAPTER I: INTRODUCTION

This chapter presents the background of the problem, problem formulation, study objectives, research benefits, limitations of the research area, research method, research framework, data analysis, and writing systematics.

CHAPTER II: LITERATURE REVIEW

This chapter describes the theoretical basis on which the research is based. It presents a detailed explanation and discussion of the literature review which includes financial statements analysis, business analysis, accounting analysis, prospective analysis.

CHAPTER III: GENERAL DESCRIPTION OF THE COSMETICS INDUSTRY AND THE COMPANY

This chapter provides a description of the Indonesian cosmetics and household industry and PT Mustika Ratu Tbk.

CHAPTER IV: DATA AND ANALYSIS

This chapter describes the general description of research objects, data, data analysis, interpretation of data processing results, and arguments or discussion of research results.

CHAPTER V: CONCLUSIONS

This chapter presents conclusions and implementations based on the results of the analysis that has been carried out.

CHAPTER II

LITERATURE REVIEW

This chapter presents a detailed explanation and discussion of the literature review which includes a definition of financial statements analysis, business analysis, accounting analysis, prospective analysis.

2.1 Financial Statement Analysis

2.1.1 Definition of financial statements Analysis

A company's stakeholders may have varied objectives, but they, including creditors, investors, management, and regulatory authorities share a common interest in ensuring the company's performance. In the objective of measuring whether the performance of a company going well or not, the company uses different tools in measuring its business performance. The most well-known tool for measuring performance is financial performance by using the company's financial data.

The Financial data will be analyzed using several types of analysis instruments, to create an overview of whether the financial performance is in good condition or not. Additionally, the result of the analysis further will be used by the company in the evaluation of the performance and decision-making for better performance in future.

Financial statements provide valuable information about a company's financial health. Even though the data contained in each statement may differ depending on the company, they are all designed to give insights into a company's performance. These documents are important for monitoring a company's progress over time and understanding how it is achieving key goals and strategies (Stobierski, 2019).

The financial statements analysis also can be described as the process of applying different analytical tools and techniques by which data from the financial statements is converted into usable information relevant to management (Anđelić, 2017).

Higher level of the analysis is using information owned by the management of the company rather than outsider financial analysts. Therefore, researchers can use the publicly available financial data with the objective of better understanding of stakeholders that are interested in company performance.

In order to properly assess the financial position, performance, and liquidity of operations, the analysis of the financial statements focuses on the quantification and investigation of the relationships that exist between the items on the balance sheet, the income statement, and the cash flow statements.

2.2 Business Strategy Analysis

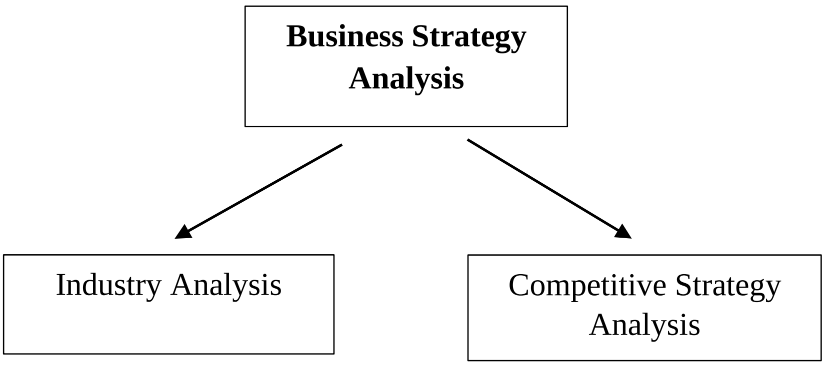
Business analytics provide a wide range of opportunities to leverage the wealth of knowledge and value that is concealed within enterprise information systems. By effectively utilizing business analytics, organizations can achieve a transformative impact on various aspects of their operations. These include revolutionizing innovation, optimizing supply chain management and production processes, precisely targeting marketing and sales efforts, and strategically developing and managing profitable after-sales services (Omar et al., 2019). With the power of business analytics, organizations can unlock new avenues for growth and success.

Implementing business analysis in various industries is a crucial tool due to its numerous benefits and advantages. This strategic process plays a vital role in driving growth, improving efficiency, and ensuring long-term success for organizations across different sectors. This process can be customized to meet the unique requirements and characteristics of each industry. Whether it is healthcare, technology, finance, or any other sector, the principles and techniques of business analysis can be applied to identify opportunities, mitigate risks, and optimize operations. This flexibility enables organizations to maximize the value they derive from their investments and resources, ultimately leading to sustainable growth and profitability.

Business analysis involves making strategic decisions that establish a competitive edge, which is demonstrated by a company's ability to maintain profits above the industry average (Haslam, 2007). In order to maintain the profits, it is also important for the financial analyst and industry expert to ensure the relevance of the current business analysis. The goal is to empower organizations to make strategic decisions that have a positive impact on their performance and competitiveness in their respective markets.

This qualitative analysis is an essential first step because it enables the analyst to frame the subsequent accounting and financial analysis better.

Figure 2. Business Strategy Analysis



2.2.1 Industry Analysis

As mentioned previously, industry analysis is an important aspect of business strategy analysis. It is crucial for businesses and decision-makers to stay competitive and make informed strategic choices.

When analyzing a firm's profit potential, it is essential to assess each industry in which the firm operates. This is because the profitability of different industries varies systematically and predictably over time.

The outcome of industry analysis is a strategic business approach that is well-informed and beneficial for investors when making investment decisions. Additionally, thorough industry analysis improves transparency and demonstrates a deep understanding of market dynamics and potential returns.

Industrial organization (IO) economics provides the underlying theory of how industry structure influences competitive behaviour and industry profitability. *Monopoly* and *Perfect Competition* theories are representing the two extremes of industry structures. The theory of *Monopoly* is characterized by a single firm protected by barriers to entry, while *Perfect Competition* is characterized by many firms supplying identical products with no entry or exit restrictions.

Effective environmental analysis involves distinguishing between what is vital and what is merely important. Firstly, for a company to generate profit, it must understand its customers and create value for them. Secondly, a company acquires goods and services from suppliers, so it is important to manage and maintain relationships with them. Thirdly, the ability to generate profit depends on competition among companies seeking the same value-creation opportunities, hence understanding the competition is crucial.

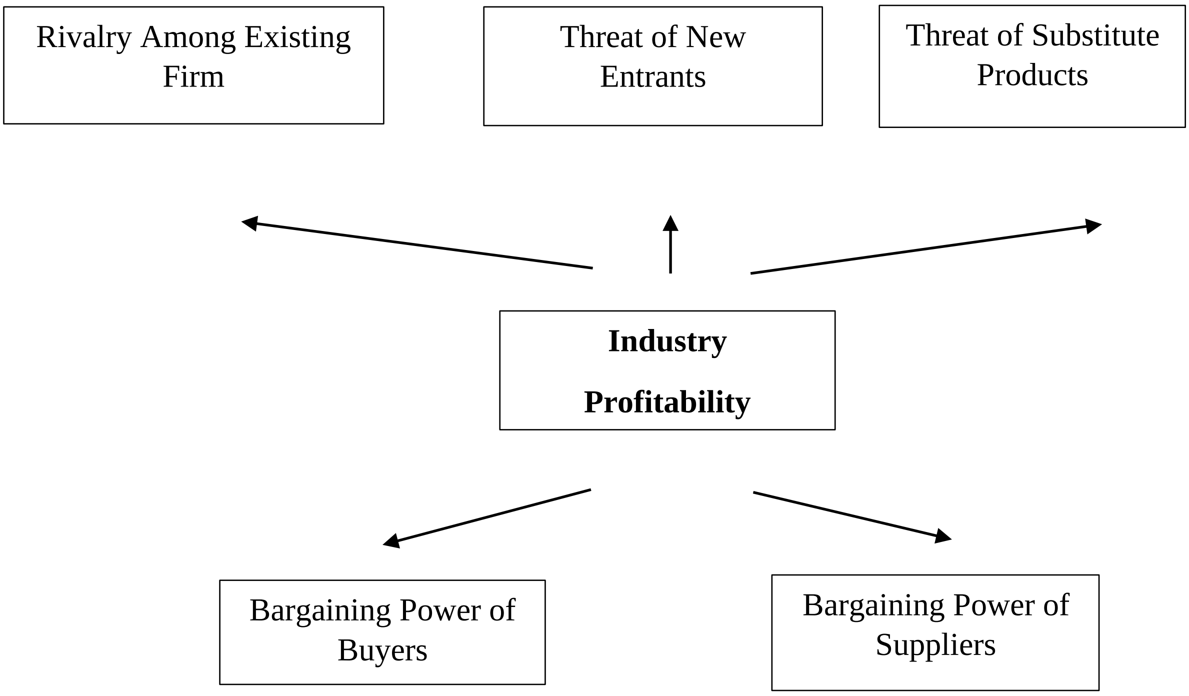
However, (Wiley-Blackwell, (2007),explains that macro factors such as general economic trends, demographic changes, and social and political trends should not be overlooked. These factors can significantly impact the threats and opportunities a company may face in the future.

(Faulkner et al., (1997) stated that Industry Analysis is more important in some industry structures than in others. The stronger the competitive forces are, the more critical to understand the competitors to remain exist in the industry for such a long time.

In small firms, goods and services may be undifferentiated, and the key to success is not with a clear competitive strategy. However, in concentrated industries, competitor analysis becomes important because the competitive fight occurs between several large firms, usually with an assortment of goods, and often with strong brands of goods.

The components of the business strategy analysis are:

Figure 3. Industry Analysis



Based on the component above, the industry can be defined as a group of competitors competing against each other, to gain bargaining power against customers and suppliers and face the threat of new entrants and substitute products (Wild et al., 2005).

The components of the business strategy analysis are:

a. Rivalry among existing firms

In many industries, the average level of profitability is primarily influenced by rivalry among existing firms in the industry. Competition refers to the level of rivalry among firms in an industry, as they strive to outperform each other with different strategies.

Price competition, advertising campaigns, product launches, and increased client services or guarantees are all employed to varying degrees of severity. Various mutually connected structural elements influence rivalry in business activities (Šperková & Hejmalová, 2012). Some industries compete aggressively to maintain prices close to the marginal cost. Otherwise, some industries do not compete aggressively on the price. Instead, they find ways to coordinate their pricing or compete on nonprice dimensions such as innovation or brand image.

b. Threat of new entrants

The entry of new firms in the industry brings with it additional capacity for business players in the industry. The factor that influences new business in the industry is the industry's potential to generate profit in the market and expected market growth. If there is not enough demand to absorb the additional capacity, new entrants must compete with the existing companies (Faulkner et al., 1997).

The net effect of these entrants is to lower the overall rate of profit in the industry. The threat of new firms entering an industry potentially constrains the pricing of existing firms. Therefore, the ease with which new firms can enter an industry is a crucial determinant of profitability (Kemp et al., 2004).

c. Threat of substitute power

According to Faulkner et al. (1997), from the buyer's point of view, an industry is defined as several different companies that do not provide the same products but the same type of products the buyer needs. Substitute products are alternative avenues to fulfill the buyer's needs. Relevant substitutes are not necessarily those with the same form as the existing products but those that perform the same function.

A potential substitute offers the customer an inducement to switch if it provides more value relative to its cost than the product currently being used. An essential part of this comparison is the range of functions the potential substitute performs and the quality of performance on each relative to the traditional product (Smith, 1990).

The threat of substitutes depends on the relative price and performance of the competing products or services and customers' willingness to substitute. Companies that provide substitute goods are not direct competitors in the industry. However, it is essential to know the strength of substitute products to know more about the competitive state of the market.

d. Bargaining power of suppliers

Suppliers' ability to raise prices without losing sales illustrates their power. Suppliers are powerful when only a few companies and few substitutes are available to their customers. Suppliers also have much power over buyers when the products or services of the suppliers are critical to the buyer’s business.

A large firm may have more substantial power over its partners in a supply chain. As a supplier, a more prominent firm can provide various benefits to its buyers, including volume capacity, economies of scale, a stable supply of resources for research and development, brand awareness, etc. A more prominent supplier has more flexibility in production capacity and thus may better accommodate unexpected demand changes when everything else is held constant (Cho et al., 2019).

If other suppliers in the same industry are unable to provide the same benefits, a particular supplier may gain more power. These benefits may become unique resources that the supplier provides, which will increase its power over buyers. The magnitude of these benefits will increase as the supplier's relative size increases compared to competitors in the industry.

e. Bargaining power of buyers

In a market, one buyer may become more powerful than the others, or many buyers may come together to form a group purchasing organization, leading to the emergence of a dominant buyer. This dominant buyer can use its market power to negotiate better terms with sellers.

Two factors determine the power of buyers are price sensitivity and relative bargaining power. Price sensitivity determines the extent to which buyers care to bargain on price; relative bargaining power determines the extent to which they will succeed in forcing the price down.

It is worth knowing that dominant buyers have an effect on price, quantity, and welfare. Buyer power depends on the structural conditions on the supply side of the market and the dominant buyer-supplier interaction. For example, in a perfectly competitive industry producing elastic goods, the dominant buyer cannot influence prices. However, if industry supply slows down, the dominant buyer can push for lower prices by reducing its demand (Mills, 2010).

A. Measurement of Industry Analysis

In order to comprehensively analyze the measurement tools used for each parameter of the Five Forces strategy, it is necessary to thoroughly examine and deconstruct each parameter. By doing so, researchers will effectively identify and determine the appropriate variables and indicators that are relevant and significant for each parameter. This detailed approach ensures a thorough analysis of the measurement tools, allowing for a more accurate understanding of the strategic landscape.

The simple system used in business analysis assigns 1 point to low-strength components and 5 points to high-strength. Based on the result of this qualitative analysis, the researcher will determine the overall attractiveness of the industry by calculating the average of the five parameters. This point system aims to rank these five forces to help focus thinking on the main competitive factors in each segment and to compare the attractiveness of each segment (Faulkner et al., 1997).

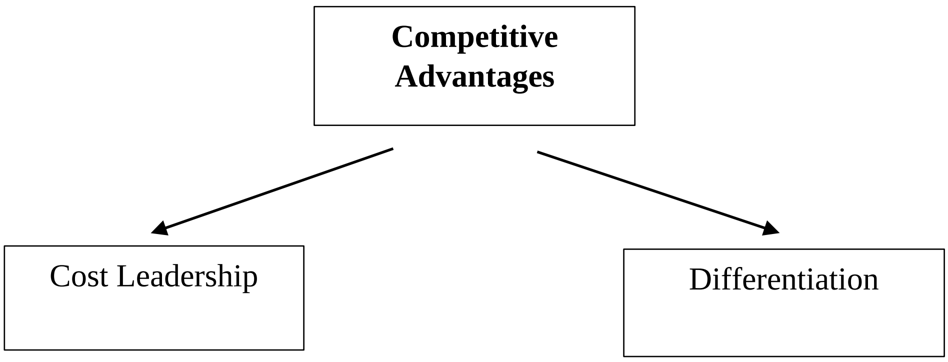
2.2.2 Competitive Strategy Analysis

A firm's profitability is influenced not only by its industry structure but also by the strategic choices it makes in positioning the business in an industry. It is crucial to understand that measuring competitive advantage is a continuous process, and companies may have to adapt their strategies to accommodate shifting market conditions and customer preferences.

Even in similar circumstances, two companies may have achieved different levels of success due to their past strategic decisions and resource development. To understand a company's current success, it is important to consider its past and the strategic choices it has made (Gleißner et al., 2013). The resources utilized by companies provide a clear explanation for why certain sectors are more profitable than others. Additionally, the industrial-economic approach elucidates the reasons behind variations in profitability across sectors.

Assessing a company's ability to outperform its competitors involves measuring its competitive advantage in the context of cost leadership and differentiation. While both strategies can provide a competitive edge, they require different methods of evaluation to determine their effectiveness. Factors contributing to cost leadership and differentiation must be analyzed to assess their impact on a company's performance.

Figure 4. Competitive Advantages



This study makes use of two generic competitive strategies:

a. Cost Leadership

The idea of a cost leadership strategy is to supply the same product or service at a lower cost. The goal of the firm pursuing a cost leadership strategy is to become the low-cost producer in the industry. A low-cost position gives a firm defense against rivalry from competitors because its lower costs mean that it can still earn returns after competitors have competed away their profits through rivalry. Cost leaders seek to improve efficiency and control costs throughout the organization's supply chain (Ng et al., 2021).

There are many ways to achieve cost leadership, including economies of scale and scope, economies of learning, efficient production, simpler product design, lower input costs, and efficient organizational processes. There is a relationship between the cost leadership firms and the financial performance. According to the result of the study by (Ilyas & Nisar Khan, (2018), the Cost leadership strategy is positively associated with ROA, LEV, and DPO. The study also revealed that the sector-listed firms of Pakistan that follow the cost improve their performance compared to their total assets, making more sales.

b. Differentiation.

A firm following the differentiation strategy seeks to be unique in its industry along some dimensions highly valued by customers. Differentiation means offering a unique product or service at a cost lower than the price premium customers are willing to pay. Drivers of differentiation include providing superior intrinsic value via product quality, product variety, bundled services, or delivery timing.

For differentiation to be successful, the firm must accomplish three things. First, it needs to identify one or more attributes of a product or service that customers value. Second, the firm must achieve the differentiation that is needed uniquely. Finally, the firm must achieve differentiation at a cost lower than the price the customer is willing to pay for that differentiated products or services.

Differentiation can also be achieved by investing in value signals such as brand image, product appearance, or reputation. These strategies require investments in research and development, engineering skills, and marketing capabilities. The organizational strategies and control systems in firms with differentiation strategies must foster creativity and innovation.

A study by (Islami et al., (2020), confirms that differentiation strategies can enhance organizational performance and that success in today's market requires strategic planning. The impact of differentiation strategies can boost corporate performance, increasing wealth and capacity to invest resources and suppliers.

Having a well-defined and carefully executed competitive strategy is crucial for a company to gain an edge over its rivals. To achieve and maintain a competitive advantage, the company must effectively implement the chosen strategy. It is essential to analyze and refine strategies to ensure they align with the company's goals and objectives. Additionally, the company should continuously monitor the competitive landscape and adapt its strategies accordingly to stay ahead in the market.

In this study, the researcher uses qualitative analysis to measure the competitive strategy of PT Mustika Ratu Tbk by examining the company's core competencies, value chain, and sustainability of competitive advantages.

2.3 Accounting Analysis

Business and financial performance analysis relies on accurate data from financial statements; the economic event should be reflected with reasonable accuracy. A common phrase in the data analytics field is "garbage in, garbage out." This means that the output is only as good as the input provided. Bad input data produce unreliable results. This often leads to wasted time and effort, poor financial reporting, and unreliable analysis (Bennett, 2023).

There are two reasons why garbage input can occur: errors and fraud. Errors often result from unintentionally misleading data. The problem arises when the data is intentionally or fraudulently manipulated. The International Auditing Standard (ISA 240) defines fraud as “An intentional act by one or more individuals among management, those charged with governance, employees, or third parties, involving the use of deception to obtain an unjust or illegal advantage." It is crucial to ensure that the financial data provided by the company is reasonably complete and accurate.

Investors, creditors, and other stakeholders depend on the information that is publicly accessible by the company (Mangala & Kumari, 2015). In this study, the researcher needs to ensure the reasonableness of publicly financial data using accounting analysis. One of the methods used for the early detection of fraud is red flag approach(Yücel et al., 2013). Red flags are signs or signals that suggest potential fraud, but they do not provide conclusive evidence of fraud. Red flags also need further investigations to determine if it was caused by actual fraud or any other factors involved (Akl Elsayed, 2017).

Accounting analysis is beneficial as it allows for assessing high-quality financial statements before they are used to analyze the financial performance of a company. The high quality is absolute, so that the data provided to investors and other stakeholders can yield valuable information for decision-making purposes.

These are the steps in doing an accounting analysis:

a. Identify key accounting policies

One of the goals of financial statement analysis is to evaluate how well the company manages its success factors and risks. In accounting analysis, researchers should identify and evaluate the policies and the estimates the firm uses to measure its critical success factors and risks. Additionally, researchers have to identify the accounting measures the firm uses to capture the business constructs, the policies that determine how the measures are implemented, and the key estimates embedded in the policies.

b. Assess accounting flexibility

In fact, not all firms have equal flexibility in choosing their key accounting policies and estimates. Some firms' accounting choices are severely constrained by accounting standards and conventions. If managers have little flexibility in choosing accounting policies and estimates related to their key success factors, the results of the accounting data are likely to be less informative for understanding the firm's economics.

In contrast, if management have considerable flexibility in choosing the policies and estimates, accounting numbers have the potential to be informative, depending upon how managers exercise this flexibility.

c. Evaluate accounting strategy

1. When managers have accounting flexibility, they can use it either to communicate their firm's economic situation or to hide true performance. Some of the strategy questions that could be asked in examining

how managers exercise their accounting flexibility are as follows:

1) How do the firm’s accounting policies compare to the norms in the industry? If they are dissimilar, is it because the firm’s competitive strategy is unique?
2) Do managers face strong incentives to use accounting discretion to manage earnings?
3) Has the firm changed any of its policies or estimates? What is the justification? What is the impact of these changes?
4) Have the company’s policies and estimates been realistic in the past?
5) Do the firm structure any significant business transactions so that it can achieve certain accounting objectives?

d. Evaluate the quality of disclosure

Managers can make it more or less easy for researchers to assess the firm’s accounting quality and to use its financial statements to understand business reality. While accounting rules require a certain amount of minimum disclosure, managers have considerable choice in matters. Disclosure quality, therefore, is an important dimension of a firm’s accounting quality.

In assessing a firm's disclosure quality, the following questions can be presented:

1) Does the company provide adequate disclosures to assess the firm's business strategy and its economic consequences?
2) Do the footnotes adequately explain the key accounting policies and assumptions and their logic?
3) Does the firm adequately explain its current performance?
4) If accounting rules and conventions restrict the firm from measuring its key success factors appropriately, does the firm provide adequate additional disclosure to help outsiders understand how these factors are being managed?
5) If a firm is in multiple business segments, what is the quality of segment disclosure?
6) How forthcoming is the management with respect to bad news? A firm's disclosure quality is most clearly revealed by the way management deals with bad news. Does it adequately explain the reason for poor performance? Does the company clearly articulate its strategy, if any, to address the company's performance problems?

7) How good is the firm's investor relations program? Does the firm provide fact books with detailed data on the firm's business and performance? Is the management accessible to analysts?

e. Identify potential red flags

The next step is to look for "red flags" pointing to questionable accounting quality. These indicators suggest examining certain items more closely or gathering more information on them. Some common red flags are the following:

1) Unexplained changes in accounting, especially when performance is poor.
2) Unexplained transactions that boost profits.
3) Unusual increases in accounts receivable in relation to sales increase.
4) Unusual increases in inventories in relation to sales increases.
5) An increasing gap between a firm's reported income and its cash flow from operating activities.
6) An increasing gap between firm's reported income and its tax income.
7) A tendency to use financing mechanism like research and development partnerships, special purpose entities, and the sale of receivables with resource.

8) Unexpected large asset write-offs.
9) Large fourth-quarter adjustments.
10) Qualified audit opinions or changes in independent auditors that are not well justified.
11) Related party transactions or transactions between related entities.

While the preceding list provides a number of red flags for potentially poor accounting quality, it is important to do further analysis before reaching final conclusions.

f. Earning management

It is also important to analyze the earning management. According to (Philips, 2003) earning management is a strategy to produce accounting income through managerial discretion for accounting choices and cashflows from operation activity. Moreover, the COVID-19 pandemic also becomes the reason for the declining performance of some companies, which provokes earning management actions to maintain good company performance (Santoso, n.d.). To maintain a good relationship with business partners, the management of enterprises tends to adjust the financial reports to present the best possible results (Valaskova & Fedorko, 2021).

The aim of the earning management analysis is to provide information on the frequency of profit management, analyze, and determine where the manipulation occurs. M-score model (Beneish, 1999) measures earning management using eight variables, that are used to define aggressive accounting practices and fraudulent techniques (Valaskova & Fedorko, 2021). Valaskova's and Fedorko's study also found that aggressive accounting practices are often implemented by manipulating daily sales and total accruals on total assets. Furthermore, the Beneish model reveals that the indicators such as sales growth index and leverage index show possible manipulation in the calculation.

The measurement of earning management will use the following method:

- The Beneish Model (1999)

$$M = -4.84 + (0.92 \times DSRI) + (0.528 \times GMI) + (0.404 \times AQI) + (0.892 \times SGI)$$
$$(0.115 \times DEPI) - (0.721 \times SG)$$
$$- (0.327 \times LVGI) + (4.697 \times TATA)$$

Where:

- DSRI: days sales in receivables index

  This index measures whether the receivables and revenues are in balance between two successive years. It is expected to have a linear structure if there are no extreme changes in the company's policy of credit sales.

$$DSRI = \frac{\frac{Accounts\ receivable_t}{Sales_t}}{\frac{Accounts\ receivable_{t-1}}{Sales_{t-1}}}$$

- GMI: gross margin index

The result of GMI above 1 indicates a decline in gross margins, which in turn is related to poorer business prospects and a higher probability of manipulation.

$$GMI = \frac{\frac{(Sales_{t-1} - Cost\ of\ goods\ sold_{t-1})}{Sales_{t-1}}}{\frac{(Sales_t - Cost\ of\ good\ sold_t)}{Sales_t}}$$

- AQI: asset quality index

An increase in this index may represent additional expenses that are being capitalized. An increase in this measure is predicted to increase the probability of manipulation.

$$AQI = \frac{1 - \frac{(current\ asset_t + Fixed\ Asset_t)}{Total\ Asset_t}}{1 - \frac{(Curren\ Asset_t + Fixed\ Asset_{t-1})}{Total\ Asset_{t-1}}}$$

- SGI: sales growth index

An index greater than 1.0 represents a positive growth while less than 1.0 represents a negative growth in the year under review.

$$SGI = \frac{Sales_t}{Sales_{t-1}}$$

- DEPI: depreciation index

This variable is computed as the rate of depreciation in year t-1 divided by the depreciation rate in year t, with the rationale that lower depreciation expenses result in more discretion over income; and thus a higher probability of manipulation.

$$DEPI = \frac{\frac{Depreciation_{t-1}}{(Fixed\ asset_{t-1} + Depreciation_{t-1})}}{\frac{Depreciation_t}{(Fixed\ assed_t + Depreciation_t)}}$$

- SGAI: sales general and administrative expenses index

Since the relationship between SG&A and sales is known to be quite static, it is alarming when SG&A expenses increase without a simultaneous increase in sales.

$$SGAI = \frac{\dfrac{selling, general, administrative\ expense_t}{Sales_t}}{\dfrac{Selling, general, administrative\ expense_{t-1}}{Sales_{t-1}}}$$

- LVGI: leverage index

The leverage index measures the ratio of total debt to total assets. An index of greater than 1.0 is interpreted as an increase in the gearing of the company and for that matter, exposed to manipulation.

$$LVGI = \frac{\dfrac{(Current\ liabilities_t - Longterm\ obligation_t)}{Total\ asset_t}}{\dfrac{(Current\ Liabilities_{t-1} - Longterm\ obligation_{t-1})}{Total\ Asset_{t-1}}}$$

- TATA: total accruals to total assets

This index is used to measure the extent to which sales are made on cash basis. It is an indication of the quality of cash flows of the company. The reason behind this variable being included in this model is to determine any manipulation of financial information applications based on an increase in revenue or decrease in expense or vice versa within the framework of accrual basis.

$$TATA = \frac{(Gross\ Profit_t - Operating\ cash\ flows_t)}{Total\ Asset_{t-1}}$$

The limit value of the M-score equals to -2.22. In assessing the result, if the calculated manipulation score is less than the limit value, an enterprise is unlikely to be a manipulator. And, vice versa, if the calculated manipulation score is greater that the limit value, an enterprise is likely to manage earnings. The explanatory variables entering the model are based on interannual changes.

This model considers variables related to both the likelihood and incentives for fraud, allowing the user to evaluate various aspects of a firm's performance simultaneously instead of individually. It is essential to note that this is a probabilistic model, and hence it cannot detect manipulators with 100% accuracy. Beneish conducted a study using data from the Compustat database from 1982-1992, which found that the model accurately identified 76% of manipulators, but it also wrongly identified 17.5% of non-manipulators (Aghghaleh et al., 2016).

g. Undo Accounting distortions

If accounting analysis suggests that the company’s numbers are misleading, the analyst should attempt to restate the reported numbers to reduce the distortion to the extent possible. It is possible to perfectly undo the distortion using outside information alone. However, some progress can be made in this direction by using the cash flow statement and the financial statement footnotes.

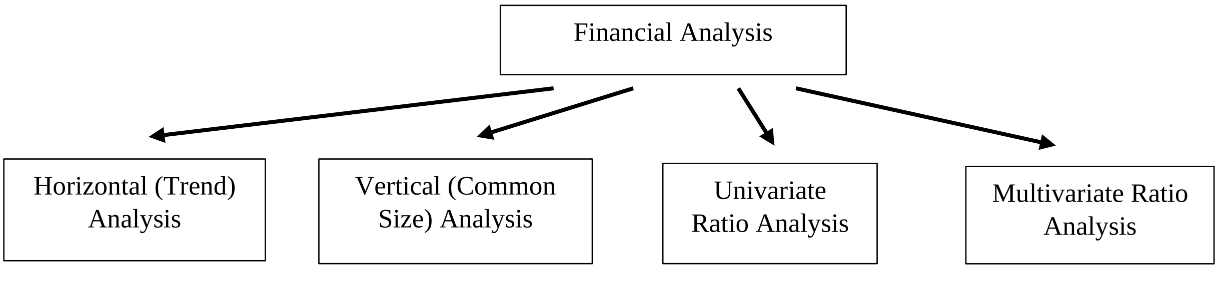
2.4 Financial Analysis

It is essential to acknowledge that if a business unit neglecting financial analysis in business can have negative consequences. A lack of financial visibility can decrease a company's ability to identify areas for growth, evaluate risks, and make well-informed strategic decisions. Financial analysis is very important for making sure a business is financially stable and successful in the long term. Companies that do not prioritize financial analysis may encounter difficulties in adapting to changing market conditions and effectively managing financial risks.

The goal of financial analysis is to assess the performance of a firm in the context of its stated goals and strategy. Financial analysis involves comparing and processing data from financial statements, that resulted in a form with much higher information value. Managers use the results of financial analysis to establish an appropriate future financial strategy (Alfonz Denes, 2021).

The following analyses are used to assess financial performance:

Figure 5. Financial Analysis



2.4.1 Horizontal (Trend) Analysis

This analysis requires the selection of a base year of reference for all comparisons, the best choice being the base year for all items, indexed at 100. Since the base year is the reference for all comparisons, the best choice is a year with normal conditions.

Index number = $\frac{Current\ \ year\ \ amount}{Base\ year\ \ amount}\ \times 100\%$

It is most valuable to do horizontal analysis for information over multiple periods to see how change is occurring for each line item. If multiple periods are not used, it can be difficult to identify a trend. The year being used for comparison purposes is called the base year (usually the prior period) (White et al., 2022).

The advantage of horizontal analysis is that changes can be expressed in quantities as well as in percentages. According to a study by (Shala et al., (2021), The investors is are particularly interested in whether the company's management uses horizontal financing policies, due to intended to make an estimate or forecast of the future. To do a good forecasting is needed various kinds of information (data), is quite a lot and observed in a period of for a relatively long, so that the analysis can determine how many big the extent to which fluctuations and the factors that influence those change (Veno, n.d.).

There are several outcomes in analyzing the trend, whether the trend might be steadily over periods or fluctuated. If the data fluctuates, then there might be interpret 2 things upward and downward trend. If a metric consistently shows upward trend, it indicates growth. This is particularly relevant for revenue, market share and customer satisfaction. On the other hand, a consistent downward trend might indicate underlying issues or challenges. This could be concerning for metrics like profit margins, customer retention, or overall market share.

2.4.2 Vertical (Common Size) Analysis

Vertical analysis is a tool that compares line items within the same financial statement, to determine the extent to which one item contributes to overall operations. Businesses can use this information to make informed decisions such as preparing budgets, cost-cutting, increasing revenues, or investing in property, plant, or equipment.

Common size analysis is the method of calculating the percentage of each item in financial statements concerning total sales or assets. This helps identify trends and patterns in financial data and provides insights into a company's financial performance.

The purpose of this current research in using vertical analysis is to standardize the financial information over periods.

- Statement of financial positions = $\frac{Asset\ component}{Total\ asset} \times 100\%$

If total assets are chosen as the base item, common size balance analysis express each asset, liability, and equity item as a percentage of total assets. This approach allows one to gain a deeper understanding of the company's financial structure by analyzing the relative proportions of different assets and liabilities concerning the total size of the company. By expressing each item as a percentage, researchers can identify the significance of each component and evaluate its impact on the overall financial health of the company. This analysis helps us to identify potential areas of strength or weakness in the company's balance sheet, enabling us to make informed decisions and develop strategies for long-term growth and profitability.

Revenue is typically taken as the comparison item, set at 100%, with all other line items in the income statement expressed as a percentage of revenue.

- Statement of profit/loss = $\frac{Components\ profit\ or\ loss}{total\ sales\ amount} \times 100\%$

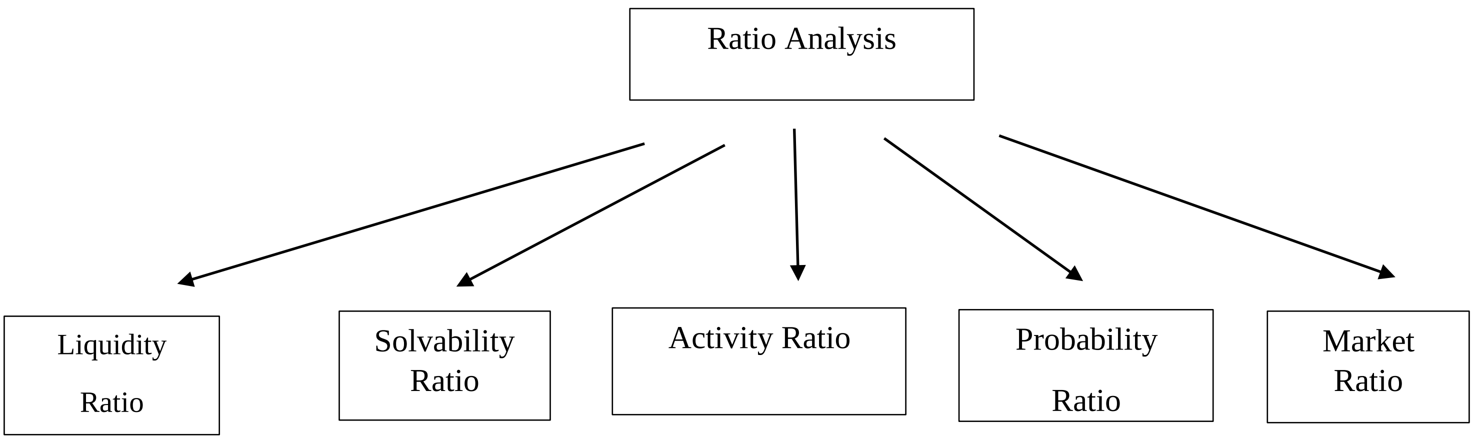
The analysis not only shows each expense and profit margin as a percentage of total revenue but also provides valuable insights into the allocation of revenue to different expenses and the resulting profit margin. By presenting the financial information in this format, it becomes easier to identify areas where expenses may be higher than desired or where profit margins can be improved. This can help businesses make informed decisions and take necessary actions to optimize their financial performance.

2.4.3 Univariate Ratio Analysis

This financial ratio analysis can be divided into two types based on the variates used in the analysis, namely (Ang, 2010):

1) Univariate Ratio Analysis is a financial ratio analysis which uses one variate in carrying out the analysis.
2) Multivariate Ratio Analysis is a financial ratio analysis that use more than one varied.

Figure 6. Univariate Ratio Analysis



Investors can use Univariate Ratio Analysis to analyze company growth for alternative investments (Saladin & Sudiyanto, 2017). The univariate analysis used to assess the performance of company finances includes ratios of liquidity, solvency, activity, profitability, and market analysis.

1. Liquidity Analysis

Liquidity analysis is an essential part of evaluating a company's ability to meet its short-term financial commitments. It gives an idea of how easily a company can turn its assets into cash to cover its current liabilities. The implementation of liquidity analysis results is beneficial for various stakeholders as it helps them assess the organization's performance and financial health.

In terms of financial performance, liquidity and working capital are crucial for a company's short-term financial obligations. Maintaining liquidity is a short-term strategy for companies. These strategies should not extend beyond 12 months of business operations, and their purpose is to assist businesses in achieving their long-term objectives.

Although companies aim to have higher current assets than liabilities, there is another problem they might face if they are not balanced. Excessive liquidity suggests that the firm has accumulated idle funds that do not generate profits, while insufficient liquidity can harm the firm's reputation and credit standing, and ultimately lead to the forced liquidation of assets. This can result in severe problems such as bankruptcy and insolvency.

Therefore, it is important for firms to manage their liquidity levels carefully to maintain their financial stability and avoid such risks (Open & Associate professor in finance, 2014). In addition, it is also important to properly balance liquidity maintenance.

The main reasons behind calculating the liquidity of the company are:

1) The company's ability to pay its debt during its tough time.
2) The ability to meet its short-term obligations.
3) The survival capacity of the firm during its hard financial time.

In this study, several ratios are used to assess liquidity analysis:

a. Current Ratio

Current assets and current liabilities have comparable duration, the current ratio is a key index of a firm's short-term liquidity. The result of current ratio of more than one to be an indication that the firm can cover its liabilities from the cash realized from its current asset.

The calculation of Current ratio:

$$Current\ Ratio = \frac{Current\ assets}{Current\ liabilities}$$

b. Quick Ratio

The quick ratio, also known as the acid-test ratio, is similar to the current ratio except current assets are more narrowly defined as the most liquid assets, which exclude inventory and prepaid expenses. The conversion of inventory and prepaid expenses to cash can sometimes take more time than the liquidation of other current assets. A business will want to know what they have on hand and can use quickly if an immediate obligation is due (White et al., n.d.).

The calculation of quick ratio:

$$Quick\ ratio: \frac{Cash + short\ term\ investment + Accounts\ receivables}{Current\ liabilities}$$

c. Cash Ratio

Quick ratio and cash ratio capture the firm's ability to cover its current liabilities from the liquid asset. The difference is quick ratio assumes that the firm's accounts receivables are liquid whereas cash ratio considers only cash and marketable liquidity. This is a better indication of a firm's ability to cover its current liabilities in an emergency.

The calculation of the Cash Ratio:

$$Cash\ Ratio = \frac{Cash+Marketable\ securities}{Current\ liabilities}$$

2. Solvability analysis

Evaluating a company goes beyond assessing its financial performance solely based on the profit and loss account. It involves considering the company's capacity to manage its outstanding debts. Financial literature often discusses liquidity and solvency as key indicators of a company's financial position. However, these indicators are also commonly used in risk analysis to predict the possibility of bankruptcy. Creditors also consider these indicators when evaluating a company's performance (Vasiu & Gheorghe, 2014).

Assessing a company's solvency is crucial for its long-term viability. Solvency analysis provides insights into whether a company can meet its long-term debt obligations, which is important for evaluating the overall financial health and sustainability of the business. Directors are advised to adopt a wide perspective when it comes to matters that could potentially risk the company's future performance and its ability to sustain operations and financial stability.

According to (KPMG, (2015),it is important to consider both solvency risks (the company's ability to meet its financial obligations in full) and liquidity risks (the ability to meet these obligations as they become due). Even if a company seems solvent in the long run, timing issues may arise which could impact its ability to meet its obligations.

A good financial condition in the short term does not guarantee a good financial condition in the long term. Solvency works in a broader area than liquidity because the calculation includes assets, not just the ability to pay debts. Of course, in extreme conditions, company management may decide to cover short-term debt by selling assets, but such actions reflect the difficulty of ensuring the ability to pay liabilities. By selling assets, a company may meet short-term obligations, but such action can harm future business.

This aspect can arise in reverse of the benefits of liquidity, such as dealing with the lack of creditworthiness and achieving solvency by exploiting shares or claims to write off medium- or long-term debt, which in this case can lead to adverse effects on the company's operational sustainability (Constantin, 2012).

Two main solvency ratios are:

a. Debt-to-Equity Ratio

   The debt-to-equity ratio shows the relationship between debt and equity as it relates to business financing. A business can take out loans, issue shares, and retain earnings to be used in future periods to keep operations running. It is less risky and less costly to use equity sources for financing (issue shares) as compared to debt resources (obtain a loan) (White et al., n.d.).

Debt-to-equity ratio indicates the number of dollars of debt financing the firm uses for each dollar invested by its shareholders, by using the following formula:

$$Debt\ to\ Total\ Equity = {}^{Total\ debts}/_{Total\ Equity}$$

A lower debt to equity ratio, which is calculated by dividing the company's total debt by its total equity, indicates a lower level of financial leverage. This means that the company relies less on debt financing and may have a more stable financial position. On the other hand, a higher debt to equity ratio suggests that the company has a higher level of financial risk.

In other words, a larger portion of the company's assets are financed by debt, which can make it more vulnerable to economic downturns or changes in interest rates. Therefore, it is important for investors and stakeholders to carefully analyze the debt-to-equity ratio as it provides valuable insights into the financial health and risk profile of the company.

b. Debt-to-Asset

The debt-to-asset ratio is used to measure the level of leverage (use of debt) on the total assets owned by the company. The higher the debt ratio the worse it will be because the debt level will be higher resulting in higher interest expenses, which means reducing profits. The calculation of Debt-to-asset ratio uses the following formula:

$$Debt\ to\ Total\ Asset = {Total\ debts}/{Total\ Assets}$$

The Debt to Asset Ratio is a financial metric that measures the proportion of a company's assets that are financed by debt. It is calculated by dividing the total debt of the company by its total assets. The ratio can range from 0 to 1, representing a percentage range of 0% to 100%.

A Debt to Asset Ratio of 0 indicates that the company has no debt in its capital structure. This means that all the company's assets are financed through equity or other non-debt sources. On the other hand, a ratio of 1 indicates that the company's assets are entirely financed by debt. In this case, all the company's funding comes from loans, bonds, or other forms of long-term debt.

Investors and analysts need to consider the Debt to Asset ratio when evaluating a company's financial health and risk profile. A higher ratio suggests that the company relies heavily on debt financing, which can increase its vulnerability to economic downturns and interest rate fluctuations. On the other hand, a lower ratio indicates a lower level of debt and a stronger financial position.

3. Activity Analysis

Activity analysis, such as inventory turnover and accounts receivable turnover, are used to evaluate how efficiently a company manages its resources. High turnover ratios typically indicate that assets are being effectively utilized. Examining four efficiency ratios analysis can use total asset turnover, accounts receivable days, payable days, and inventory days.

Activity analysis provides insights into how well a company manages its assets. Effective management of current assets involves efficiently balancing inventories, managing accounts receivable and cash utilization, and optimizing other current assets in the short term.

By effectively managing current assets, companies can ensure a smooth production process, accelerate asset turnover, enhance profitability, minimize risks and costs, and maintain adequate liquidity. Indicators of efficient management include shorter operating cycles, improved logistics, faster shipment and settlement processing, quicker receivable repayment, and optimized cash balance (Kovalchuk & Verhun, 2020).

a. Total Asset Turnover

Total asset turnover measures the ability of a business to use its assets to generate revenues. A business would like to use as few assets as possible to generate the most sales or revenue. Therefore, a higher total asset turnover means the business uses its assets very efficiently to produce net sales. The formula for total asset turnover is:

$$Total\ Asset\ Turnover = Sales/Total\ assets$$

b. Receivable Days

The days in receivables ratio tells us how many days a customer’s debt is outstanding before they pay. This ratio also functions to measure the efficiency of trade receivables management, which shows the average maturity of a company's trade receivables during a year.

The smaller this ratio, the better it is for the business. This shows that the maturity of accounts receivable is shorter so that the faster the trade receivables turn into cash. It can be concluded that the company's credit policies in managing receivables are getting tighter, *vice versa*. The calculation of Receivable days:

$$Receivable\ days = Account\ Receivable/sales \times 365\ days$$

c. Payable Days

The days to pay accounts payables and the days sales outstanding are the most important tools to establish a relationship between economic (purchases, sales) and financial operations (payments, collections) respectively (Manuel & Marques, 2010). Accounts payable is a routine source of financing for the firm’s working capital, and payment practices in the industry determine the normal level of accounts payables. Therefore, the payables days are one of the ways in evaluating the efficiency of a firm’s working capital management. The calculation of the ratio uses the following formula:

$$Payable\ Days = Account\ Payable / Cost\ of\ sales\ \times 365\ days$$

d. Inventory Days

Days' sales in inventory expresses the number of days it takes a business to turn inventory into sales. This assumes that no new purchase of inventory occurs within that period. The fewer the number of days, the more quickly the business can sell its inventory. The higher the number of days, the longer it takes to sell its inventory. The formula for days' sales in inventory is:

$$Inventory\ Days = Inventory / Cost\ of\ sales\ \times 365\ days$$

4. Profitability Analysis

Profitability analysis is an integral aspect of sales management. Analyzing the costs associated with marketing and sales requires access to data that may not be readily available in the company's accounting records. Cost analysis and profitability analysis are often collaborative efforts involving multiple departments, including marketing, rather than being solely the responsibility of the sales department (Mahmood & Saleh, 2021).

Investors are interested in a company's profitability as it impacts their return on investment. The better a company's profitability, the higher its prospects and valuation in the view of investors. Good profitability serves as a positive signal for investors to consider buying shares, which means investor trust in a company indicates higher value. Before investing, investors will carefully consider companies with high returns. In this case, profitability provides an objective measure of investment value. However, caution is needed when making investment decisions to avoid losses(Setiyorini & Kartika, n.d.).

There are three profitability measurements and ratios: return on total assets, gross profit margin, and operating profit margin.

a) Return on assets

The return on assets measures the business's ability to use its assets successfully to generate a profit. The higher the return (ratio outcome), the more profit is created from asset use. Average total assets are found by dividing the sum of beginning and ending total assets balances found on the balance sheet. The beginning total assets balance in the current year is taken from the ending total assets balance in the prior year. The formula for return on total assets is:

$$Return\ on\ Assets = \ Net\ income\ /Average\ Total\ Assets$$

The return on assets (ROA) ratio is utilized in this study. A higher ROA signifies a company's increased capacity to generate profits and enhance profitability. A high ROA value serves as a positive indicator to investors, suggesting that the company operates under advantageous conditions. This attracts investors to invest in the company's shares, leading to a rise in share price and overall company value(Sa’diyah, 2021).

b) Gross profit Margin

GPM functions to measure the rate of return of gross profit against net sales. Gross profit is net sales minus COGS, while the net sales are total net sales for one year. This GPM value is between 0 (zero) and 1 (one). The closer the GPM value is to one, the more efficient the costs incurred for sales, which means the greater the level of profit return. The formula of Gross Profit Margin is:

$$Gross\ Profit\ Margin = \ Gross\ profit/sales$$

c) Operating profit margin

Operating profit margin considers not only the direct costs of production but also the operating expenses of the business, such as salaries, rent, and utilities. It is calculated by subtracting the operating expenses from the gross profit and dividing the result by the total revenue. This metric reflects the overall profitability of the company's core operations.

OPM functions to measure the rate of return of net profits on net sales. This OPM value is also between 0 (zero) and 1 (one). The closer the OPM value is to one, the more efficient the operating costs incurred, which means the greater the rate of return of operating profit. The calculation of Operating Profit Margin is as follows:

$$Operating\ Profit\ Margin = Operating\ profit/sales$$

When evaluating a company's profitability, this analysis focuses on several questions:

1) What is the relevant earnings measure for the company?
2) What is the quality of earnings?
3) What is the durability (including stability and trend) of earnings and its components?
4) What is the strength of the company's earnings?

5. Market Analysis

The valuation of a company and its market analysis are interconnected. The financial performance of a company frequently affects its market value. In addition, investors evaluate financial indicators such as earnings, growth, and risk to ascertain the worth of a company.

The financial worth of a company is determined by evaluating its corporate strategy by all shareholders. The perception of the financial market about the company's position in the industry is reflected in the portion of the company's total value assigned to future growth, considering the quality and quantity of that growth (Strebel, 1983).

a. Earnings Per Share (EPS)

Investors aim to generate high income from their investments. However, they usually analyze the company's condition and predict future stock prices based on its financial statements and economic conditions before investing. EPS is considered the most comprehensive measurement to evaluate the company's achievements in maximizing corporate value and shareholder wealth. It is common for managers to prioritize EPS when their compensation is linked to the company's EPS performance (De Wet, 2013).

Profitability is a clear indication of efficient management, which can attract potential investors. A company's profits can be utilized for various purposes, such as funding operations, generating internal funds, and enhancing shareholder wealth through dividends. When a company generates profits, it is considered good news for investors, which often leads to increased stock returns (Jasman & Kasran, 2017).

The formula of Earning Per Share is:

$$\frac{Net\ income\ After\ Tax}{Number\ of\ shares}$$

Earnings per share is a ratio that shows net income for each share for shareholders. A higher ratio will be appreciated by investors. This will also attract potential investors to invest in shares of companies with high earnings per share, ultimately increasing the return for shareholders. On the other hand, if the ratio of earnings per share is low, potential investors will consider the information provided.

b. Price Earnings Ratio (PER)

The Price Earnings Ratio (PER) is a valuation ratio that helps investors and potential investors evaluate a company's future earnings. It is calculated by dividing the market price per share by the earnings per share (EPS). Investors use this ratio to identify stocks with the potential to generate significant profits in the future(Sihaloho et al., 2021).

Companies with high growth prospects typically have a high PER, indicating the potential for higher returns for investors and resulting in an increase in stock price. For example, if it is said that a share has a PER of 10 times, it means that the share market price is ten times the net income per share.

Conversely, companies with low growth tend to have a low PER. In summary, the PER serves as a useful tool for investors in assessing a company's future earning potential and making investment decisions.

The formula of Price Earnings Ratio is:

$$\frac{share\ price}{Earnings\ per\ share}$$

2.4.4 Multivariate Ratio Analysis

The basic idea of this analysis is performance is usually measured as a standard financial ratio of profit over investment. DuPont analysis measures the performance of a company by breaking down its return on equity (ROE) into three components: profit margin, asset turnover, and financial leverage. Depending on how investment is conceptualized, different measures of performance can be derived. One possible approach is to use all the firm's total assets (Filzmoser et al., 2021).

Many investors rely on the DuPont equation for evaluating firm performance as it provides a clear and comprehensive understanding through DuPont analysis. The DuPont model primarily focuses on comparing the return on equity (ROE) among similar firms or industries. According to the study by (Raza et al., (2013), the ranking according to DuPont method are more reliable for investors as compared to profit (net income).

Financial performance analysis with the Du Pont system is used to determine the causes of the increase and decrease in ROI and ROE due to the increase in revenue and decrease in expenses-expenses that are too high and low revenues, or revenues remain but expenses increase. Thus, by doing the analysis, some policies can be made concerning cost efficiency or increasing the productivity of the company (Kokila & Ramprathap, 2021).

DuPont analysis breaks down the Return on Equity (ROE) into its components to provide a more detailed understanding of the factors influencing a company's profitability. The DuPont System is a tool used to identify the reasons behind a company's inefficiency by analyzing its financial statements. The main purpose of financial ratio analysis is to assess the current and future financial condition of the company. A decrease in Return on Equity (ROE) indicates a decline in the net income earned on the capital invested in the company, and vice versa (Farisa et al., 2020).

Du Pont Analysis is one of the multivariate analyses that its calculation based on the following:

a) Total Asset Turnover (TATO) = $Sales/Total\ assets$
b) Net Profit Margin (NPM) = $Net\ profit/Sales$
c) Return on Investment (ROI) = TATO × Net Profit Margin
d) Equity Multiplier (EM) = $Total\ Assets/Total\ Equity$
e) Return on Equity (ROE) = TATO × NPM × EM

2.5 Prospective Analysis

Forecasting financial statements is a critical process for management as it helps in providing preliminary guidance on the future performance of the firm. To begin with, it involves analyzing the historical financial statements to identify patterns, relationships between different items, implicit policies, growth rates, and other important insights (Vélez-Pareja & Tham, 2009).

Additionally, conducting prospective analysis for the long term is particularly crucial, as it helps in developing effective strategies for addressing forthcoming challenges. Prospective analysis is important for setting realistic financial goals and objectives. It provides a clear roadmap for a company's future, enabling it to make informed strategic decisions. Without this analysis, a company may struggle with inefficient resource allocation due to a lack of understanding of future financial needs and potential sources of revenue. This lack of understanding can result in wasted resources and missed opportunities for growth.

2.5.1 Definition of financial statements Analysis

Financial distress occurs when a company experiences a financial decline before bankruptcy or liquidation. Indications of financial distress include difficulties in meeting debt obligations and carrying out operational activities due to insufficient funds.

Financial distress can be classified based on the situation faced by the company, such as business failure, economic failure, technical difficulties, bankruptcy, and legal bankruptcy. Economic failure refers to a situation where a company cannot cover its total operating costs. Business failure occurs when a company needs to cease operations to minimize losses for creditors. Technical difficulties arise when a company is unable to settle obligations even when they are due.

Observing ratios in a company's financial statements can predict financial distress. By predicting financial distress, management can take actions to prevent insolvency and bankruptcy, such as merging with other companies to increase the ability to pay debts when they become due. Predicting financial distress is a warning that can be issued by the company to allow interested parties to prepare and take anticipatory steps to deal with the worst-case scenario in the company's survival. It is a crucial effort that can potentially save a company from ruin (Pratiwi et al., 2022). The following is the calculation of the Modified Altman Z-score Method:

Z = 1.2 (X1) + 1.4 (X2) + 3.3 (X3) + 0.6 (X4) + 1.0 (X5)

The Altman Z Score Data Process Model:

Z" = Financial Distress Index

X1 (Working Capital) = (Current assets - Current liabilities) / Total assets

X2 (Return Earning on Assets) = Retained earnings / total assets

X3 (Return on Assets) = Profit before interest and tax / Total assets

X4 (Market Value of Shares on Net Book Value of Liabilities) = Market value of ordinary and preferred shares / Total book value of liabilities

X5 (Sales to Total Assets) = Sales / Total Asset

The Altman Z-Score is a numerical score used to determine a company's bankruptcy risk level. The resulting number is used to classify the company into different zones, each representing a different level of risk. The interpretation of the result is based on the score, with higher scores indicating a lower risk of bankruptcy, and lower scores indicating a higher risk.

The calculation results using the Modified Altman Z-score Method are:

1. Z value < 1.88 indicates a bankrupt company
2. Z value $1.88 < Z < 2.9$ indicates the gray area (cannot be determined whether the company is healthy or bankrupt)
3. Z value > 2.9 indicates non-bankrupt companies.

CHAPTER III

GENERAL DESCRIPTION OF INDONESIAN COSMETICS AND HOUSEHOLD INDUSTRY:

A CASE STUDY OF PT MUSTIKA RATU TBK

This chapter presents the description of the Indonesian Cosmetics and household industry, and Overview of PT Mustika Ratu Tbk.

3.1 Indonesian Cosmetics and Household Industry

Current reports from Kementrian Perindustrian Republik Indonesia (2022), stated that cosmetics industry is one of the three National Priority Industries as stated in the National Industrial Development Masterplan (RIPIN) 2015-2035. The highly competitive in the industry is influenced by the lifestyle of the community towards the perception and use of products.

With a population of 270 million, the beauty and cosmetics industry present opportunities for global businesses amidst rapid growth. The cosmetic industry is a promising market in Indonesia before or even after covid-19.

Before the pandemic, Indonesian cosmetics and Household Industry attracted new competitors and existing companies to compete and gain profit within the market. The number of cosmetics available in the market and distributed reached over 1.5 million points of sale for beauty products in Indonesia (Putri & Wandebori, 2016).

Reports from McKinsey & Company (Gerstell et al., 2020), Covid-19 has not had a massive impact on the industry. This is because even before the pandemic, brands were already under pressure to improve their product innovation. Now, the challenges faced is even greater.

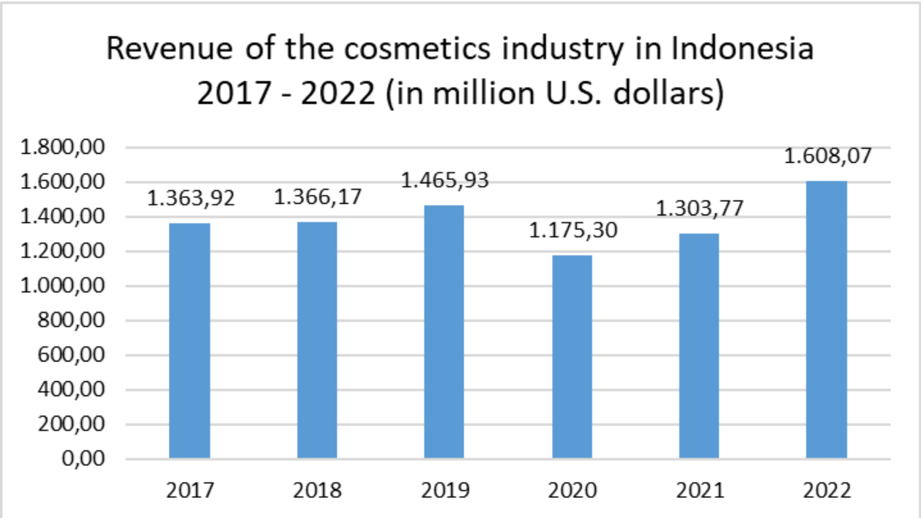
After spending the last two to three years during the COVID-19 pandemic, the year 2023 represents a turning point for the revival of Indonesia's economy. The consumer goods industry sector, which includes sub-sectors such as cosmetics, the situation has gradually improved, there is hope for recovery in this sector (Wijayanto et al., 2021). The COVID-19 crisis is expected to bring about lasting changes in the beauty industry. Here are three key areas where the pandemic could have a fundamental impact on the industry:

The long-term impacts of the adaptation of the new habits due to the pandemic has shifted shopping patterns from offline to online. Therefore, beauty companies need to focus on digital platforms to get the attention of both current and new customers. This is a key factor in the improvement of the National Cosmetic Industry. According to BPOM, the number of business actors increased from 819 in 2021 to 913 in 2022, representing a growth of 20.6%. Additionally, based on data from the National Industrial Information System (2022), the Cosmetic Industry has been able to provide employment for 59,886 people.

The potential of Indonesian cosmetics exports in the ASEAN is influenced by the similarities in climate, socio-cultural factors, and purchasing power, which result in consumer preferences for similar types of cosmetics as in the Indonesian market (Kementrian Perindustrian Republik Indonesia , 2022). According to data from the International Trade Centre, Indonesia has significant export and import trade of cosmetic commodities among ASEAN members and other Asian countries, including Singapore, Malaysia, Thailand, Philippines, China, Hong Kong, India, Japan, and South Korea.

The National Cosmetic Industry still tends to focus on competition in the domestic market and has not yet focused on becoming a major player in the global market. Based on data from the Ministry of Industry, the National Cosmetic Industry experienced a 1.65% decrease in the export value of finished products, from 435.51 million USD in 2021 to 428.34 million USD in 2022.

Figure 7. Revenue of the Cosmetics Industry in Indonesia 2017-2022 (in million U.S Dollars)



Sources: https://www.statista.com/

The cosmetics and household goods sub-sector are a part of the consumer goods industry on the Indonesia Stock Exchange. This sector is involved in the production of cosmetics, perfumes, hair care, home care products, and body care products. In Indonesia, there are six companies listed on the IDX that are engaged in cosmetics and household goods. These companies include PT. Kino Indonesia Tbk (code: KINO), PT. Akasha Wira International Tbk (code: ADES), PT. Mandom Indonesia Tbk (code: TCID), PT. Unilever Indonesia Tbk (code: UNVR), PT. Martina Berto Tbk (code: MBTO), and PT. Mustika Ratu Tbk (code: MRAT) (Fadila & Siskawati, 2023).

Below are the companies included in the category of Indonesian Cosmetics and Household, which will be analyzed in this study:

Table 1. The List of Indonesian Cosmetics and Household Industry

Entity Code	Entity Name
KINO	PT. Kino Indonesia Tbk
ADES	PT. Akasha Wira International Tbk
TCID	PT. Mandom Indonesia Tbk
UNVR	PT. Unilever Indonesia Tbk
MBTO	PT. Martina Berto Tbk
MRAT	PT. Mustika Ratu Tbk

In promoting their products abroad, major brands highlight their use of indigenous natural ingredients and their roots in traditional herbal treatment and make a selling point of their claimed expertise on ‘eastern skin’ (Italian Trade Agency (ITA), 2018), “Promising segments in this industry include cosmetic products, skincare, and personal care," said Minister of Industry Airlangga Hartarto at the opening of the Cosmetic and Traditional Medicine Industry Exhibition in Jakarta on Wednesday (3/7/2019). He also mentioned that in 2018, the GDP of this industry reached Rp50 trillion. Additionally, this industry plays a vital role in producing human necessities from head to toe.

Indonesia's abundant biodiversity and demographic bonus create wide-open opportunities for the country. As a result, the cosmetic industry has exhibited positive and higher growth compared to the national economic growth (Murargo et al., 2021). As a result, there is a growing number of Indonesian beauty brands that are emerging and gaining popularity. This brings a new perspective to the development of local cosmetic brands, enabling them to compete with global brands.

Some local Indonesian cosmetic brands that have long been known to the public are Sariayu, Mustika Ratu or Viva Cosmetics. The emergence of new Indonesian cosmetic brands such as Wardah, Inez Cosmetics or Emina is an alternative choices for consumers.

Local companies need to proactively protect their market share in the competitive domestic market by establishing and maintaining multiple brand strategies. This approach ensures that they can effectively meet the diverse range of consumer preferences and stay ahead of the competition. PT Mustika Ratu, a renowned Indonesian cosmetic producer, is an excellent example of such a company. It is recognized for its exceptional product quality and innovation. With a wide range of beauty and skincare products, PT Mustika Ratu has successfully captured the attention and loyalty of Indonesian consumers, solidifying its position as a key player in the industry.

3.2 PT Mustika Ratu Tbk

PT Mustika Ratu is an Indonesian-based beauty company renowned for its natural and traditional beauty care products. Founded in 1975 by Mrs. Mooryati Soedibyo, the company focuses on developing beauty products inspired by Indonesian traditional recipes. They combine ancestral wisdom with modern innovation to create high-quality skincare, body care, and cosmetic products.

The long history of PT Mustika Ratu Tbk initially began as a home industry founded by Mrs. BRA Mooryati Soedibyo in 1975 from her garage. The business increasingly grew into a large company established in Jakarta at Jalan Gatot Subroto Kav. 74-75, under the name of PT Mustika Ratu based on the Deed of Establishment No. 35 dated March 14, 1978. By implementing a solid strategy and targeted performance, the Company has now developed and is known as a leading cosmetics and traditional herbal medicine company in the country. With the establishment of the first largest herbal medicine and cosmetics factory in Indonesia, the Company has consistently strengthened its reputation and expertise in creating innovations and producing beauty products, body care products, herbal medicine, and traditional medicine.

The company's mission is to merge local wisdom with modern innovation to produce top-notch beauty care items. PT Mustika Ratu has excelled in showcasing Indonesia's unique cultural heritage in its products and has gained recognition both locally and internationally. Their products are known for their rich natural ingredients such as *jamu* (traditional herbal drinks), spices, plant extracts, and other natural elements that are believed to have significant benefits in beauty care.

PT Mustika Ratu not only offers beauty products but also engages in various sustainability initiatives, developing environmentally friendly products, and supporting social programs within local communities. The products are cosmetics, body care products, and traditional herbal medicine based on technology and other related business activities under the Company’s Articles of Association.

The vision of the company is making the Indonesian Royal Heritage and secret recipe based on rich biodiversity as the core elements for a holistic health and beauty care industry with the support of sustainable research and technology processes to provide benefits to society and the environment.

In strengthening the capital structure and realizing its vision as the best cosmetics and high-tech natural herbal Company in Indonesia, in 1995, the Company obtained effective approval from the Capital Market Supervisory Agency to conduct an initial public offering and register its shares on PT Bursa Efek Indonesia (Indonesia Stock Exchange) with the ticker code of MRAT.

In 2022, according to the Annual Report of PT Mustika Ratu, the total asset of the company up to Rp694,780,597,799, with a total employee of 1035. What distinguishes the company from other cosmetics companies is that the company continues to run its business by upholding the company's main philosophies and values, namely Agility, Speed, Harmony, Integrity, Accountability, and Passion for winning. Through these values, the company is always committed to maintaining the quality and beauty of products and paying attention to health aspects, so that the products created are in line with the needs and accepted by the wider community.

Currently, the company has an extensive portfolio of products and cooperates with large distributor partners, making it one of the largest and most diversified cosmetics, beauty, personal care, and traditional healthcare companies in Indonesia in terms of products, locations, and market segments.

To achieve the predetermined goals, the company must have qualified Human Resources (HR). It is committed to developing human resources who have high integrity, international standard competencies, high productivity, and are oriented toward product and service excellence. Therefore, the company is highly concerned with competency training and development in all aspects of its operations in a planned and sustainable manner. Throughout 2022, the company carried out 7 (seven) employee development programs. In addition, employee competency development is carried out through training programs.

Concerning the development of increasingly complex business dynamics leading to fierce business competition. PT Mustika Ratu Tbk, which is 45 years old, is aware of the challenges it faces, such as increasingly diverse consumer demands and efforts to maintain customer loyalty. PT Mustika Ratu Tbk as a national company engaged in the herbal medicine, cosmetics, and Personal Care (FMCG) industry seeks to answer these challenges to maintain its existence amid the emergence of various cosmetic brands.

PT Mustika Ratu Tbk is committed to advancing original Indonesian products. Therefore, the company never stops innovating. It always strives to develop and optimize innovating its products. By always producing quality, safe, and healthy products for the community, the company not only generates profit, but also contributes to improving the health and welfare of the community through every product it produces.

In 2022, the company developed and optimized product innovations so that it can always produce natural-based products while being able to respond to the public's needs. The company considered 2022 as a potential year for the cosmetics industry. Although many industrial sectors are down, the industry still shows positive growth. This motivates the company to always be optimistic about innovating in every line of the company's business, including product development and marketing innovations.

The performance of the export division of PT Mustika Ratu Tbk throughout 2022 also experienced an increase in product sales, especially in the products of its subsidiary, PT Mustika Ratu Malaysia Sdn Bhd in the Malaysian market, where the market demand in 2022 grew by 45% compared to 2021 (Annual Report PT Mustika Ratu Tbk, 2022).

Based on the estimation, the company will continue to strive to always be ready to face the challenges and fluctuation in future. The transformation and innovation strategy will continue to be implemented to obtain the results expected by all stakeholders.

CHAPTER IV

DATA AND ANALYSIS

This chapter presents the description of the research objects, data, data analysis, interpretation of data processing results, and arguments or discussion of research result.

4.1 Business Analysis

4.1.1 Industry Analysis

Porter's Five Forces framework remains a valuable tool for analyzing industries and understanding their competitive dynamics. It helps highlight areas where firms may encounter challenges or opportunities. Understanding the level of competition within an industry is crucial for companies as it helps them to proactively identify potential threats and develop strategies to mitigate them. Additionally, organizations can identify areas where there is a lack of products or services and capitalize on unexplored prospects. By doing so, businesses can stay ahead of the competition and create new growth opportunities.

Porter's Five Forces offers a structured method for businesses to strategically position themselves and maintain a competitive edge. It involves evaluating the bargaining power of both buyers and suppliers, enabling organizations to negotiate favourable terms and form strong partnerships with key stakeholders. With this analysis, companies can assess their strengths and weaknesses and leverage their unique capabilities to differentiate themselves from their competitors.

A. Analysis Parameters

When assessing the competitiveness of an industry, Porter identifies various factors that influence competition within an industry. This study examines the factors, specifically in the context of the Indonesian cosmetics and household industry. The study will explore multiple variables and indicators for each variable. A table will be used to present each indicators showing that impact of competitiveness on the Indonesian cosmetics and household industry.

1. Rivalry among existing firms

Competition in an industry refers to the intensity of competitive behavior and actions carried out by companies in the industry. Competition relates to issues regarding whether companies continuously strive to outperform their rivals through various strategies. There are several factors, according to Porter, that can determine the intensity of competition in the industry, such as industry growth, number of competitors, brand identity, and access to distribution (Palepu et al., 2004). Analysis of rivalry among existing firm is shown in Table 2:

Table 2. Analysis of Rivalry Among Existing Firms

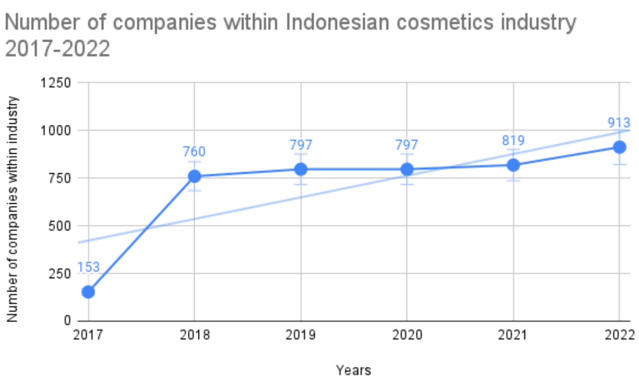
Rivalry Among Existing Firms		
No.	Variable	Indicators
1	Number of competitors	Diverse competitors
2	Industry Growth	High Industrial growth
3	Brand Identity	The strength of customer loyalty to specific brands.
4	Access to Distribution	Product distribution

The following is a detailed explanation of each variable:

1) Number of competitors

The Ministry of Industry of the Republic of Indonesia is a government agency that regulates industries in Indonesia including providing reports on the amount of competition in an industry. According to the official news of the Ministry of Industry from 2017-2022, the following is the data on the number of companies per year in the Indonesian cosmetics and household industry.

Figure 8. Number of Companies Within Indonesian Cosmetics and Household Industry



Sources: https://kemenperin.go.id/

The number of companies in the cosmetics industry in Indonesia has significantly increased from 153 in 2017 to 913 in 2020, which is a six-fold increase. This growth in the industry over the last six years demonstrates its potential as a promising market among Indonesians. However, the rise in the number of companies also means there is strong competition among them.

A characteristic of the cosmetics industry is that it has many categories. However, as the cosmetic products offered by companies within the industry usually standardized, consumers may see little differentiation between products, which may lead to increasing competition. Thus, high competition often results in price wars, increased marketing efforts and innovation to gain a competitive advantage among the existing companies within the industry.

2) Industry Growth

There are several indicators that affect industrial growth, namely changes in output, value, or size of the industry. Measuring industrial growth usually uses various indicators such as sales profits, employment, market share, innovation productivity or competitiveness. Based on industry news by the Ministry of Industry, the growth of the cosmetics industry in 2019 was 7.23% compared to the national economic growth of only 5.02%.

Greater industry growth can reflect the high level of investment and innovation in the sector. This positive outlook is further supported by the availability of a diverse range of cosmetics and personal care products that cater to the needs of tropical climates. Additionally, halal products have played a significant role in boosting both the domestic and export markets. This growth can illustrate the confidence of market players in the future of the industry. In summary, when an industry experiences growth, it indicates that the industry has a competitive advantage.

3) Brand Identity

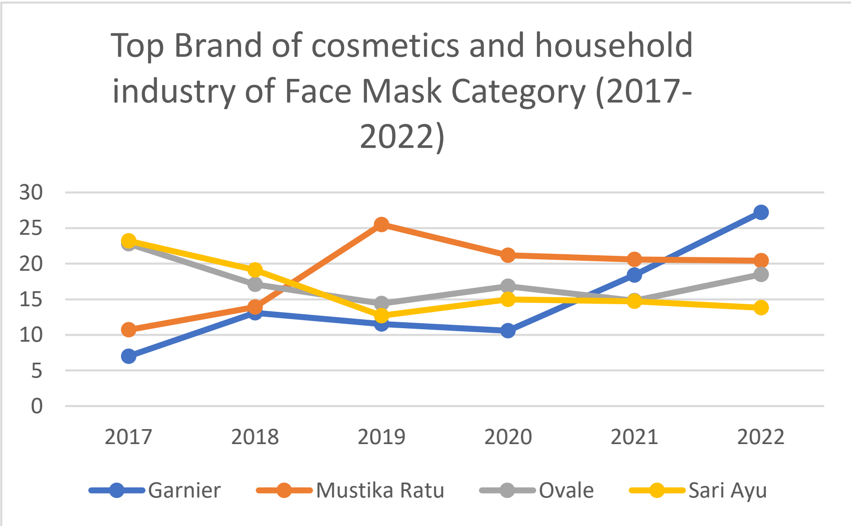
Cosmetics companies invest heavily in creating unique brand identities to stand out in a crowded market. A strong brand identity can help reduce direct competition, as consumers may develop strong preferences for specific brands based on their identity, values, and image.

Moreover, a well-defined brand identity fosters consumer loyalty. Customers who identify with a brand's values and image are more likely to remain loyal, reducing the likelihood of switching to competitors. This can lead to a more stable customer base for a company, which can help mitigate intense rivalry.

The cosmetics industry is heavily influenced by trends and innovations. Thus, companies with a strong brand identity as trendsetters or innovators may gain a competitive advantage. This can create a situation where companies focus on outdoing each other in terms of product innovation and staying ahead of industry trends.

Here is the result of the Top Brand Award analysis on the products in the cosmetics and household industry category that have been continuously competing in the last 6 years.

Figure 9. Top Brand of Cosmetics and Household Industry Face Mask Category (2017-2022)



Sources: www.topbrand-award.com

4) Access to distribution

Having access to various distribution channels is a crucial factor that can influence the level of competition within the cosmetics industry. Distribution channels are the pathways that products and services follow from the manufacturer to the end consumers. When illegal cosmetics are introduced into the distribution channels, it can disrupt the cost distribution and ultimately impact the competition in the industry. In 2019, BPOM successfully pursued a case involving illegal cosmetics with an economic value of Rp7.45 billion (Pusat Data dan Informasi Obat dan Makanan, 2019).

Cosmetic products in Indonesia are distributed through both physical retail stores and e-commerce platforms. Companies that have established strong relationships with key retailers receive preferential treatment, including prime shelf placement, exclusive product launches, and promotional opportunities. This can create obstacles for new entrants or smaller brands in the market. Thus, in the digital age, a strong online presence and partnerships with e-commerce platforms are crucial for brands to stay competitive and reach a broader audience.

The availability of distribution channels is crucial for competition. It affects product visibility, market reach, expenses, and adapting to consumer preferences. If effective management and optimization of distribution channels are integrated, it may increase chances of success in a competitive market.

The rivalry among existing firms in the Indonesian cosmetics and household industry tends to be high. This is evident from the industry growth rate indicator, as people require cosmetics daily and the demand for beauty products is increasing in line with population growth. Customer loyalty to industry brands also adds to the market's competitive nature. Thus, many companies compete in this field, making the level of rivalry among existing firms rank at 4 out of a maximum of 5.

2. Threat of new entrants

The threat of new entrants in the cosmetics and household industry refers to the potential risk posed by new companies entering the market and competing with existing businesses. It is important for established companies to carefully assess and respond to this threat to maintain their position in the market and ensure continued success. Additionally, the presence of new entrants can lead to increased competition, driving companies to innovate and improve their products and services to stay ahead in the market.

The industry entry can face several barriers, including those related to economics of scale, product differentiation, and legal issues. See Table 3 for a detailed analysis.

Table 3. Analysis of Threat of New Entrance

Threats of New Entrants		
No.	Variable	Indicators
1	Economics of scale	Cost advantages for larger cosmetic companies.
2	Product differentiation	The variety of products
3	Legal barriers	Government regulation due to licensing and approval processes for cosmetics.

The following is a detailed explanation of each variable:

1) Economics of Scale

According to data from the Ministry of Industry, 95% of the national cosmetics industry consists of small and medium-sized businesses, while the remaining 5% is made up of large-scale industry players

(KEMENTRIAN PERDAGANGAN REPUBLIK INDONESIA, 2019). However, despite this distribution, the market is still dominated by a few multinational companies. These companies offer a wide range of products that cater to the diverse needs of end users, including facial care, hair care, lip care, and more.

In the cosmetics industry, new entrants should prioritize innovation and user-friendliness to succeed. To cater to the predominantly Muslim Indonesian market, manufacturers can launch herbal and halal products that appeal to consumers. The industry has witnessed rapid growth and transformation, fueled by technological advancements, and changing consumer preferences. Due to intense competition, companies must differentiate themselves and achieve cost efficiency to thrive.

Economies of scale is a way to increase cost efficiency by taking advantage of the benefits that come with large-scale production. In Indonesia's cosmetic industry, where economies of scale play a significant role, new players may face difficulties when entering the market.

2) Product Differentiation

In addition, the attractiveness of the market for new entrants is also influenced by the variety of products in the market. If the market only has "one" product, then the competitiveness will be higher. However, in the Indonesian cosmetics market, there are various products marketed by manufacturers, ranging from cosmetics, skin care, hair care, and others. But not only that, what distinguishes the Indonesian market from several countries is the market advantage in the rapid development of halal products that are able to compete with cosmetic products in general. This is evidenced by the Indonesia Halal Economic Report which states that the national Halal Cosmetics Industry is recorded to have a market value of 4.19 billion USD in 2022 and is projected to grow by 8% annually until 2023 (Aziz, 2024).

In addition, there is a trend of incorporating natural ingredients as beauty product innovations that can drive the cosmetics and personal care market.

In conclusion, if existing cosmetic companies offer a wide range of different products, this may create a barrier for new entrants as established brands with a wide range of products may have greater customer loyalty and recognition.

3) Legal barriers

Technological advancements in the cosmetics industry and the growing demand for notified cosmetic products highlight the importance of manufacturers and distributors complying with the cosmetic notification process at the Indonesian Food and Drug Administration (BPOM). In order to fulfil its responsibility of conducting pre-market approval supervision, the POM Agency must intensify the collection of data on cosmetic applications for pre-market approval. This will help optimize and enhance the quality of cosmetics, as well as speed up granting notification numbers.

In 2020, the Indonesian Food and Drug Supervisory Agency (BPOM) received a total of 84,911 notification application files for cosmetic products. Among these, 78,363 files (92.29%) have been successfully evaluated, while 6,548 files (7.71%) are still undergoing evaluation. Out of the evaluated files, 75,530 applications (96.39%) were approved, while 2,833 files (3.61%) were rejected (Pusat Data dan Informasi Obat dan Makanan, 2020).

There are several regulations for cosmetics in Indonesia:

1) Minister of Health Regulation (Permenkes) No. 1176/MENKES/PER/VIII/2010 of 2010 regarding Cosmetics Notification.
2) Head of the Food and Drug Monitoring Agency (BPOM) Regulation No. 19/2015 regarding Technical Requirements for Cosmetics.
3) Food and Drug Monitoring Agency (BPOM) Regulation No. 23/2019 regarding Technical Requirements for Cosmetic Ingredients.
4) Food and Drug Monitoring Agency (BPOM) Regulation No. 12/2020 regarding Procedures for Filing of Cosmetics Notifications.

If the product is safe and meets the requirements, BPOM will issue a distribution permit. The cosmetic registration process takes one to two months. After the BPOM notice is issued, cosmetic brands must import all registered products within six months for the notice to remain valid. BPOM will inspect the building facility to ensure product safety and distribution standards.

The permit, known as a 'Notice', ensures that all cosmetic products in Indonesia meet BPOM's criteria for safety, quality, design, and purpose. Only qualified applicants receive notifications and there are specific documents to submit for compliance.

These regulations will benefit existing companies whose products are already registered with the BPOM. However, for the new brands trying to enter the market, they may encounter some barriers as they must fulfil BPOM criteria to be marketed.

Indonesia's cosmetics and household industries are emerging markets that have attracted many new businesses in recent years despite specific legal barriers. The increased competition has prompted enterprises to improve the quality of their products to meet customer demands and adopt a more competitive pricing strategy, making their products more affordable for consumers. As a result, customers have responded positively to these improved offerings.

The industry’s increased competition has created new challenges for existing businesses. The entry of more players in the market has heightened the threat of new entrants. The potential threat from new entrants scores a maximum of 4 out of 5 on the threat scale.

3. Threat of substitute products

Substitute products are an alternative way to meet buyer's needs. The effect of substitute products on the original product is to establish price limits, as price hike leads loyal customers to switch to substitute products.

Several factors that can influence the threat of substitute products are as follows:

Table 4. Analysis of Threat of Substitute Products

Threats of substitute products		
No.	Variable	Indicators
1	Replacement products	There are substitutes products
2	Switching costs	The ease with which buyers can switch between cosmetic brands.
3	Quality of substitutes	The comparable quality of alternative products.

The following is a detailed explanation of each variable:

1) Replacement products

Indonesia's cosmetics industry has no direct substitute products for cosmetics, but there are likely substitute products with the same purposes in beauty. These products are consumption drugs provided by beauty clinics. The cosmetic market in the country is vast, and the trend of beauty clinics is increasingly growing among society. According to Erha Clinic Indonesia's CEO, Alfons, the beauty treatment industry in Indonesia has grown by 15 percent, which is higher compared to the neighboring countries like Malaysia and Singapore, where growth is below 10 percent. This creates attractive business opportunities that are sought after by local and international beauty doctors and entrepreneurs.

Apart from consumption drugs, other substitute products that enhance one's beauty include a wide range of food and beverages. These products offer unique benefits and significantly add to one's beauty routine. For instance, beauty drinks have gained popularity due to their ability to nourish the skin from within. They are often made with hydrolyzed collagen, an important ingredient known for its ability to rejuvenate the skin. Another option is skin beauty supplements, specially formulated to provide essential nutrients that promote healthy and radiant skin. By promoting how the products are incorporated into customers' beauty regimens, they can experience enhanced beauty and overall well-being.

The availability of substitute cosmetics and skin care products has significantly increased in Indonesia. This has provided consumers with a wider range of options to choose from, which not only caters to their needs but also offers additional benefits that enhance their overall experience. With the growing accessibility of these substitute products, consumers can now enjoy more variety and explore different alternatives that suit their preferences and requirements.

2) Switching costs

It is important to acknowledge that consumers' decisions to switch to substitute products are often complex and influenced by various factors. Market trends and changes in consumer preferences are two crucial elements that impact decision-making. However, the availability of alternative options, price differentials, promotional activities, brand reputation, and product quality are also significant.

Cosmetic industry companies must understand market trends, monitor changes in consumer preferences, and analyze these additional factors to respond effectively. By doing so, they cannot only maintain but also enhance their market share by attracting and retaining more customers who value their offerings.

If substitute products have lower prices than the products they replace, consumers tend to switch to save costs. However, when comparing cosmetic and skincare products available anywhere, such as in stores and online, to beauty clinics that offer medications and treatments using advanced technology, people are still more attracted to cosmetic and skincare products marketed in the market. This is because of the convenience and accessibility of these products, as well as the wide variety of options available.

Moreover, it is important to note that specialized beauty clinic products often come with additional costs. Before determining suitable products for customers, these clinics typically require a consultation with experts, usually beauty doctors. This additional step incurs expenses such as consultation fees and diagnostic tests. Thus, the high cost of switching to visiting experts and beauty clinics can be a deterrent for many consumers.

3) Quality substitutes

The main factor when it comes to choosing a cosmetic product is its quality. If substitute products offer equal or better quality than the original product, consumers may choose to switch. In the Indonesian cosmetics market, consumers have some considerations when choosing to switch from market products to products offered by doctors and beauty experts at a beauty clinic. Usually, products recommended by experts are considered to have higher quality, as they are directly produced by expert doctors based on customer complaints.

However, for beauty supplements consumption, consumers need to be aware of the side effects of consuming the drugs and also need to trust the expert. It is necessary to conduct research such as background checks on the doctor providing products and services in the beauty clinic. This is the factor that makes customers remain loyal to cosmetic and skincare products marketed in the market, which have similar quality and fewer side effects.

As there are no direct substitute products available in the industry. This indicates that the threat of substitutes is relatively low. Customers have limited options, which provide a certain level of stability for the existing products. The score assigned for the threat of substitute products is 2 out of 5, indicating that while there is some potential for substitutes to emerge in the future, they are not likely to have an immediate significant impact on the market.

4. Bargaining power of buyers

In general, when buyers are given several options and the cost of switching to a different supplier is low or negligible, they have "power." This power is demonstrated by their ability to negotiate prices.

Buyers can have significant bargaining power for various reasons:

Table 5. Analysis of Bargaining Power of Buyers

Bargaining power of buyers		
No.	Variable	Indicators
1	Number of buyers	The concentration of buyers in the market.
2	Volume of purchases	The quantity of cosmetics purchased by buyers.
3	Price Sensitivity	How sensitive consumers are to price changes

The following is a detailed explanation of each variable:

1) Number of buyers

The growth of the cosmetics market in Indonesia can be attributed to various factors. Firstly, there is a rising awareness among Indonesians about their well-being, which has led to a greater emphasis on personal care and beauty. This shift in mindset means individuals are now more conscious of taking care of themselves and enhancing their appearance. Consequently, the demand for cosmetic products has significantly increased, with makeup becoming an essential part of women's everyday lives. Women in Indonesia are embracing cosmetics as a means of self-expression and confidence-boosting.

The demographic landscape of Indonesia plays a crucial role in the growth of the cosmetics market. As of 2022, there were over 135 million females in the country, providing a vast consumer base for beauty products (Data World Bank , 2022). Additionally, the average age of the population is productive, which means that a significant portion of the population falls within the age group that is highly interested in cosmetics and personal care. This demographic advantage further fuels the demand for cosmetic products in the country.

In addition, there is an increasing inclination among Indonesian men, particularly those residing in urban areas, to adopt cosmetic and skincare products. Nowadays, men are more accepting of the concept of utilizing beauty products to improve their looks and maintain healthy skin. This change in attitude has resulted in the creation of a fresh market segment for cosmetic companies to explore, thereby further expanding the cosmetics industry in Indonesia.

However, the targeted market of buyers is not limited to Indonesia alone. The Ministry of Industry (Kemenperin, 2022) has pointed out that there are also opportunities in the ASEAN market, which can stimulate export growth. This is due to the similarities in climate, socio-cultural factors, and purchasing power within ASEAN, resulting in similar consumer preferences for cosmetic products as seen in the Indonesian market. The main destinations for national cosmetic exports include Singapore, Thailand, Brunei Darussalam, the Philippines, Malaysia, and Vietnam.

In conclusion, the Indonesian cosmetics industry has a significant number of buyers, which results in a high concentration of buyers in the market. When a few large buyers dominate a market, they tend to have significant bargaining power, as their purchasing decisions can have a substantial impact on the cosmetics companies operating in the market.

2) Volume of purchases

The cosmetics industry can be heavily influenced by a few large buyers who dominate the volume of purchases. These key buyers have significant bargaining power which allows them to negotiate highly favourable terms, obtain substantial discounts, and even secure exclusive deals that may not be available to other players in the market. As a result, the industry becomes heavily reliant on these buyers, and their preferences and demands can shape the dynamics of the entire industry. Other stakeholders in the industry need to navigate and adapt to the demands of these powerful market players in order to remain competitive.

Retail chains and beauty specialty stores that make large purchases hold significant influence in the cosmetics industry. They have the power to control distribution channels and negotiate better terms with cosmetics suppliers. Furthermore, the cosmetics industry in Indonesia has undergone a transformation with the emergence of e-commerce platforms such as Tokopedia, Shopee, and Lazada. These platforms offer a wide range of products, competitive prices and a convenient shopping experience and are increasingly becoming the preferred choice for buyers.

The cosmetics industry has been significantly impacted by the strong adoption of e-commerce. According to a report from Compas Market Insight, the total revenue generated from the sale of cosmetics on popular e-commerce platforms Tokopedia and Shopee was Rp 5.6 trillion between June 2021 and March 2022. This revenue was generated from selling 78.9 million packages or products, including facial, lip, and eye cosmetics. In October 2021, there was a year-on-year increase in sales revenue of 13.17%, while in March 2022, the increase was 49.54%. The cosmetics category alone generated transactions worth Rp 893 million in January 2021.

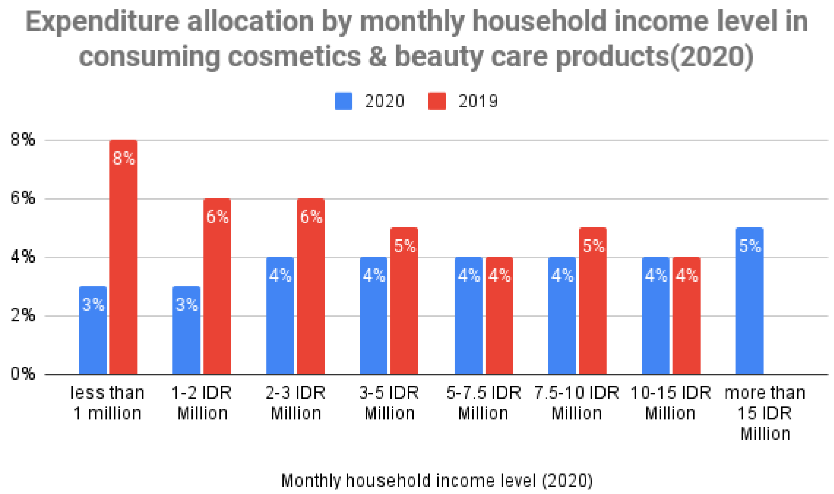
3) Price Sensitivity

The cosmetics industry offers a wide range of products at varying price points, leading to differences in quality and availability of substitutes that may influence consumers' price sensitivity. Buyers with many options and low brand loyalty tend to be more sensitive to price, giving them more bargaining power to seek discounts or switch to alternative brands.

As Indonesia's per capita GDP increases, more people are entering the mid-income and affluent customer segments. This rise in purchasing power enables them to prioritize self-care and invest in beauty products. Even during economic downturns, Indonesian women prioritize buying beauty products, highlighting the importance of personal grooming and self-care. This consumer behaviour contributes to the sustained growth and appeal of the cosmetics market in Indonesia.

A 2020 survey conducted by Deloitte found that income is among the factors that can impact price sensitivity when purchasing cosmetics and skincare products.

Figure 10. Expenditure Allocation in Cosmetics & Beauty Care Products by Monthly Household Income Level



Sources: Deloitte Consumer Insights Adapting to the new normal in Indonesia 2019-2020

The data suggests that during the pandemic, Indonesian consumers had to deal with economic difficulties. However, it is observed that higher-income consumers may find it more difficult to adopt a cautious spending approach. As a result, they may allocate a smaller proportion to the welfare & savings category as they start feeling more financially constrained. On the other hand, lower-income consumers may already be used to being careful with their spending and, therefore, are better equipped to maintain their previous allocations to the welfare & savings category. One significant difference is that people earning less than 1 million IDR typically spent around IDR 50,000-80,000 in 2019, but in 2020, it decreased to 10,000-30,000 IDR (Deloitte Consumer Insights Adapting to the New Normal in Indonesia, 2021).

In conclusion, it is important to consider various economic factors when analyzing the impact on price sensitivity of buyers. One crucial economic factor is the income levels of consumers. Higher income levels generally result in lower price sensitivity, as consumers are less likely to prioritize price over other factors. On the other hand, during economic downturns, when income levels may be lower and overall economic stability is compromised, consumers tend to become more price sensitive. This increased price sensitivity gives consumers more power in the market, as they are more likely to compare prices and seek out the best deals. Therefore, businesses need to be aware of the economic climate and adjust their pricing strategies accordingly to cater to the changing needs and behaviours of consumers.

The bargaining power of buyers in the industry can be classified as high/strong due to the availability of various products with different price points. This can greatly influence the buyer's decision. To ensure that customers choose their products, businesses in the industry must be highly competitive in their product strategies. Therefore, the rank value of bargaining power is 4 out of a maximum of 5 levels.

5. Bargaining power of suppliers

When suppliers have the ability to increase prices without losing customers, it shows that they hold a significant amount of power. As a result, the industry may experience reduced profits due to the increased input costs imposed by suppliers. Factors that can affect the bargaining power of suppliers can be seen from the analysis below:

Table 6. Analysis of Bargaining Power of Suppliers

Bargaining power of suppliers		
No.	Variables	Indicators
1	Supplier Dominant	Suppliers are dominated by imports
2	Differentiation of inputs	The concentration of suppliers providing raw materials.

The following is a detailed explanation of each variable:

1) Supplier dominant

The National Cosmetic Industry is facing several challenges concerning the supply of raw materials. Most of the raw materials used in the industry are still imported, which puts the industry's stability and sustainability at significant risk. The cosmetics industry operates on a global scale and requires diverse and unique ingredients to meet the specific demands of each product. Manufacturers often source raw materials from different regions to fulfill their formulation needs. For example, specialized ingredients such as peptides, retinoids, and alpha hydroxy acids may be imported to provide anti-aging and skin-renewing properties, depending on the type of cosmetic product.

To tackle this issue, the government has been actively promoting and encouraging the development of domestic raw material capabilities. Indonesian cosmetic industry is increasingly prioritizing the use of raw materials sourced from nature. Utilizing natural resources like essential oils, seaweed, and plants offers a more sustainable and eco-friendly approach to creating cosmetic ingredients. This not only reduces dependence on imported raw materials but also encourages the use of locally available resources.

To further support and incentivize the development of domestic raw materials, the government has implemented Government Regulation No. 45 of 2019. This regulation introduces a new concept of Unpredictable Tax which offers a 200% tax benefit for vocational training and a 300% tax benefit for innovation. This means that companies operating in the cosmetic industry can enjoy tax benefits and deductions for investments made in vocational training and innovative research and development. By providing this incentive, the government aims to stimulate the industry's growth and encourage the creation of more diverse and competitive domestic raw materials.

When suppliers from other countries dominate a market, it means that a significant portion of the products or raw materials are sourced from external sources. This heavy reliance on imported goods can significantly impact businesses in a particular industry.

As a result, the bargaining power of those suppliers increases, making the importing companies more vulnerable to supplier demands. With limited alternatives available, the importing companies may find it challenging to negotiate favourable terms and conditions with their suppliers.

2) Differentiation of inputs

Indonesia is widely known for its extensive range of cosmetic products available in the market, providing consumers with a wide array of choices. This abundance of options is a result of the variety of raw materials supplied by manufacturers. In the cosmetics industry, the primary raw materials used for manufacturing cosmetics consist predominantly of oily substances, including oils, fats, wax esters, and ester oils. These ingredients play a vital role in the formulation and production of various cosmetic products, contributing to their effectiveness and quality.

Cosmetic companies can innovate and differentiate their products by using a diverse range of raw materials. These materials allow them to create unique formulations, textures, and features that set their cosmetics apart from their competitors. The availability of these materials in the market determines the manufacturing of cosmetic products. It is easier to switch between products when using common raw materials that are readily available in the market.

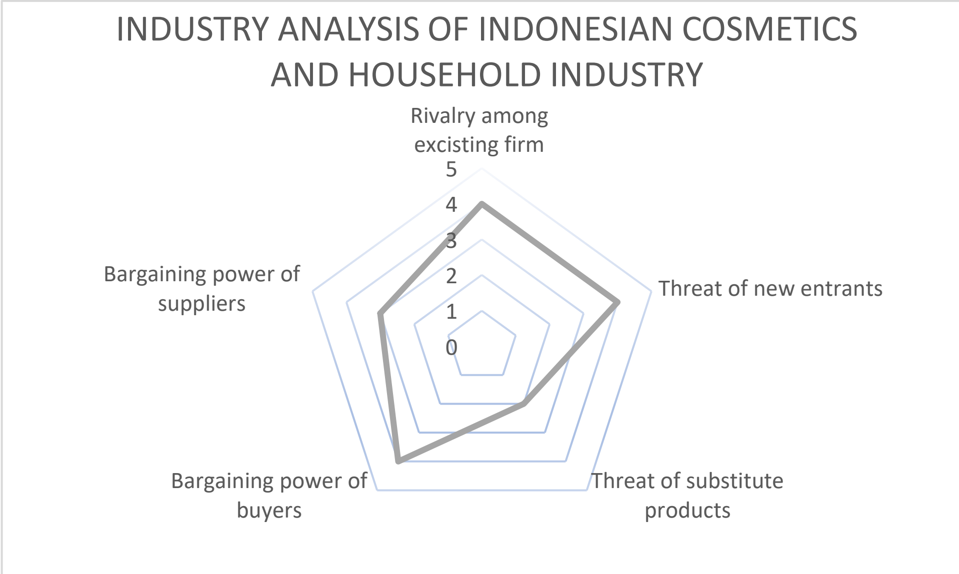
However, selecting suppliers for standardized cosmetic materials may prove challenging.

If there are only a few suppliers dominating the market for key raw materials or ingredients used in cosmetics production, it implies a high concentration of suppliers. This concentration of suppliers can have significant implications for the cosmetics industry. Limited supplier options can give these suppliers more control over the availability of crucial resources, which can directly impact the production and availability of cosmetics products. Moreover, the high concentration of suppliers may lead to increased prices for raw materials and ingredients, as the limited competition allows suppliers to dictate their terms and prices.

Therefore, in the cosmetics and household industries, the bargaining power of suppliers could be categorized as medium. This is because some of the necessary chemicals are difficult to find within the country, which can affect competition and increase costs for the industry. The industry works hard to obtain the best prices for raw materials, but suppliers in Indonesia may provide some of the necessary resources. Therefore, the value of the bargaining power of suppliers is rated at 3 out of 5, which is the maximal level.

The following figure is a graph showing an analysis of Indonesian Cosmetics and Household Industry based on 5 porter forces:

Figure 11. Indonesian Cosmetics and Household Industry Based on 5 Porter Forces



Based on the graph, when the graphic is wider, it indicates a higher level of industry competitiveness. Based on the analysis of the Indonesian cosmetics and household industry, it can be concluded that the rivalry among existing firms is high, with a ranking of 4 out of 5. The presence of many competitors and customer loyalty to industry brands contribute to this high level of rivalry.

The threat of new entrants is also significant, with a score of 4 out of 5. Despite specific legal barriers, the emerging market has attracted many new businesses, prompting existing companies to improve their products and pricing strategies. The threat of substitute products is relatively low, with a score of 2 out of 5. While there is potential for substitutes to emerge in the future, the limited options currently available provide stability for existing products.

Buyers in the industry hold a high/strong bargaining power, with a ranking of 4 out of 5. The availability of various products at different price points greatly influences their decisions. Suppliers have a medium bargaining power, with a score of 3 out of 5. The industry faces challenges in sourcing certain chemicals domestically, which can affect competition and increase costs.

In conclusions, the Indonesian cosmetics and household industry is highly competitive. The presence of many competitors and customer loyalty to industry brands contribute to this high level of rivalry among existing firms. This competitiveness implies that companies in the industry need to continuously strive to differentiate themselves and offer superior products and services to attract and retain customers. It also signifies that businesses must constantly innovate and adapt to changes to stay ahead in the market.

4.1.2 Competitive Strategy Analysis

Considering the concepts of competitive strategy analysis in the context of PT Mustika Ratu Tbk., this company is one of the leading players in the cosmetics and household industry in Indonesia. It was originally founded by Mrs. BRA Mooryati Soedibyo in 1975 as a home industry and has since gained significant popularity among the Indonesian community.

After more than 45 years of existence, it is important to understand the strategies that the company has employed to deal with market competition.

After experiencing rapid growth, PT Mustika Ratu established itself in the Indonesian cosmetics and household industry by adopting a differentiation strategy. With this strategy, PT Mustika Ratu aims to set itself apart from its competitors by offering unique dimensions that customers highly value.

The long-term success of PT Mustika Ratu in the industry is based on a differentiation strategy that includes the following key elements:

a. First Mover Advantage

First-mover advantage is a benefit that a company gains by being the first to enter a new market or introduce a new product or service. In the context of Mustika Ratu, a company in the Indonesian cosmetics and household industry, there are potential first-mover advantages that can be analyzed. Being an early entrant, Mustika Ratu had the opportunity to establish strong brand recognition in the Indonesian market. As the market leader in both traditional and herbal segments in Indonesia, they have a strong position to develop innovative products and services strategically. This not only empowers the company to confidently explore new market opportunities but also enables it to expand its customer base and secure its market share against potential competitors.

The establishment of Indonesia's largest cosmetics company owes much to DR. Hj. BRA Mooryati Soedibyo, a princess descendant of the

Surakarta Palace. She carried on the family tradition of expertly mixing natural ingredients to make traditional herbal medicine for health and beauty.

PT Mustika Ratu was established in 1975 as a home-based industry. In the beginning, the company produced only five types of traditional herbal medicine, along with various traditional body scrubs and cosmetics, such as *lulur* or body scrub, cooling powder, and rosewater.

Mustika Ratu has been fulfilling the beauty requirements of Indonesians for many years by offering them a wide range of cosmetic products that cater to different lifestyle preferences. One of the most superior and highly acclaimed products by this company is the Bengkoang mask. This mask has gained widespread recognition and popularity due to its exceptional skin-brightening properties, making it the top choice for those seeking a radiant and glowing complexion. In addition to the Bengkuang mask, the company has also ingeniously incorporated the essence of Bengkuang into several of its other high-quality skincare products. This strategic inclusion further enhances the effectiveness and benefits of their skincare range, ensuring that customers can experience the remarkable advantages of Bengkuang across multiple products in their skincare routine.

In addition, they offer nourishing olive oil and various traditional makeup options. These high-quality products are consistently in high demand among the Indonesian population, reflecting Mustika Ratu's commitment to delivering exceptional beauty solutions.

b. Improving product diversity and packaging quality.

Product Diversity

PT Mustika Ratu started its operations on March 14, 1978 and earned a good reputation as a pioneer of cosmetics products and traditional herbal medicine. As a pioneer of traditional and herbal cosmetics and skincare in Indonesia, it is important for Mustika Ratu to expand its market. One way to do this is by offering a variety of products to customers.

Having a diverse product range means that a company offers a variety of products to appeal to different segments of the market. This helps the company expand its customer base and decreases its reliance on a specific market or customer segment. By meeting the varied needs and preferences of customers, the company can increase its market share.

Initially, Mustika Ratu focused solely on selling traditional herbal medicine and cosmetics. However, they now offer a variety of product series for sale. These include the skin care series, body & bath care series, hair care series, oral care series, herbal drinks, and the newest additions: the production process of the Lipcream Beauty Queen Series cosmetics and the latest olive oil products.

Here are the best seller products from Mustika Ratu; Skin care series (Bengkuang mask, Minyak Zaitun), Body & bath care series (Traditional body scrubs), Hair care series (Shampoo bayam & Ramuan Penyubur Rambut), Oral care series (Pasta gigi daun sirih), and Herbal drinks (Slimming Tea).

Packaging

Packaging is a crucial aspect of the cosmetics industry, and it can significantly impact a product's market appeal, brand perception, and overall competitiveness.

Packaging refers to the materials and design used to enclose a product, which plays a crucial role in visually representing a brand. Mustika Ratu has established consistent and distinctive packaging that helps to establish a strong brand identity. The strategy employed by Mustika Ratu is called "Re-juve packaging", which refers to packaging that is environmentally friendly and sustainable, often utilizing recyclable materials or reducing waste.

Another innovation is packaging designs should be unique and creative. Such designs may give companies a competitive advantage by setting them apart from their competitors. By introducing packaging that is both innovative and functional, companies can differentiate themselves in the market and attract more customers.

The following are some unique features in the packaging marketed by Mustika Ratu:

Figure 12. Examples of Packaging Mustika Ratu Products

Sources: https://mustika-ratu.co.id/

After analyzing the image presented above, it is evident that Mustika Ratu's products combine traditional Indonesian culture with modern packaging designs. This combination of the past and present, not only pays tribute to the company's heritage but also establishes a unique identity for their products. As a result, Mustika Ratu has developed a strategic approach that prioritizes the preservation of their distinctiveness and constant innovation in packaging. This approach enables them to attract and engage their target audience in a captivating and long-lasting manner.

c. Providing comprehensive product information.

A company website allows potential customers from around the world to access information about the company’s products at any time. This broadens the company’s reach and enables the company to tap into a global market.

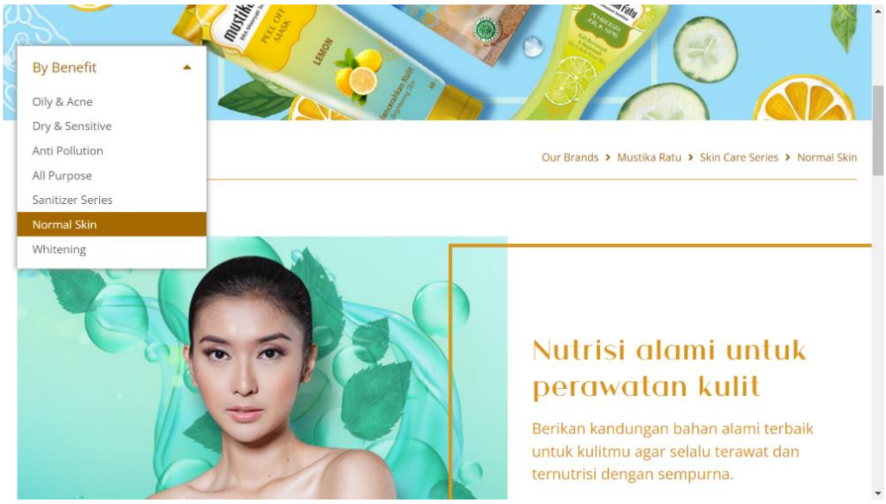
In giving the product information, Mustika Ratu uses its official website *https://mustika-ratu.co.id/* for comprehensive and detailed product descriptions. On the website, the company provides in-depth information about features, specifications, benefits, and usage, helping customers make informed purchasing decisions.

When consumers visit Mustika Ratu's website, they will find a range of products and services from their subsidiary companies and corporate affiliates. The products have been categorized into specific segments such as skincare, haircare, cosmetics, and more. Additionally, buyers can also find best-selling products and flagship items from Mustika Ratu. This categorization makes it easier for the customers to find the products they are interested in.

On the product page, buyers have the option to choose from a wide variety of products that are specifically designed to meet their unique needs and preferences. To provide a seamless and user-friendly experience, the website page is designed to display products that are carefully categorized according to the specific needs and preferences of consumers.

This categorization helps buyers quickly and effortlessly navigate through the available options and find exactly what they are looking for. By presenting products in this organized and user-friendly manner, every buyer can easily find the products that best suit their needs and preferences, ultimately enhancing their overall shopping experience.

Figure 13. The Example of Functional of Company Website



The website also provides a "Buy Now" button for every product, allowing potential buyers to click the button and be directed to the company's online store or any other e-commerce platform, such as Shopee.

The company website is a one-stop destination where customers can find a wealth of information and resources. It presents a detailed overview of the company, its investor relations materials, and showcases its commitment to sustainability. The website keeps customers informed with the latest news and provides contact information so they can easily get in touch for inquiries or collaborations.

The Mustika Ratu website is a valuable resource for potential customers as it provides comprehensive product information. The website allows visitors to access detailed descriptions of products and make well-informed decisions. This enhances their overall shopping experience and showcases the company's commitment to delivering exceptional beauty solutions. Overall, the website is successful in its goal of providing clear and concise information to potential customers.

d. Expanding market share.

Expanding market share in the cosmetics industry refers to the strategic objective of increasing a company's portion of the overall sales and customer base. The goal is to gain a larger share of customers' purchasing decisions while also increasing brand presence in the industry. For Mustika Ratu, expanding market share would involve implementing strategies to attract new customers, retain existing ones, and increase sales volume.

The company has introduced new products that cater to market demands, communicated with consumers through various digital platforms, and conducted field activities to increase brand awareness. Their goal is to encourage people to prioritize their health by using natural products from Indonesia. Moreover, the company collaborates with different entities to sustain its product demand and even expand it in the future.

The company is focusing on intensifying its sales through digital platforms such as e-commerce, omnichannel, and B2B as part of its marketing strategy. This has resulted in a significant impact on sales.

The e-commerce transactions of the Company in 2022 showed a remarkable growth of 162% compared to the previous year, especially for the Brightening Bengkoang Series and Instabright Glow products. Additionally, Face Care products witnessed a growth of 43% and Beauty Queen products experienced a growth of 17% (Annual Report PT Mustika Ratu Tbk, 2022).

In addition, the company has also entered into collaborations with several parties, including PT Kimia Farma Tbk, to develop herbal medicine, spa, wellness, and clinics, by leveraging the extensive reach of Kimia Farma outlets and Mustika Ratu spas. As a pioneer and preserver of Indonesian beauty care culture, the company is excited to collaborate with Marriott International Indonesia to support the Government's initiative to revive health and wellness tourism in Indonesia.

e. Expanding international networks.

In order to increase sales, the company is focused on expanding its business, particularly in the export market. Mustika Ratu achieves this by broadening its distribution channels in multiple countries such as Malaysia, Taiwan, Korea, the United States, Dubai, and Canada. Additionally, the company planned to target new export destinations in 2022, including Japan, the UAE, and Australia. Throughout 2022, the Export Department worked hard to promote the company's products in various countries. This includes sponsoring makeup for the Beauty

Queen event held at the Embassy of the Republic of Indonesia in Kuala Lumpur and participating in the Empowering Randai through IPTA's Performing Art event.

The company also promotes Minyak Telon products in Leicester, UK through HALAL (http://street.co.uk/). The herbal and health drinks are packaged in modern style and are Ready To Drink (RTD). These drinks are becoming popular in General Trade (GT) in Japan and have been included in the Food Fair event in Japan.

In 2022, PT Mustika Ratu Tbk expanded its market to the UAE and Qatar by participating in the Expo 2020 Dubai UAE event. The Indonesian Pavilion at the Expo attracted over 2.5 million visitors who witnessed the production process and tasted Indonesian traditional herbal medicine "jamu". Mustika Ratu introduced its natural, safe, and halal beauty product line named Beauty Queen Series. With promotions conducted in several export destinations, the company hopes to achieve excellent long-term results.

The Export Department of PT Mustika Ratu Tbk has seen a boost in its sales performance due to the company's expansion into international markets. Notably, the sales of products from PT Mustika Ratu Malaysia Sdn Bhd have witnessed a significant surge in the Malaysian market. The market demand for these products increased by

45% compared to the previous year, 2021(Annual Report PT Mustika Ratu Tbk, 2022).

f. Enhancing distribution access.

The company's focus is to enhance the distribution channels of their products. To achieve this, the company plans to improve its go-to-market strategy for its Holistic Beauty, Health, and Wellness products across relevant outlets. The company aims to expand its network of distributors and improve payment terms. To establish an efficient sales team organization, the company has explored various methods, one of which is to expand distribution channels and increase its international market presence by utilizing the Jejamu outlet.

Mustika Ratu also plans to offer training programs in collaboration with online training providers and the Mooryati Soedibyo Education and Training Institution. Additionally, the company aims to optimize the performance of PT Mustika Ratu Entertainment, which focuses on Talent Management and Media and Content start-up.

The company has been working towards improving its distributor's capabilities in finance, distribution, infrastructure, and human resources, along with its commitment towards the company. The company has created 14 distribution points that are divided into two regions - Sumatra and West Java. The main objective behind developing these distribution points is to optimize sales and distribution performance, especially in the potential business development areas of Sumatra and West Java.

The development of these 14 distribution points aims to improve product availability in the market, reduce potential sales losses due to product unavailability, and enhance and expand distribution areas in general trade, wholesale, and modern trade channels.

In International market, MRAT has recently signed a trade contract with five countries, including the United States, Australia, Japan, UAE, and Saudi Arabia in the international market. Following this success, MRAT has now joined forces with PT Raena Ruma Indonesia (RAENA) in order to enhancing their distribution access. RAENA is a leading platform for beauty product resellers and drop shippers in Indonesia. RAENA offers over 1,000 affordable skincare, body care, haircare, and makeup products from 250+ local and international brands.

g. Suppliers

The company specializes in producing health and beauty products made from herbal plants and traditional Indonesian herbs. Mustika Ratu sources its raw materials from Rumah Hayati, which is owned by the company and located in Tapos, Bogor, West Java. All of Mustika Ratu's materials are sourced from various types of medicinal plants that are abundant in Indonesia. By using local herbal raw materials, the company benefits from both simplisia and non-simplistia materials. Simplisia materials, such as lemongrass, turmeric, ginger, *temulawak*, and *temu ireng*, are readily available. Non-simplisia materials are obtained from local suppliers in the Jabodetabek area.

The company uses only 100% locally sourced herbal ingredients for their raw materials. However, it still relies on imports for packaging materials such as pumping bottles for hand sanitizers or cosmetic pumping bottles. Unfortunately, in 2022, the company faced challenges due to the geopolitical situation between Russia and Ukraine. This has led to increased prices for both raw materials and packaging, as well as expensive export shipping costs.

To tackle the challenges, the company has formed an interim Task Force (Satgas). The team has come up with various solutions, one of which involves implementing cost-efficiency policies to reduce the burden of expenses. The cost-cutting measures will focus on reducing the costs of raw materials, packaging, facilities, and equipment, while also addressing overheads. Additionally, the company aims to align the Sales Forecast with Production to ensure adequate supply.

h. Promotions / Advertising

The company introduces products through brand ambassadors, influencers, makeup artists, and events. They collaborate with various parties to increase brand awareness. They use mega and micro–Key Opinion Leaders (KOL) and collaborate with expert chefs and co-branding in events.

Puteri Indonesia and Celebrity Brand Ambassadors like Mawar de Jongh and Raditya Dika support their marketing strategies. Mawar de Jongh represents the Brightening Bengkoang Series and Instabright Glow products, while Raditya Dika represents the Ready To Drink (RTD) Jamu products. As a result, Raditya Dika has made a breakthrough in the Japanese and Australian markets.

The company also strengthens availability and visibility of products in stores, collaborates with beauty, fashion, and youth events, and partners with telemedicine and omnichannel platforms. The Beauty Queen series has been a significant factor in promoting the company's product, gaining significant market attention and recognition. The series has been chosen as the official makeup and hijabdo partner for Jakarta Muslim Fashion Week (JMFW) 2022, and has been entrusted with providing the official makeup and hairdo team for the National Flag Raising Ceremony since 2019.

The company also collaborates with the IdEA (e-Commerce Association), by using digital advertising, promotions, and discounts on purchases. It collaborates with Key Opinion Leaders (KOLs) and organizes makeup class workshops and tutorials to introduce and promote its products.

i. Leveraging social media for effective communication.

The company strives to maintain transparency in its information disclosure, both internally and externally, by adhering to the principles of good corporate governance (GCG). It achieves this through several means such as the Annual Report, Sustainability Report, Company Profile, and Newsletter. The latest information about the company is also disseminated through various communication channels, such as websites and emails.

Information and data regarding PT Mustika Ratu Tbk can be obtained through the company's social media, namely:

1. Instagram: @mustikaratu.corporate, @mustikaratuind, @mustikaratuentertainment
2. YouTube: Mustika Ratu Entertainment
3. Facebook: Mustika Ratu IND
4. TikTok: Mustikaratuind_
5. LinkedIn: PT. Mustika Ratu Tbk

The company uses these accounts to disseminate information about its business and activities.

Social media benefits Mustika Ratu by increasing brand visibility and enabling direct communication with customers. Additionally, social media platforms offer advanced targeting options that enable Mustika Ratu to effectively reach its target audience and personalize its marketing campaigns. Moreover, partnering with social media influencers can enhance the brand's message and reach by leveraging its influence and credibility.

Finally, social media presents a chance for Mustika Ratu to leverage the influence of user-generated content, enabling customers to share their experiences and testimonials. This can significantly improve brand credibility and trust, ultimately leading to the growth and success of the company. In general, Mustika Ratu can gain many advantages by incorporating social media into their marketing strategy.

4.2 Accounting Analysis

1) Identify Key Accounting Policies

a) Identify and evaluate the policies and estimates the firm uses to measure its critical factors and risks

In 2017, based on notes of financial statements of PT Mustika Ratu Tbk 2c. about the *Adoption of Statements Standards (SDAS) and new Interpretations of Financial Accounting Standards (IFAS) and revised,* it states that "There is no material impact on standard and interpretation effective on January 1, 2017, of Company consolidated financial statements".

These include SFAS (Statement of Financial Accounting Standards) and new and revised IFAS (Indonesian Financial Accounting Standards), including amendments and annual revisions that are effective in the current year:

1) Amendment to SFAS No. 1, "Presentation of Financial Statements on Initiative Disclosures"
2) SFAS No. 3 (Revised 2016), "Interim Financial Reporting"

3) SFAS No. 24 (Revised 2016), “Employee Benefits”

4) SFAS No. 58 (Revised 2016), “Non-current Assets Held for Sale and Discontinued Operations”

5) SFAS No. 60 (Revised 2016), "Financial Instruments: Disclosures", And

6) IFAS No. 31, “Interpretation to Scope under SFAS No. 1, “Investment Property”

In 2018, SFAS and new and revised IFAS including the amendment and annual revised effective in the current year as follows:

1) Amendment to SFAS No. 2, “Cash Flow Statements on Initiative Disclosures” This amendment requires entities to disclose changes in liabilities resulting from financing activities, including cash flow and non-cash items.

2) Amendment to PSAK No. 16, “Fixed Assets on Agriculture: Productive Plants” This amendment clarifies that productive plants (plants bearer) are considered fixed assets under IAS 16.

3) Amendment to SFAS No. 46, “Income Tax on the Recognition of deferred tax assets for unrealized losses” The amendment SFAS No. 46 discusses accounting analysis and highlights key points such as temporary differences in debt instruments, aligning valuation with tax regulations,

excluding tax reduction from deferred tax assets in estimating future taxable income, and considering the recovery of assets exceeding their carrying amount if there is sufficient evidence.

In 2019, According to Notes 2a. Standard issues and effective in the current year of Consolidated Financial Statements PT Mustika Ratu Tbk and its Subsidiaries, “Several SAKs and ISAKs including amendments and annual improvements that became affective in the current year and are relevant to the Group’s operation have been adopted as disclosed in the Summary of Significant Accounting policies.” Amendments and annual improvements effective in the current year as follow:

1) ISAK No. 33 "Transactions of Foreign Exchange and Advances in Advance", ISAK No. 33 explains the use of transaction dates to determine exchange rates for recognizing assets, expenses, or income when benefits have been received or paid in advance in foreign currency.
2) ISAK No. 34 "Uncertainty in Income Tax Treatment", ISAK No. 34 clarifies uncertainty in tax treatment in financial statements.
3) Amendments to PSAK No. 24 (2018): Employee Benefits on the Plan Amendment, Curtailment or Settlement, Amendment to PSAK No. 24 provides clearer guidance for

entities in recognizing past service costs, settlement gains and losses, current service costs, and net interest after plan amendment, curtailment, or settlement. It also clarifies how accounting requirements for plan amendment, curtailment, or settlement can affect the upper limit of asset requirements, impacting the change in the asset's upper limit.

4) 2018 Amendments to PSAK No. 46: Income Taxes, PSAK NO. 46 affirming the consequences of income tax on dividends, particularly when an entity recognizes liabilities to pay dividends. The income tax consequences are recognized in profit or loss, other comprehensive income, or equity, depending on the entity's guidelines.

5) Amendments to PSAK 26: Borrowing Costs. The amendments state that when an entity borrows money for a qualifying asset and completes most of the activities to prepare the asset, it should consider this borrowing as part of its overall borrowings.

In 2020, new and revised SAKs and ISAKs including amendments and annual improvements effective in the current year are as follows:

1) PSAK No. 71: Financial Instruments, adopted from International Financial Reporting Standards (“IFRS”) 9, which provides guidelines for classifying and measuring

financial instruments based on cash flows and the entity's business model. It introduces an expected credit loss impairment model and accounting guidelines for hedging.

2) Amendments to PSAK No. 71: Financial Instruments: Prepayment Features with Negative Compensation, this amendment states that a financial asset with prepayment features that could lead to negative compensation is considered a contractual cash flow derived from the principal and interest of the owed amount. PT Mustika Ratu Tbk has adjusted the retained earnings in the beginning of 2020 and resulted to a decrease of Rp26.2 billion or 7% of total equity compared to 2019.

3) The adoption of PSAK No. 72 Revenue and PSAK No. 73 Leases, did not have a significant impact on the Group’s consolidated financial statements.

4) Amendment to PSAK 1 “Presentation of Financial Statements” and Amendment to PSAK 25 “Accounting Policies, Changes in Accounting Estimates and Errors”. This amendment clarifies the definition of material to harmonize it with the definitions used in the conceptual framework and relevant PSAKs.

5) Amendment to PSAK 15 "Investment in Associates and Joint Ventures concerning Long-Term Interests in Associates and Joint Ventures".
6) Amendment to PSAK 62 "Insurance Contract - Implementing PSAK 71: Financial Instruments with PSAK 62: Insurance Contract".

In 2021, new and revised SAKs and ISAKs including amendments and annual improvements effective in the current year are as follows:

1) Amendments to PSAK No. 22 provide clarity on the minimum requirements for a business, eliminate the need to assess market participants' ability to replace missing elements, offer guidance on evaluating the substance of an acquired process, refine definitions of a business and its outputs, introduce an optional fair value concentration test, and include new illustrative examples.

In 2022, the following are the revised Financial Accounting Standard including amendments and annual improvement applicable on or after January 1, 2022:

1) Amendment to PSAK 22, “Business Combination” regarding references to the conceptual framework.

2) Amendment to PSAK 57 Provisions, Contingent Liabilities, and Contingent Assets" regarding onerous contracts - cost of fulfilling contracts.

3) Annual improvement of PSAK 71, "Financial Instrument" regarding derecognition of financial liability.

4) Annual improvement of PSAK 73, "Lease" regarding clarification of lease incentives.

b) Key success factors

i. Product Quality

To maintain excellent quality standards and product quality, the company obtained the ISO 9002 and ISO 14001 certificates in 1996. In 2015, the company implemented the latest version of the international standard 9001, transitioning from ISO 9001:2008 to ISO 9001:2015, for its Quality Management System. The company also implemented ISO 14001:2015 for its Environmental Management System. These certifications were effective from March 10, 2020, until February 5, 2023.

The company has also obtained a Good Manufacturing Process (GMP) certificate, which is divided into two categories. The Good Manufacturing Practices of Cosmetics (CPKB) certificate is valid until September 13, 2024, and the Good Manufacturing Process of Traditional

Medicines (CPOTB) certificate is valid until February 17, 2025. In addition, the company has a valid Halal Assurance System certificate, which is effective until 2022.

The company's implementation of product quality standards and production processes has been recognized domestically and internationally, indicating its commitment to maintaining customer trust. The Halal Certificate obtained by PT Mustika Ratu Tbk demonstrates its strong dedication to safeguarding Indonesian consumers, who are predominantly Muslim. These certificates are valuable asset for the company to access the global market, especially in countries with a high demand for halal products. This can be concluded that, the company has prioritized product quality while increasing efficiency at all stages in its production process.

During 2022, the company focused on implementing strategic initiatives in its IT department. The objective of these efforts was to expand the customer base and enhance product quality. The company consistently updates its IT infrastructure, which involves upgrading its hardware and software along with investing in its human resources, to maintain its high level of quality and excellence in the IT sector.

The IT development carried out by the company includes upgrading its ERP system, implementing Office 365, and automating the sales force to streamline processes and improve operational efficiency.

The company ensures that the production team receives proper training to produce high-quality products. This training includes Good Manufacturing Practice (GMP), CPOTB, and CPKB, and is aligned with the cultural values of PT Mustika Ratu Tbk. These values prioritize integrity, adherence to rules, honesty, commitment, and consistency in all actions. The company's efforts in providing this training also serve to develop human resources (HR) that can adapt to current market conditions.

ii. Innovations

Innovation is crucial for PT Mustika Ratu Tbk's success in the rapidly developing industry. The company uses innovation to stay competitive and optimize growth, focusing on product innovation and operational performance to produce superior products that benefit society. By providing continuous benefits to stakeholders, the company contributes to improving the health and welfare of society.

In 2017, the company launched new products targeting millennials, including Mustika Ratu Matte Lip

Cream, Mustika Puteri Matte Lip Cream, and Kolang Kaling drink in bottle packaging. In 2018, Mustika Ratu introduced two new product lines for millennials: the Beauty Queen Series and Anti-Pollution Skin Care Series.

In 2019, the company focused on developing modern and chic decorative makeup products. As part of this, Beauty Queen brand launched two new products - the Beauty Queen Dynamic Duo 2-in-1 Lip and Eye, and the Beauty Queen in Me Makeup Palette.

In this year PT Mustika Ratu Tbk also collaborated with Wakeup Makeup to create two innovative products named O My Velvet and O My Tint. O My Velvet is a lip cream with four colours and a velvety texture. It contains three natural ingredients for moisturized and healthy lips. O My Tint is a lip tint with three colour variations, a water-like texture, and six natural ingredients with lightweight colour pigments. These new two products are designed for active and dynamic millennials who prioritize practicality.

PT Mustika Ratu Tbk launched new initiatives in holistic beauty, health, and wellness in 2020. The company has also adjusted its business during the COVID-19 pandemic and introduced healthcare products.

In 2021, PT Mustika Ratu Tbk implemented business innovations in holistic beauty, health, and wellness. It introduced health products such as Herbamuno+ for the Indonesian market, adapting to the COVID-19 pandemic situation.

The latest innovation is the company announced plans to divest non-productive assets. The divestment was approved by the Extraordinary General Meeting of Shareholders on October 28, 2022. This strategic move supports the company's innovation and business expansion in the export sector and spa franchise.

iii. Research and Development

The company specializes in creating personal care products, particularly the New-Olive Oil with Essential Oil. This product has three different variations: Skin Firming Nutrition, Calming & Soothing, and Restful Night. These variations are specifically designed to help calm the mind and relax the body. Additionally, the company is committed to developing products in the Beauty Queen cosmetics range. It has recently introduced the Ultraluscious Matte Lipcream series, which is formulated based on its internal research, consumer needs, and the latest trends in Mask Beauty Makeup. The Research and Development Department

(R&D) and the New Product Development Department (NPD) work together to innovate and meet consumer demands. All in all, the company strives to create high-quality products that satisfy their customers' needs.

The Ultraluscious Matte Lipcream has been developed to cater to the demands of the market. Its unique Hybrid Formula not only enhances the appearance of the lips but also provides skincare benefits to take care of lip health. The Lipcream is available in 10 shades that are perfect for creating an ombre style look: Red Me See, Red-dy Lady, Fearless Star, Caramel Hazelnut, Chic Coral, Brick The Silence, Sweetheart Pink, Pinky Swear, Rose Blush, and Nude Newtral. The Lipcream has a pleasant vanilla scent, which studies have shown can have a calming effect, reducing stress. The packaging of the Lipcream is trendy, with a hologram embossment, making it a unique and valuable product.

The company has recently introduced innovative herbal medicines and health drinks. The Seasonal Series Jejamu products, such as Jingle Latte and Rudolph's Red Nose, have been launched and are perfect as hampers for celebrations such as Chinese New Year, Eid, Christmas, and New Year. Jingle Latte is a combination of Green Tea and

Moringa Leaves, which helps to lower blood sugar levels, maintain health and brain function, and improve the immune system. Rudolph's Red Nose is a drink made from Secang, which helps to treat skin infections, gout, scarlet fever, and relieve pain.

Mustika Ratu has expanded its business by enhancing its Research and Development (R&D) activities. In the cosmetics industry, R&D is essential for several reasons. First, it enables companies to create new and innovative products that meet the evolving needs of consumers. This includes advanced formulas, new ingredients, and improved performance. Second, innovation helps companies stay competitive and attract customers. Therefore, Mustika Ratu's focus on R&D is a smart move that will help the company grow and succeed in the long run.

iv. Product Defects

The company understands that all businesses come with risks. Therefore, it places a significant emphasis on the principles of Good Corporate Governance in its operations. One of the measures taken by the company is the implementation of a risk management system. Risk management plays a crucial role in both internal and external control, making it an essential part of the company's responsibilities.

In the context of PT Mustika Ratu Tbk, product defects refer to any flaws or malfunctions that occur in their products, which deviate from their intended functionality or pose potential risks to the users. PT Mustika Ratu Tbk is committed to innovation and product excellence and understands the importance of quality control and product development to identify and address any issues related to product defects.

By implementing rigorous quality control measures and continuous product improvement processes, PT Mustika Ratu Tbk ensures that their products meet the highest standards of quality, safety, and effectiveness. Their commitment to addressing product defects demonstrates their dedication to delivering superior products and maintaining customer satisfaction.

PT Mustika Ratu Tbk is a responsible business that places great importance on monitoring and controlling risks to safeguard the assets of its stakeholders. The company identifies potential risks that could disrupt its business activities and optimizes its risk management system to mitigate those risks effectively.

It is of utmost importance to guarantee the reliability of all production tools, including support tools such as the system, as they must be free from any issues or damages. All operational activities must be carried out in a manner that does not cause any harm to the environment surrounding the organization.

2) Assess Accounting Flexibility

PT Mustika Ratu Tbk managers have some flexibility in choosing their key accounting policies and estimates. As a result, the accounting numbers have the potential to provide useful information. The following information provides details on the extent of accounting flexibility that Mustika Ratu managers have when measuring their key success factors and risks.

a) Depreciation policy

The company estimates the useful life of its property, plant and equipment based on the expected lifetime of each asset available for use. These estimates are based on collective judgment from the same line of business, internal technical evaluation, and experience with similar assets.

The estimated useful lives of each asset are periodically reviewed and updated if the estimates differ from previous estimates due to changes in use, technical or commercial obsolescence, or limited rights or other restrictions on the use of the asset. Changes in the amount and timing of costs due to changes caused by these factors can significantly influence future operating results.

Depreciation is computed on a straight-line basis over the property, plant and equipment useful lives as follows:

Table 7. Useful Lives of Property, Plant and Equipment

Years	Property, Plant and equipment
99	Leasehold Land
20-50	Building and improvements
10	Machinery & factory equipment
2-5	Office Equipment
5	Vehicles

b) Inventory accounting policy

Impairment of inventories is determined by reviewing their condition and adjusting their value to reflect the net realizable value at the end of the year. Any write-downs or losses of inventories are recognized as expenses when they occur.

The price of acquisition is stated based on a First-in First-out method (FIFO) to the whole inventory. The group has set aside an allowance for impairment losses on inventory based on estimates that the inventory will not be used in the future or has become obsolete. Management believes that the assumptions used in estimating the allowance for impairment losses on inventory in the consolidated financial statements are appropriate and reasonable. However, significant changes in these assumptions could significantly impact the carrying value of inventories and the amount of allowance for impairment of inventories, which could ultimately affect the Group's operating results.

c) Policies regarding the employee benefits

The amount of employee benefits liability is determined based on Law on Job Creation No. 11/2020, PP No. 35/2021 and Company Regulation with components of liabilities and employee benefits expense.

The determination of the liabilities and post-employment benefits is influenced by the selection of certain assumptions used by an actuary in calculating such amounts.

Those assumptions are described in Note 3r and include among others, discount rate and rate of salary increase, as described below:

Table 8. Liabilities and Post-Employment Benefits of PT Mustika Ratu Tbk (2017-2022)

	2017	2018	2019	2020	2021	20221

Annual Discount Rate	6.36% per annum	6.36% per annum	5.66% per annum	6.84% per annum	5.22%-7.44% per annum	6.43% per annum
Annual Salary increase rate	6.00% per annum	6.00% per annum	4.00% per annum	4.00% per annum	4.00% per annum	4.00% per annum
Mortality value	TM II 2011	TM II 2012	TM IV 2019	TM III 2011	TM IV 2019	TM IV 2020
Normal retirement age	55 years	55 years	55 years	55 years	55 years	55 years

	2017	2018	2019	2020	2021	20221
Present value of employee benefits liability	23,759,890,103	20,355,917,104	20,880,170,306	21,406,284,723	18,475,914,725	17,463,965,145
Employee benefits liability	23,759,890,103	20,355,917,104	20,880,170,306	21,406,284,723	18,475,914,725	17,463,965,145

Actual results that differ from the Group's assumptions are accumulated and spread over future periods, affecting the recognized expense and recorded obligation.

The management believes the assumptions used are appropriate and reasonable. However, significant differences in actual results or changes in assumptions could greatly impact long-term employee benefits liabilities.

3) Evaluate Accounting Strategy

Managers at PT Mustika Ratu Tbk have accounting flexibility, which can be used to communicate the company's economic situation. Here are some strategy questions to consider when examining how managers exercise this flexibility:

a) How do the firm's accounting policies compare to the norms in the industry?

The company has implemented new and revised financial accounting standards (SAK) and interpretations of financial accounting standards (ISAK). These include amendments and annual adjustments approved by the Financial Accounting Standards Board of the Indonesian Institute of Accountants. These standards are relevant to the company's operations and impact its financial statements. In general, PT Mustika Ratu follows the same accounting policies as other manufacturing companies in Indonesia.

PT Mustika Ratu follows the following steps in its accounting cycle for recording transactions: Identification of Transactions, Journal Entries, Posting to the General Ledger, Trial Balance, Adjusting Entries, and preparation of the company's consolidated financial statements.

The consolidated financial statements are prepared by the regulations of the Indonesian Financial Services Authority (OJK) No. Kep347/BL/2012, dated June 25, 2012, rules explicitly No.VIII.G.7 on the Presentation and Disclosure of Financial Statements for Issuers or Public Companies.

Here are the critical points for preparing the consolidated financial statements:

The statements are prepared assuming the company will continue operating and using the accrual basis, except for the consolidated cash flows, which use the cash basis.

The measurements in the statements are based on acquisition cost (historical cost), except for specific accounts that use other measurements as disclosed in the accounting policies.

The consolidated statements of cash flows use the direct method and classify cash receipts and payments into operating, investing, and financing activities.

The consolidated financial statements are prepared using Rupiah (Rp) as the reporting and functional currency of the Group.

b) Do managers face strong incentives to use accounting discretion to manage earnings?

Yes, the managers of PT Mustika Ratu Tbk have incentives. The process of nominating members of the Board of Commissioners and Board of Directors involves selecting candidates who meet the necessary criteria. The selected candidate is then proposed to the company's Board of Commissioners and presented to the General Meeting of Shareholders for approval.

The Nomination and Remuneration Committee must act professionally with integrity and comply with applicable laws and regulations. The Head of the Committee should refrain from having business relationships with shareholders or the company's business to maintain independence.

The company's Supervisory Board Committee is established according to the Regulation of the Financial Services Authority (OJK) No. 34/POJK.04/2014 dated December 8, 2014. It aims to support the nomination and remuneration functions of members.

These factors are considered in determining the structure, policy, and amount of remuneration of PT Mustika Ratu Tbk. The factors include:

i. The structure, policy, and amount of remuneration need to be comparable with remuneration practices in industries with similar business activities and business scales to the companies.
ii. It links the remuneration to the duties and responsibilities of the Board of Commissioners and the Board of Directors, as well as the company's goals and performance. The remuneration also involves considering the targets and performance of each member and maintaining a balance between fixed and variable remuneration components.

The remuneration package for the Board of Commissioners and Board of Directors is comprised of three components: honorarium, allowance, and tantiem/performance incentives. The amount of the remuneration is determined at the General Meeting of Shareholders (GMS) based on the performance achievements of the respective boards.

Table 9. Total Remuneration for the Board of Commissioners and Directors

	Salary and Short-term Benefit					
Description	2017	2018	2019	2020	2021	2022
Board of commissioners	2,692,001,800	2,692,001,800	1,719,851,819	1,336,024,200	1,376,961,650	5,620,928,795
Board of Director	6,493,780,082	6,493,780,082	6,017,868,951	6,146,724,351	5,405,779,047	6,274,757,232

Until 2022, some members of the Board of Directors owned shares in the company, while none of the Board of Commissioners did. Despite facing competition from imported products, which led to a decrease in net sales from Rp326.79 billion to Rp285.18 billion, the Board of Directors received praise from the Board of Commissioners for their efforts in maintaining the company's performance. As a result of their performance, the total nominal of remuneration increased in 2022.

The company expected sales to rise in 2023. The Board of Commissioners monitored performance and advised on improving internal controls. The company focused on business development, product innovation, sales, marketing, and HR. The Board of Directors took practical steps in 2022 to meet market demands.

c) Has the firm changed any of its policies or estimates? What is the justification? What is the impact of these changes?

There have been several changes in the accounting policy applied by the company from 2017-2022.

In 2022, the company implemented new accounting policies and standards that significantly impact its business continuity. These include changes to financial accounting standards and interpretations, as well as amendments and annual adjustments issued by the Financial Accounting Standards Board of the Indonesian Institute of Accountants. The following standards are effective for the fiscal year starting on or after January 1, 2021:

Table 10. The List of Changes in Accounting Policies and Estimates of PT Mustika Ratu Tbk

No.	SFAS Applied	Description	Impact on the Company's Financial Statements
1	International Financial Report Standard No. 71: Financial Instruments	PSAK No. 71 or IFRS 9 is an International Financial Reporting Standard that provides guidelines for entities use to classify, measure, and recognize financial instruments in their financial statements, including assets, liabilities, and equity instruments. The standard lays down principles for initial and subsequent measurement, recognition, and derecognition of these instruments.	This PSAK classifies and measures financial instruments based on cash flows and business model. It introduces an expected credit loss impairment model for more timely and relevant information. It also improves accounting for hedging based on management's judgment. The Group applied the new rules from January 1, 2020 without restating comparative information. The Group adjusted retained earnings at the start of 2020. Equity as of December 31, 2020, was recorded at Rp342.4

			billion, a decrease of Rp26.2 billion or 7% from the previous year.
2	Amendments to International Financial Report Standard No. 71: Financial Instruments "Financial Instruments concerning Features of Accelerating Repayment with Negative Compensation"	The standard provides guidance on how to account for financial instruments that have features of accelerating repayment with negative compensation. These changes align the company's financial reporting with international standards and ensure transparency and consistency in its accounting practices.	This amendment provides that financial asset with prepayment features that may result in negative compensation qualifies as a contractual cash flow derived solely from the principal and interest of the principal amount owed.
3	International Financial Report Standard No. 72: Revenue from contracts with Customers	IFRS 15 guides revenue recognition and measurement from customer contracts. It provides principles for when and how revenue should be recognized, including allocation to different obligations. Following IFRS 15 ensures transparent and consistent accounting, accurately reporting financial performance and providing relevant information to stakeholders.	implementation of PSAK No. 72 has no significant impact on the company's consolidated financial statements
4	PSAK No. 73: Lease	PSAK No. 73 provides guidance on lease accounting, defining leases as either finance or operating leases. It outlines the accounting treatment for each type, including recognition of assets, liabilities, receivables, and income. The standard also requires detailed disclosures about lease transactions.	The adoption of PSAK No. 73 did not have a significant impact on the Group's consolidated financial statements.

d) Have the company's policies and estimates been realistic in the past?

In order to determine whether the company's policies and estimates have been reasonable and accurate, The company has been consistently receiving an "unqualified opinion" of all material aspects of financial statements from auditors from 2017 to 2022, which proves the reasonableness of their accounting policies and estimates for each transaction record.

Over the years, the company's accounting policies and estimates have aligned well with actual outcomes and reality, demonstrating a strong historical track record. Despite the increasing number of policies and estimates, the company has maintained a reliable and consistent approach to accounting policies and estimates.

e) Do the firm structure any significant business transactions so that it can achieve certain accounting objectives?

No, they do not.

During the periods from 2017 to 2022, PT Mustika Ratu Tbk did not have any significant transactions.

4) Evaluate the Quality of Disclosure

In assessing a company’s disclosure quality, here are the questions:

a) Does the company provide adequate disclosures to assess the firm’s business strategy and its economic consequences?

The company provides detailed disclosures that comprehensively understand its business strategy and potential economic consequences. These disclosures offer valuable insights into various aspects of the company's operations, including its objectives, key initiatives, and the market risks and opportunities it faces.

By providing such in-depth information, the company ensures transparency and allows stakeholders to make informed decisions regarding their engagement with the firm. This commitment to disclosure highlights the company's dedication to providing a clear and comprehensive understanding of its business strategy and the potential impact it may have on its economic outcomes.

b) Do the footnotes adequately explain the key accounting policies and assumptions and their logic?

The Board of Directors of PT Mustika Ratu Tbk confirms that the internal control system is highly effective and adequate in vital areas, including control environment, risk assessment, control activities, information and communication, and monitoring after a comprehensive assessment conducted in 2021 and prior years.

The financial transactions of PT Mustika Ratu Tbk have been carried out in compliance with generally accepted business practices and in accordance with regulatory provisions. All company transactions are regularly evaluated for their fairness and adherence to procedures by the board of commissioners through the audit committee. These evaluations are then reported to the OJK.

c) Does the firm adequately explain its current performance?

Yes, the company adequately explains their current performance.

The company effectively communicates its current performance by providing comprehensive disclosures that fully explain its business strategy and potential economic impacts. These disclosures provide valuable insights into different aspects of the company's operations, such as its goals, major initiatives, and market risks and opportunities.

The company provides detailed information to ensure transparency, allowing stakeholders to make informed decisions about their engagement. This commitment to disclosure demonstrates the company's dedication to providing a clear understanding of its business strategy and the potential impact on its economic outcomes.

d) If accounting rules and conventions restrict the firm from measuring its key success factors appropriately, does the firm provide adequate additional disclosure to help outsiders understand how these factors are being managed?

Yes, the firm provides comprehensive and detailed additional disclosure to help outsiders understand how these factors are being managed, even when accounting rules and conventions restrict the firm from measuring its key success factors appropriately.

The company goes beyond standard accounting regulations to provide stakeholders with a detailed understanding of how it manages critical success factors. It offers comprehensive information about its strategies, initiatives, market opportunities, and risks. By doing so, outsiders are empowered to make informed decisions about engaging with the company.

In this case, PT Mustika Ratu Tbk's dedication to transparency is evident through its commitment to disclosure. It strives to provide a clear and comprehensive understanding of its business strategy and its potential impact on economic outcomes. The company recognizes that traditional accounting measures may not fully capture the complexities of managing these critical success factors and therefore provides additional disclosure to bridge this gap.

e) If a firm is in multiple business segments, what is the quality of segment disclosure?

The company offers a wealth of information on its various business segments. It provides detailed and comprehensive insights into a diverse range of products and services such as personal care items, health products herbs & health drinks, and cosmetics. PT Mustika Ratu Tbk Management has determined its operating segments based on reports reviewed by the Board of Directors, which are used to make strategic decisions.

The company's disclosure of its segments allows stakeholders to gain a comprehensive understanding of its various areas of operation and significant contributions to overall business success. This detailed disclosure enhances transparency and fosters trust among stakeholders, enabling them to make informed decisions based on the company's operations and performance.

f) How forthcoming is the management with respect to bad news? A firm’s disclosure quality is most clearly revealed by the way management deals with bad news. Does it adequately explain the reason for poor performance? Does the company clearly articulate its strategy, if any, to address the company’s performance problems?

The company is transparent in sharing bad news. It not only clarifies the reasons for poor performance but also provides detailed explanations of the various contributing factors. Furthermore, it elaborates on the challenges it faces and offers a comprehensive analysis of the situation.

Moreover, the company effectively communicates its carefully planned strategy to tackle the performance issues. It clearly outlines the particular measures it intends to take and the anticipated results. The high level of transparency and proactive approach to addressing the challenges demonstrate the company's commitment to quality disclosure, creating confidence among stakeholders, and building trust and credibility in the company's actions.

The Board of Directors of PT Mustika Ratu Tbk convenes regularly to discuss the company's business activities, including strategies, risks, and other significant matters. The meeting may also be attended by the Board of Commissioners and/or Committees, who provide recommendations or advice on issues the company comes across.

g) How good is the firm's investor relations program? Does the firm provide fact books with detailed data on the firm's business and performance? Is the management accessible to analysts?

PT Mustika Ratu makes an extra effort to make sure analysts and stakeholders receive complete and detailed information through Annual Reports. These Annual Reports provide a vast amount of data on the company's business and performance, providing valuable insights into different aspects of its operations.

The company demonstrates transparency and accountability by providing detailed information in the Annual Reports. These reports serve as a reliable resource for stakeholders to conduct research and analysis, gaining a comprehensive understanding of the company's financial health, growth prospects, and strategic initiatives.

Additionally, the company's commitment to open communication and collaborative relationships with analysts is evident in the Annual Reports. The reports provide easy access to detailed data, promoting trust and credibility among analysts by ensuring accurate and reliable information. This transparency and accessibility further strengthen stakeholders' confidence in the company's operations and performance.

PT Mustika Ratu Tbk has placed high importance on ensuring that analysts have access to the necessary information by providing a link to its official company website in https://mustika-ratu.co.id/. This website is a valuable resource for analysts as it offers a vast amount of information and data that can be used to conduct thorough research and analysis on the company.

The company's commitment to transparency and building a collaborative relationship with analysts is demonstrated by providing easy access to information. Stakeholders can rely on the company's dedication to providing comprehensive and up-to-date information to support their decision-making processes. This will enhance their understanding of the company's operations and performance.

5) Identify Potential Red flags

The following is detailed explanation and evidence of the absence of potential red flags:

a) In writing annual reports for three periods from 2017- 2022, PT Mustika Ratu explained in detail the changes in accounting policies and estimates and their effects on company performance. In addition, the annual reports also explain in detail about several transactions that have led to challenges and affected the performance of the company.

b) PT Mustika Ratu Tbk has not had unusual transactions to boost profits.

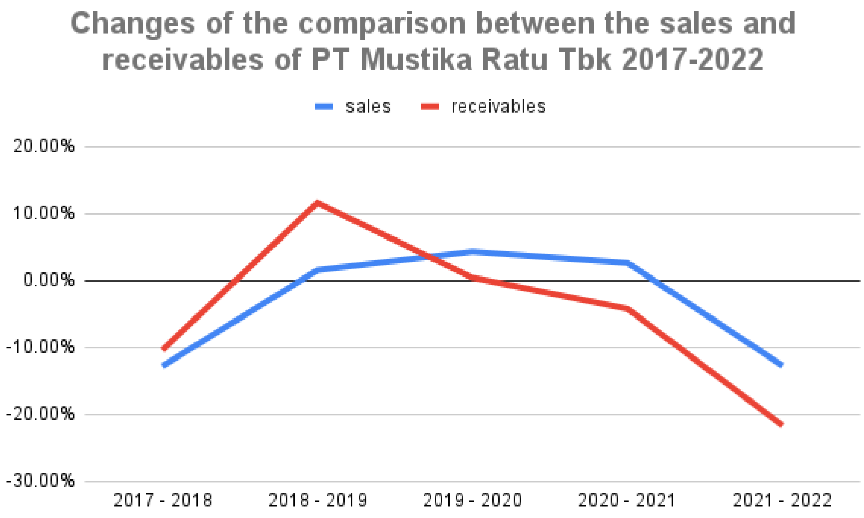
It appears that PT Mustika Ratu Tbk, has not been involved in any unusual transactions aimed at boosting profits. This is significant because unusual transactions can be indicative of potential financial irregularities or unethical practices within a company.

The company has set ambitious plans to improve and enhance its operational and strategic strategies from 2017 to 2022. These plans include evaluating current practices, implementing innovative approaches, and establishing robust frameworks to ensure sustained growth and competitiveness.

The Board of Commissioners has approved the advice to improve internal control quality in all company activities. The board attended training programs and received the latest updates to optimize performance and enhance supervisory function, implemented based on the company's needs and work plans.

c) PT Mustika Ratu Tbk also did not have any unusual increase in accounts receivable in relation to the sales increase.

Figure 14. Comparison of Changes Between Sales and Receivables of PT Mustika Ratu Tbk 2017-2022



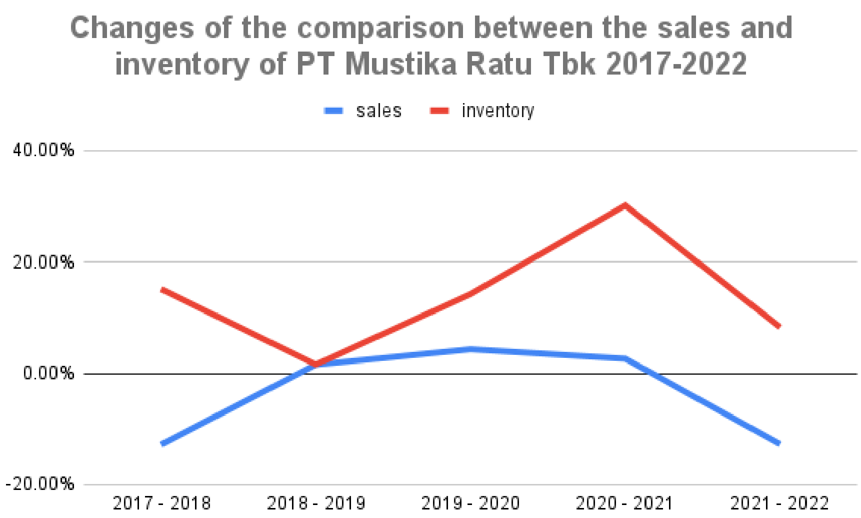
The Group is exposed to credit risk due to its involvement with PT Mustika Ratu, which affects both its operating and financing activities. This exposure involves different assets such as cash and cash equivalents, trade and other receivables, and security deposits. The primary source of credit risk arises from trade receivables that result from customers' purchases of the Group's products.

To mitigate credit risk effectively, the Group has implemented a comprehensive set of policies, procedures, and controls that are specifically designed to manage customer credit risk. One of the critical features of this risk management approach is the establishment of credit limits for all customers. These credit limits are determined based on the Group's internal rating criteria, which consider factors such as the customer's payment history and financial stability.

The purpose of the group is to regularly review and assess its customer receivables for continued monitoring and control. This proactive approach helps the Group identify any potential issues or concerns on time and take appropriate actions to mitigate the associated risks. In summary, the Group takes an active role in managing its customer receivables by constantly reviewing and assessing them, which enables it to detect any potential issues or concerns early and take the necessary steps to minimize any associated risks.

d) Unusual increases in inventories in relation to sales increases.

Figure 15. Comparison of Changes Between Sales and Inventory of PT Mustika Ratu Tbk 2017-2022



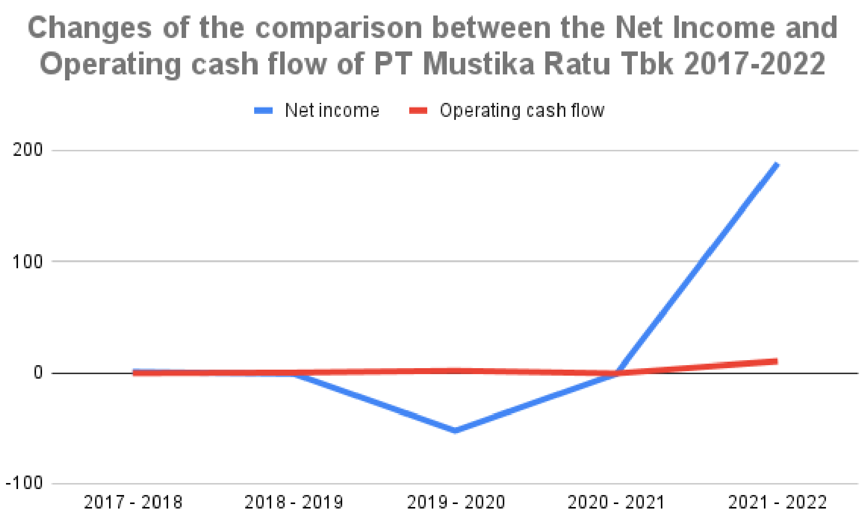
In 2020-2021, the company faced significant increases in inventory amount due to unsold inventory resulting from the COVID-19 pandemic, making it difficult to convert inventory into sales.

In 2022, PT Mustika Ratu came up with comprehensive strategies to expand its business segments and drive sales growth from 2017 to 2022. The company aspires to broaden its current business operations and venture into new potential segments that are in line with its core competencies.

PT Mustika Ratu's decision to diversify its product portfolio not only expands its offerings but also improves its market presence and increases its growth potential. This strategic move will allow the company to optimize its supply chain and manage inventory levels more effectively, leading to more inventory available for sale. This will enable PT Mustika Ratu to meet the changing needs and demands of its customers in a timely and efficient manner. However, the company hasn't seen any significant increase in inventory to boost sales.

e) An increasing gap between a firm's reported income and its cash flow from operating activities.

Figure 16. Comparison of Changes Between Net Income and Operating Cash Flow of PT Mustika Ratu Tbk 2017-2022



From 2017 to 2021, PT Mustika Ratu Tbk had a relatively net income and operating cash flow. However, in 2022, there was a significant difference between these two financial indicators. This difference can be attributed to the sale of the company's investment property.

The sale of the investment property had a substantial impact on the financial performance of PT Mustika Ratu Tbk in 2022. It indicates that the operating activities of the company still demonstrate under performance, as the net income reported in 2022 does not stem from an improvement in the operating activities.

This information raises concerns regarding PT Mustika Ratu Tbk's operational efficiency and profitability. It indicates that the company might be heavily dependent on non-operating activities, such as selling assets, to generate income and compensate for any inadequacies in its operating cash flow.

f) A tendency to use financing mechanisms such as research and development partnerships, special purpose entities, and the sale of receivables with resources. PT Mustika Ratu Tbk has not indicated any intention to use financing methods such as research and development partnerships, special purpose entities, or selling receivables.

g) Unexpected large asset write-offs.

The company did not have any unexpectedly large write-offs of assets. However, the company has sold a portion of its investment property assets. The company sold a piece of investment property on November 25, 2022. The property consisted of 99,701 square meters of vacant land located in Cibuntu Village, Cibitung District, Bekasi Regency, West Java. The selling price of the property was Rp199,402,000,000, and it was sold to PT Bangun Estetika Lestari. Based on the Fairness Opinion Summary Report No.00523/2.0018-00/BS/04/0148/1/IX/2022, dated September 19, 2022, and prepared by the Office of Public Appraisal Services (KJPP) Nirboyo Adiputro, this transaction is fair.

h) Qualified audit opinions or changes in independent auditors that are not well justified.

Based on the independent auditor's report, PT Mustika Ratu Tbk has attached a consolidated financial report that presents the consolidated financial position of PT Mustika Ratu Tbk and its subsidiaries from December 31, 2017, to December 2022, along with the financial performance and consolidated cash flows for the year ending on that date. The report is presented fairly and accurately and is in accordance with Indonesian Financial Accounting Standards.

i) Related party transactions or transactions between related entities.

In compliance with PSAK No. 7 (Revised 2015), related party PT Mustika Ratu Tbk will disclose all related parties.

According to PSAK No. 7 (Revised 2015) "Related Parties Disclosure", this accounting standard requires the disclosure of transactions and relationships between an entity and its related parties, such as affiliates, subsidiaries, and key management personnel.

The transaction is carried out in accordance with mutually agreed-upon terms by both parties involved, which may differ from transactions conducted by parties without any connection to each other. It is worth noting that all transactions and balances with related parties that hold significant influence, regardless of whether they were executed under similar terms and conditions as those with unrelated parties, have been fully disclosed in the appropriate sections of the consolidated financial statements.

6) **Earning Management**

The M score is a value that is calculated based on a Beneish model. It is used to determine whether a company manipulates its financial statements during an accounting period. If the M-score is less than -2.22, it suggests that the company does not manipulate its financial statements. However, if the M-score is greater than -2.22, it indicates that the company is likely to be a manipulator.

The parameters mentioned here are derived from the financial reports of a company issued in two consecutive years. To calculate these parameters, data such as sales, cost of goods, net receivables, current assets, property, plant and equipment, depreciation, total assets, selling, general and administrative expenses, net income, cash flow from operations, current liabilities, and long-term debt are required.

Table 11. The Results of Earning Management Calculation of Each Variable Using the Beneish Model of PT Mustika Ratu Tbk from 2017-2022

2017	2018	2019	2020	2021	2022
-0.9993	-1.6047	-1.2821	-1.3145	-1.2374	-1.6309

Indicators	**PT Mustika Ratu Tbk**					
	2017	**2018**	**2019**	**2020**	**2021**	**2022**
DSRI	0.98643	1.02746	1.09922	0.96264	0.93323	0.89766
GMI	1.014	0.998	0.96	0.941	1.066	1.255

AQI	0.99260	0.96069	1.01625	0.99437	1.01491	1.03368
SGI	1.00092	0.87203	1.01547	1.04319	1.02633	0.87265
DEPI	0.978	0.955	1.1113	1.1294	0.9185	1.109
SGAI	0.96052	1.14175	1.08369	1.16019	0.83279	1.46683
LVGI	1.0924	1.1933	1.1474	1.362	1.0901	0.8025
TATA	0.43459	0.36208	0.37302	0.41788	0.36341	0.36556

Based on a comprehensive analysis using the Baneish model, which evaluates earnings manipulation, it can be confidently concluded that the company adheres to ethical standards and avoids fraudulent practices. The examination of the variables consistently indicates that the results remain below the critical threshold of -2.2, which further supports the transparency and integrity of the company from 2017 to 2022.

7) **Undo Accounting Distortions**

The accounting analysis of PT Mustika Ratu Tbk has revealed that there are no suspicious activities, red flags, or significant differences or deviations. There was no earning management applied between the period 2017-2022, so there's no need to undo any distortion using outside information. The company has been thoroughly explained in the annual report section, particularly in the notes to financial statements.

4.3 Financial Analysis

The aim of this study is to conduct a financial analysis of the Indonesian cosmetics and household industry, specifically focusing on PT Mustika Ratu Tbk. The researcher processes the financial report data to evaluate the company's financial performance over six periods using different analysis such as Horizontal analysis, Vertical analysis, Univariate analysis, and Multivariate analysis. The analysis compares the ratio calculation data of PT Mustika Ratu from 2017-2022 with that of other companies in the cosmetics and household industry listed on the Indonesian Stock Exchange.

4.3.1 Trend Analysis

To determine a company's financial tendencies in the future, trend analysis is utilized in the financial statement of PT Mustika Ratu Tbk. Below is a comparison of the financial statement analysis for the period between 2017 to 2022:

a) Statement of Financial Position

The following is an example of calculating the percentage of financial position of PT Mustika Ratu Tbk using trend analysis techniques:

Percentage Current Asset year 2017: $\frac{current\ asset\ year\ 2017}{current\ asset\ year\ 2016}$

$$= \frac{384{,}262{,}906{,}538}{372{,}731{,}501{,}477}$$

$$= 1.03$$

Percentage Equity year 2020: $\frac{total\ equity\ year\ 2020}{total\ equity\ year\ 2016} x100\%$

$$= \frac{342{,}418{,}605{,}477}{369{,}089{,}199{,}975} x100\%$$

$$= 0.93$$

Percentage Total Asset year 2021: $\frac{total\ asset\ year\ 2021}{total\ asset\ year\ 2016}$

$$= \frac{578{,}260{,}975{,}588}{483{,}037{,}173{,}864} x100\%$$

$= 1.20$

The following is the result of calculating the percentages in the Statement of Financial Position of PT Mustika Ratu for 2017-2022 using trend analysis techniques:

Table 12. Percentage Calculation of Trend Analysis Statement of Financial Position

	PT Mustika Ratu Tbk						
	Statement of Financial Position						
	2016	2017	2018	2019	2020	2021	2022
Assets							
Current Assets							
Cash and cash equivalents	1.00	0.94	0.66	0.41	0.48	0.36	7.27
Trade receivables	1.00	0.97	0.89	0.99	0.99	0.98	0.77
Other receivables	1.00	1.14	0.86	1.00	1.01	0.63	0.52
Inventories	1.00	1.21	1.39	1.41	1.62	2.10	2.28
Prepaid taxes	1.00	0.14	1.50	1.07	0.15	0.16	0.17
Prepaid expenses	1.00	1.40	2.24	3.56	2.34	2.23	1.67
Advances to suppliers and others	1.00	0.63	0.75	0.85	2.35	1.89	1.49
Total current assets	1.00	1.03	1.03	1.11	1.16	1.23	1.57
Non-current Assets							
PPE	1.00	0.97	0.92	0.85	0.86	0.82	0.76
Investment property	1.00	1.00	1.00	1.00	0.99	1.06	0.00
Deposits - related parties	1.00	1.02	1.08	1.04	1.03	1.03	1.03
Estimated claim for tax refund	1.00	1.48	1.48	1.48	0.45	0.00	0.00
Deferred tax assets	1.00	1.35	1.04	1.02	1.22	1.02	3.50
Other non-current assets	1.00	0.01	12.20	9.81	16.12	14.92	13.07
Total non-current assets	1.00	1.03	1.17	1.09	1.15	1.08	0.98

Total Assets	1.00	1.03	1.06	1.10	1.16	1.20	1.44
LIABILITIES AND EQUITY							
LIABILITIES							
Current Liabilities							
Short-term bank loans	1.00	1.46	1.49	1.49	2.21	2.39	2.91
Trade payables – third parties	1.00	0.90	1.15	1.08	1.08	0.97	0.70
Other payable – third parties	1.00	0.87	1.08	0.67	1.56	5.93	6.37
Due to related parties	1.00	1.07	1.44	2.24	2.24	2.24	2.24
Taxes payable	1.00	1.16	1.09	1.53	5.65	9.06	11.78
Accrued expenses	1.00	1.91	1.79	24.75	58.64	35.16	30.27
Dividends payable	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Advance - unearned revenue	1.00	0.60	0.20	8.17	1.61	1.33	6.74
Current maturities of finance							
Bank loans – current portion of long-term liabilities	1.00	0.07	0.04	0.00	0.00	0.00	3.18
Total Current liabilities	1.00	1.14	1.31	1.52	2.09	2.30	2.52
Non-current liabilities							
Non-current liabilities - net of current maturities: Bank loan	1.00	0.20	0.00	0.00	0.00	0.00	2.86
Post-employment benefits liabilities	1.00	1.20	1.03	1.05	1.08	0.93	0.88
Total non-current liabilities	1.00	1.19	1.05	1.06	1.07	0.97	2.35
Total Liabilities	1.00	1.15	1.26	1.44	1.91	2.06	2.49
EQUITY							
Equity attributable to owners of the Parent company	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Additional paid-in capital	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Retained Earnings							

Appropriated	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Unappropriated	1.00	0.99	0.98	0.98	0.87	0.87	1.18
Exchange difference due to translation of financial statements	1.00	1.01	1.02	1.02	1.01	1.03	1.00
Other equity components	1.00	1.21	0.71	0.65	0.69	0.68	0.49
Non-controlling interest	1.00	4.04	4.13	4.17	3.82	3.81	2.07
Total Equity	1.00	0.99	1.00	1.00	0.93	0.93	1.11
Total Liabilities and Equity	1.00	1.03	1.06	1.10	1.16	1.20	1.44

Based on calculations conducted above, it has been found that there is a significant increase in 2022. Cash results increased by over 20 times compared to previous years, rising from 0.36 in 2021 to 7.27 in 2022. This result is the cash received from selling the investment property. There was a significant decrease in accounts due to the sale of investment properties resulting in a 0% trend analysis result in 2022.

The company deposited 170.000.000.000 as a time deposit with PT Bank Rakyat Indonesia (Persero) Tbk, received from the sale of an investment property. According to the company Notes to the Financial Statements of Important Information (37), the funds will be used for expanding distribution channels, developing new products and programs, and other expansion programs, both nationally and internationally. As of the completion date of the accompanying consolidated financial statements for 2022, the Group's management is still in the process of realizing its business development plan.

Between 2018 and 2021, the company successfully paid off all its bank loans. However, in 2022, they signed a financing agreement with PT Bank Ina Perdana Tbk. As per the agreement, the company will receive a balloon payment of Rp 40,000,000,000 over the next 5 years with an annual interest rate of 10%. Due to this transaction, the company's short-term bank loan increased to 3.18 and its long-term bank loan increased to 2.86 in 2022.

The researcher has found a weakness in this approach, as it relies solely on the financial statements from 2016. Changes in company policies and transactions impact the structure of the company's performance and financial reporting. Therefore, this analysis is limited to the accounts available in the 2016 financial statements. Any additional transactions or accounts that were not recorded in the 2016 financial year of PT Mustika Ratu Tbk are considered in this analysis.

For instance, the Finance Lease Liabilities transaction initiated in 2019 did not have a base amount from

2016. However, there is no consistent increase or decrease that can be observed from the total of non-current liabilities during 2019-2022 in terms of finance lease liabilities.

Over the years, PT Mustika Ratu Tbk has faced challenges in paying its expenses. As a result, the accrued expenses have significantly increased from 2016, when they were 475,242,912 IDR, to 14,383,747,824 IDR in 2022. This is a thirty-fold increase from the amount in 2016. In 2016, only professional fees were included in accrued expenses. However, in 2022, these transactions included salaries and allowances, professional fees, rent, or any other expenses that had been incurred but not yet paid.

In conclusions, the end analysis of the financial position of PT Mustika Ratu from 2017 to 2022, it states that while there were fluctuations in specific variables and accounts, the overall assets and total liability & equity have remained relatively stable and increased over the years. Its increased 102.96%, 105.97%, 110.29%, 115.89%, 119.71%, and 143.84% respectively from 2017 until 2022. This indicates that there were no significant changes in the company's financial position during this period.

b) Statement of Profit or Loss

The following is an example of calculating the percentage of profit or loss for PT Mustika Ratu using trend analysis techniques:

Percentage Sales and Revenue year 2022: $\frac{sales\ year\ 2022}{sales\ year\ 2016}$

$$= \frac{285{,}177{,}566{,}612}{344{,}361{,}345{,}265}$$

$$= 0.83$$

Percentage Cost of Sales year 2020: $\frac{COGS\ year\ 2020}{COGS\ year\ 2016}$

$$= \frac{-113{,}494{,}955{,}107}{-142{,}263{,}034{,}669}$$

$$= 0.80$$

For the fluctuated transactions from positive to negative:

Percentage Deferred Tax 2018 $= \frac{Deferred\ Tax\ 2018}{Deferred\ Tax\ 2016}$

$$= \frac{-2{,}097{,}013{,}532}{147{,}701{,}082}$$

$$= -14.20$$

For the fluctuated transactions from negative to positive:

Percentage of 2022 Net Profit/(loss) for the year

$$= \frac{(Net\ Profit(loss)2022-(Net\ Profit(loss)2016))}{Absolute\ (Net\ Profit(loss)\ 2016)}$$

$$= \frac{(67{,}812{,}034{,}137-(-5{,}549{,}465{,}678))}{-5{,}549{,}465{,}678}$$

$$= 13.11$$

The following is the results of calculating the percentages in the Statement of Profit or Loss of PT Mustika Ratu Tbk for 2017-2022 using trend analysis techniques:

Table 13. Percentage Calculation of Trend Analysis Statement of Profit or Loss

	PT Mustika Ratu Tbk						
	Statement of Profit or Loss						
	2016	2017	2018	2019	2020	2021	2022
NET SALES	1.00	1.00	0.87	0.89	0.92	0.95	0.83
COST OF SALES	1.00	1.02	0.89	0.85	0.80	0.91	1.04
GROSS PROFIT	1.00	0.99	0.86	0.91	1.01	0.97	0.68
Selling expenses	1.00	0.97	0.79	0.82	0.85	0.86	1.11
General and administrative expenses	1.00	0.96	0.96	1.05	1.27	1.09	1.39
Gain (loss) on foreign exchange	1.00	2.40	2.75	0.82	1.13	0.33	2.40
Other (expense) & Other Income	1.00	23.12	20.21	8.14	2.51	11.06	948.28
OPERATING PROFIT (LOSS)	1.00	21,043.45	43,817.04	52,467.01	73,511.59	90,814.71	349,754.38
Finance expenses	1.00	1.17	1.37	1.43	1.39	1.72	2.47
Interest income	1.00	0.85	1.19	0.23	0.07	0.06	0.88
INCOME (LOSS) BEFORE INCOME TAX	1.00	0.33	1.46	1.60	2.51	2.86	13.11
INCOME TAX BENEFIT (EXPENSES) – NET							

Current tax	1.00	1.31	1.26	1.53	5.88	3.35	3.21
Deferred tax	1.00	14.79	-14.20	1.13	-23.37	-12.38	159.49
PROFIT (LOSS) FOR THE CURRENT YEAR	1.00	0.23	0.41	1.02	1.22	1.06	13.22
OTHER COMPREHENSIVE INCOME							
Items that will be reclassified to profit or loss							
Exchange difference due to translation of financial statements	1.00	1.54	1.36	1.26	0.41	1.62	1.55
Items that would never be reclassified to profit or loss							
Actuarial gain or (loss)	1.00	0.75	2.80	1.21	0.05	1.04	1.65
Income tax relating to components	1.00	0.75	-1.80	-0.21	-0.24	-0.04	-0.57
Total others comprehensive income	1.00	0.45	2.47	1.22	0.21	-0.18	-0.16
TOTAL COMPREHENSIVE INCOME (LOSS)	1.00	0.30	1.16	1.08	0.92	1.10	9.59

To analyze a company's performance, one of the key components is to examine its net sales. Unfortunately, the trend analysis shows that the sales have decreased relatively since 2016. This decrease in sales has led to an increase in the cost of goods sold, which, in turn, has resulted in a decrease in gross profit. For instance, in 2021, the sales decreased to 94.90% compared to 2019 and further decreased to 82.81% in 2022. During the period between 2021 and 2022, the cost of sales increased from 91.38% to 104.24%, resulting in a decrease of 97.37% and 67.73% in gross profit, respectively.

The operating profit of the company in 2017 amounted to Rp 3.6 billion, which was an increase of Rp 3.6 billion or 2104244% as compared to 2016, when the operating profit was Rp 0.00017 billion. This growth was due to an increase in sales and distribution, as well as cost efficiencies. This resulted in a significant increase in operating profit.

From 2016 to 2018, the company had other expenses in its operations that it needed to pay. However, from 2019 to 2022, the company received other incomes, such as an increase in other income resulting from transactions related to insurance coverage in 2019.

As per the financial statements' notes 2019 (Notes 11) concerning Property, Plant, and Equipment (PPE), the Group's assets are insured against fire and other risks. The insurance coverage amounts to Rp50,201,573,466 and MYR4,850,000. Additionally, the company has insurance coverage for operational disturbances amounting to Rp30,00,000,000. The management believes that the insurance policies provide adequate coverage for possible losses that may arise from fire and other risks.

In comparing the finance expenses and income, it appears that the company's finance expenses have been increasing rather than having fluctuating trends of finance income.

When there is a transition from positive to negative transactions, it simply means that the amount of profit or loss components for that year has significantly decreased. For example, the deferred tax of 2018 resulted in a negative amount when compared to the base year of 2016. This represents a substantial decline in the deferred tax for 2018 of -1419.77%.

The financial performance of PT Mustika Ratu between 2017 and 2022 showed consistent net profit increases. However, the trend analysis application has a difficulty in identifying changes from adverse to positive transactions. This is because the application uses the base amount of performance in 2016 as a reference point. For instance, if the number of transactions in 2016 was negative and positive in the following years, the percentage change would be calculated as a significant increase. For instance, the current year's net profit (loss) is based on the 2016 net loss of -5,549,465,678. However, due to an increase in performance over the years, the company made a profit of 67,812,034,137 in 2022, which is a positive outcome for the company. The percentage result shows an increase of 1321.96%.

In using trend analysis, the net profit of PT Mustika Ratu showed significant increases over the years. The percentage increase in net profit from 2017 to 2022 is as follows: 23.13%, 40.66%, 102.38%, 121.93%, 106.44%, and in 2022 for 1321.96%.

The company's increase in profit is a result of its efficient management and control of expenses. By closely monitoring and optimizing its expenditure, the company has achieved significant growth in its financial performance. This accomplishment not only demonstrates the company's strong financial management capabilities but also highlights its commitment to maximizing profitability while maintaining operational efficiency.

c) Company Performance Prediction Based on Statement of Financial Position

Based on the trend analysis provided, it seems that PT Mustika Ratu's financial position has been relatively stable from 2017 to 2022 with some positive trends. The company has experienced significant increases in cash and non-current assets, which results in an overall increase in total assets. However, there has also been an increase in taxes payable, accrued expenses, unearned revenue, other payables to third parties, and finance lease liabilities, which can be attributed to the rise in PT Mustika Ratu's liabilities in 2022 compared to the previous years.

The company has recently received funding by selling its investment assets. Consequently, this should lead to an increase in the value of its non-current and total assets in the future. This infusion of funds is expected to enable the company to invest in operational management and improve its financial position and performance.

d) Company Performance Prediction Based on Statement of Profit or Loss

According to the analysis presented, PT Mustika Ratu's financial performance between 2017 and 2022 indicates a growth in its overall profits. However, there has been a decline in net sales, which has led to a decrease in gross profit. Furthermore, there has been an increase in finance expenses. These factors indicate potential difficulties in generating revenue and controlling costs of the sales.

The company faced challenges in managing its effective operating expenses in 2016-2018, but there has been a slight increase in other incomes which could have a positive impact on improving operational profit. The company's decision to sell its investment property may be influenced by the increase in issues with operational management in 2022. This is expected that the company can resolve its operational issues with the proceeds from the sale of the investment property in the future.

Trend analysis has limitations and requires a comprehensive evaluation of financial metrics to understand a company's overall financial health. The company has increased profits by maintaining operational cost efficiency.

4.3.2 Common-size Analysis

Common size analysis is a technique used to analyze financial statements in percentage form for a certain period and then compare one item with another. In the case of PT Mustika Ratu Tbk, this technique is used to analyze the financial reports, specifically the statement of financial position and statement of profit or loss, for the periods 2017, 2018, 2019, 2020, 2021, and 2022.

a) Statement of Financial Position

The following is an example of a calculation for the statement of financial position of PT Mustika Ratu using the common size analysis technique:

Percentage Current Asset year 2019:

$$= \frac{current\ asset\ year\ 2019}{Total\ asset\ year\ 2019}\ x\ 100\%$$

$$= \frac{412{,}707{,}718{,}061}{532{,}762{,}947{,}995}\ x100\%$$

$$= 77.47\%$$

The following is the result of calculating the percentage in the statement of financial position of PT Mustika Ratu Tbk for 2017-2022 using the common size analysis technique:

Table 14. Percentage Calculation with the Common Size Techniques

Statement of Financial Position

	PT Mustika Ratu Tbk						
	Statement of Financial Position						
	2016	2017	2018	2019	2020	2021	2022
Assets							
Current Assets							
Cash and cash equivalents	5.05%	4.60%	3.13%	1.90%	2.09%	1.50%	25.50%
Trade receivables	44.98%	42.51%	37.64%	40.21%	38.43%	36.80%	23.94%
Others receivables	4.24%	4.68%	3.45%	3.85%	3.69%	2.25%	1.52%
Inventories	18.78%	22.07%	24.68%	24.09%	26.19%	33.01%	29.74%
Prepaid taxes	0.77%	0.11%	1.08%	0.74%	0.10%	0.10%	0.09%
Prepaid expenses	1.66%	2.26%	3.51%	5.36%	3.35%	3.10%	1.92%
Advances to suppliers and others	1.69%	1.04%	1.20%	1.31%	3.42%	2.67%	1.75%
Total current assets	77.16%	77.26%	74.69%	77.47%	77.27%	79.43%	84.47%
Non current Assets							
PPE	13.40%	12.63%	11.67%	10.30%	10.00%	9.14%	7.09%
Investment property	5.32%	5.17%	5.02%	4.83%	4.53%	4.71%	0.00%
Deposits - related parties	0.40%	0.40%	0.41%	0.38%	0.36%	0.35%	0.29%

Estimated claim for tax refund	1.40%	2.01%	1.95%	1.87%	0.54%	0.00%	0.00%
Deferred tax assets	1.94%	2.53%	1.90%	1.79%	2.04%	1.65%	4.72%
Other non current assets	0.38%	0.00%	4.36%	3.36%	5.26%	4.72%	3.44%
Total non-current assets	22.84%	22.74%	25.31%	22.53%	22.73%	20.57%	15.53%
Total Assets	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
LIABILITIES AND EQUITY							
LIABILITIES							
Current Liabilities							
Short-term bank loans	7.56%	10.74%	10.66%	10.24%	14.42%	15.07%	15.29%
Trade payables – third parties	7.21%	6.28%	7.79%	7.07%	6.70%	5.85%	3.50%
Other payable – third parties	1.01%	0.85%	1.03%	0.61%	1.36%	5.00%	4.47%
Due to related parties	2.74%	2.84%	3.73%	5.56%	5.29%	5.12%	4.26%
Taxes payable	0.43%	0.48%	0.44%	0.59%	2.07%	3.22%	3.49%
Accrued expenses	0.10%	0.18%	0.17%	2.21%	4.98%	2.89%	2.07%
Dividends payable	0.06%	0.06%	0.06%	0.05%	0.05%	0.05%	0.04%
Advance - unearned revenue	0.06%	0.03%	0.01%	0.42%	0.08%	0.06%	0.26%
Current maturities of finance							
Bank loans – current portion	0.27%	0.02%	0.01%	0.00%	0.00%	0.00%	0.60%

of long-term liabilities							
Debt leasing–current portion of long-term liabilities	0.00%	0.00%	0.12%	0.09%	0.03%	0.03%	0.03%
Total Current liabilities	19.43%	21.48%	24.01%	26.83%	34.98%	37.29%	34.01%
Non-current liabilities							
Finance lease liabilities - net of current maturities	0.00%	0.00%	0.12%	0.06%	0.03%	0.17%	0.10%
Non-current liabilities - net of current maturities: Bank loan	0.05%	0.01%	0.00%	0.00%	0.00%	0.00%	4.17%
Post-employment benefits liabilities	4.11%	4.78%	3.98%	3.92%	3.82%	3.20%	2.51%
Total non-current liabilities	4.16%	4.79%	4.10%	3.98%	3.85%	3.36%	6.78%
Total Liabilities	23.59%	26.26%	28.11%	30.81%	38.83%	40.65%	40.79%
EQUITY							
Equity attributable to owners of the Parent company	11.08%	10.76%	10.45%	10.04%	9.56%	9.25%	7.70%
Additional paid-in capital	11.74%	11.40%	11.08%	10.64%	10.13%	9.81%	8.16%

Retained Earnings							
Appropriated	2.85%	2.76%	2.69%	2.58%	2.46%	2.38%	1.98%
Unappropriated	45.92%	44.33%	42.63%	40.99%	34.41%	33.38%	37.54%
Exchange difference due to translation of financial statements	6.19%	6.08%	5.94%	5.74%	5.42%	5.30%	4.29%
Other equity components	-1.37%	-1.60%	-0.91%	-0.81%	-0.81%	-0.78%	-0.47%
Non-controlling interest	0.00%	0.01%	0.01%	0.01%	0.01%	0.01%	0.00%
Total Equity	76.41%	73.74%	71.89%	69.19%	61.17%	59.35%	59.21%
Total Liabilities and Equity	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

The table displays that there has been a significant increase in cash from 1.50% in 2021 to 25.50% in 2022. This means that one-quarter of the total assets are made up of cash and cash equivalents. However, there has been a decrease in the amount of trade receivables compared to 2017, with the comparison of trade receivables to total assets decreasing from 44.98% to 23.94% in 2022. On the other hand, inventories have increased every year. As a result, the total current assets have maintained around 70%, almost reaching 80% in 2021, and rising to 84.47% in 2022.

In 2022, there was a significant decrease in the value of non-current assets compared to the previous year. The percentage decreased from 20.57% in 2021 to 15.53% in 2022. This decline can be attributed to the sale of the investment property, which significantly impacted the overall value of non-current assets. The decision to sell the investment property was likely made to optimize the company's portfolio and reallocate resources towards other strategic investments. As a result, the proportion of non-current assets in the company's total asset composition decreased, reflecting a change in the company's asset allocation strategy.

From 2017 to 2022 periods, the equity of the company experienced a significant decrease. This decline can be attributed to various factors, including a decrease in the components that make up the equity. These components include the equity attributable to the owners of the parent company, which represents their ownership stake in the company.

PT Mustika Ratu (M) Sdn. Bhd, company's subsidiaries experienced a net loss of IDR 2,858,886,943 as of December 31, 2022. This resulted in the subsidiary having a capital deficiency of IDR 50,679,998,211. The subsidiary's continuity is dependent on financial support from the parent company. Due to the subsidiary's financial condition, the parent company has agreed to provide adequate financial support to ensure the continuity of the subsidiary's business.

In 2021, the current liabilities had the highest percentage, which was 37.29%. However, in 2022, it decreased to 34.01%. Furthermore, PT Mustika Ratu experienced an increase in the amount of long-term liabilities between 2017 and 2022. This increase is consistent with the overall increase in the company's total liabilities during the same period.

The long-term debt increases indicate that the capital structure of the company shifts towards a higher proportion of debt relative to equity. Long-term debt typically has a lower cost compared to equity. When a company issues long-term debt, it usually pays interest on the borrowed amount. If the cost of long-term debt is lower than the cost of equity, the increase in long-term debt could lead to a decrease in the weighted average cost of capital (WACC). This is because debt is cheaper than equity, and a higher proportion of lower-cost debt can bring down the overall cost of capital.

b) Statement of Profit or Loss

The following is an example of calculating the percentage of statement of profit or loss for PT Mustika Ratu Tbk 2017-2022 using the common size analysis technique:

Percentage cost of sales & revenue of 2017: $= \frac{COGS\ year\ 2019}{Sales\ year\ 2019} x100\%$

$$= {}^{-120,805,351,025}/_{305,224,577,860}\, x100\%$$

$$= -39.58\%$$

The following is the result of calculating the percentages in the Statement of Profit or Loss of PT Mustika Ratu for 2017-2022 using the common size analysis technique:

Table 15. Common Size Percentage Calculations of Statement of Profit or Loss

	PT Mustika Ratu Tbk						
	Statement of Financial Position						
	2016	2017	2018	2019	2020	2021	2022
NET SALES	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
COST OF SALES	-41.31%	-42.10%	-42.00%	-39.58%	-35.64%	-39.78%	-52.00%
GROSS PROFIT	58.69%	57.90%	58.00%	60.42%	64.21%	60.22%	48.00%
Selling expenses	-44.97%	-43.49%	-40.54%	-41.70%	-41.51%	-40.54%	-60.49%
General and administrative expenses	-13.29%	-12.76%	-14.57%	-15.79%	-18.32%	-15.26%	-22.38%
Gain (loss) on foreign exchange	-0.38%	0.53%	0.76%	-0.35%	-0.47%	-0.13%	0.39%
Other expense	-0.05%	-1.13%	-1.13%	0.39%	0.08%	0.52%	55.72%
OPERATING PROFIT (LOSS)	0.00%	1.06%	2.53%	2.98%	4.00%	4.81%	21.24%
Finance expenses	-1.38%	-1.62%	-2.16%	-2.23%	-2.07%	-2.50%	-4.11%
Interest income	0.19%	0.16%	0.26%	0.05%	0.02%	0.01%	0.21%
INCOME (LOSS) BEFORE INCOME TAX	-1.19%	-0.39%	0.62%	0.80%	1.94%	2.32%	17.34%
INCOME TAX BENEFIT (EXPENSES) – NET							

Current tax	-0.47%	-0.61%	-0.68%	-0.81%	-2.98%	-1.65%	-1.82%
Deferred tax	0.04%	0.63%	-0.70%	0.05%	-1.08%	-0.56%	8.26%
PROFIT (LOSS) FOR THE CURRENT YEAR	-1.61%	-0.37%	-0.75%	0.04%	-2.13%	0.11%	23.78%
OTHER COMPREHENSIVE INCOME							
Items that will be reclassified to profit or loss							
Exchange difference due to translation of financial statements	-0.16%	0.09%	0.07%	0.05%	-0.07%	0.11%	-0.30%
Items that would never be reclassified to profit or loss							
Actuarial gain or (loss)	-0.71%	-0.53%	1.46%	0.17%	-0.04%	0.03%	0.55%
Income tax relating to components	0.18%	0.13%	-0.37%	-0.04%	-0.05%	-0.01%	-0.12%
Total others comprehensive income	-0.69%	-0.31%	1.16%	0.18%	-0.16%	0.13%	0.13%
TOTAL COMPREHENSIVE INCOME (LOSS)	-2.30%	-0.68%	0.41%	0.22%	-2.28%	0.24%	23.91%

Sales decreased in 2022, while the cost of sales increased slightly by 12.73% and 14.07% from 2021 to 2022, respectively. However, there was a significant drop in the percentage of gross profit. The company had aimed to increase its gross profit from 2017-2021, but it declined from 60.22% in 2021 to 48.00% in 2022. This decrease was caused by the decline in sales and the increase in the cost of sales.

In 2022, there was an increase in selling expenses and administrative expenses. This amount represented half of the total sales of the year. However, the other income increased significantly from 0.52% in 2021 to 55.72% in 2022. This increase in other income was primarily attributed to the substantial proceeds generated from the successful sale of investment property, and gain on sale of investment property 164.865.568.059. This profitable deal greatly increased the operating profit and net profit of PT Mustika Ratu Tbk for the year, thereby this transaction improving the company's overall financial performance.

During the period of 2017-2022, there was an increase in both the finance cost and current tax. This increase can be attributed to the rise in liabilities that the company experienced during this time. It is important to highlight the impact these increased costs had on the company's overall financial performance during this period.

4.3.3 Univariate Analysis

Univariate analysis in the form of processing financial report data to find out how the Indonesian Cosmetics and Household Industry’s financial performance in managing the company for the period 2017-2022 ratio analysis as measured by the ratio of liquidity, solvency, activity, profitability and market analysis.

Financial performance analysis was carried out by comparing ratio calculation data of PT Mustika Ratu Tbk from 2017-2022 and with other beauty care companies listed on the Indonesian Stock Exchange.

The following is a table of Entity code and Entity Name

Table 16. The List of Entity Code and Entity Name

Entity Code	Entity Name
KINO	PT. Kino Indonesia Tbk
ADES	PT. Akasha Wira International Tbk
TCID	PT. Mandom Indonesia Tbk
UNVR	PT. Unilever Indonesia Tbk
MBTO	PT. Martina Berto Tbk
MRAT	PT. Mustika Ratu Tbk

1) Liquidity Analysis

Analyzing a company's liquidity ratio is crucial to determine its capacity to pay off short-term debts and assess its liquidity, as shown in the following analysis:

a) Current Ratio

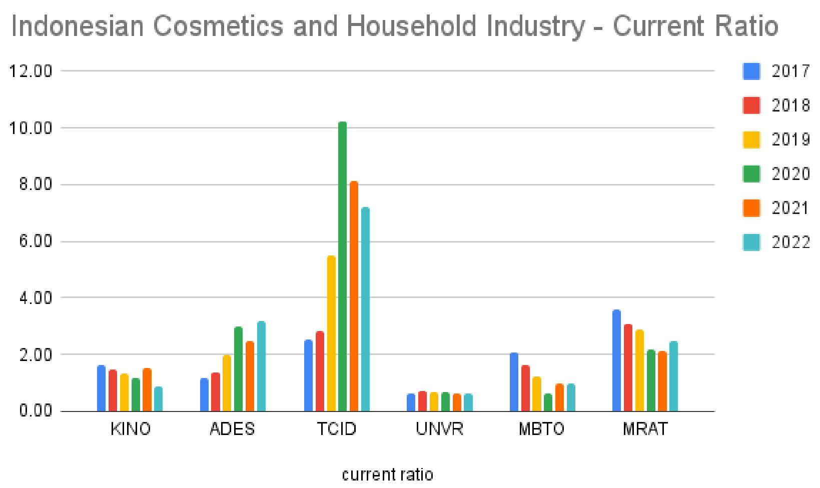
The current ratio calculation results are used to describe the company’s ability to meet its short-term obligations using the company’s current assets, as shown in the table.

Table 17. Current Ratio of Indonesian Cosmetics and Household Companies

	2017	2018	2019	2020	2021	2022
KINO	1.65	1.50	1.35	1.19	1.51	0.87

ADES	1.20	1.39	2.00	2.97	2.51	3.20
TCID	2.54	2.82	5.49	10.25	8.13	7.21
UNVR	0.63	0.75	0.65	0.66	0.61	0.61
MBTO	2.06	1.63	1.25	0.62	1.00	1.00
MRAT	3.60	3.11	2.89	2.21	2.13	2.48
INDUSTRY	1.95	1.87	2.27	2.98	2.65	2.56

Figure 17. Cosmetics and Household Industry Current Ratio Comparison Chart



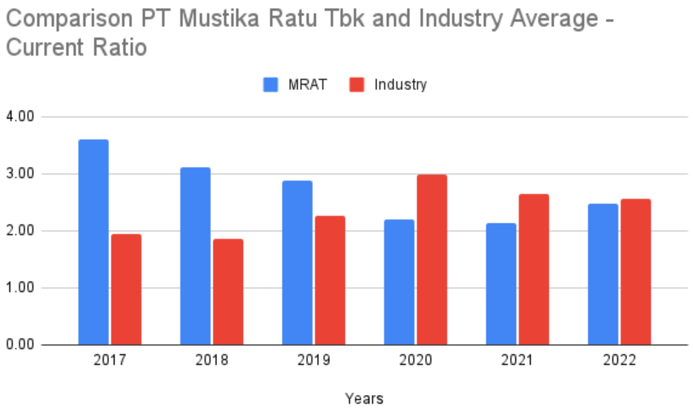
A company with a current ratio above one is considered favorable, as it suggests that the company has a solid ability to meet its short-term obligations. This means that the company has enough current assets to cover its current liabilities. Based on the results, ADES, TCID, MBTO, and MRAT had current ratios above 1 between 2017 and 2022, indicating that these companies were in a solid financial position during this time. A current ratio above 1 is an essential indicator for investors and stakeholders, as it shows that the company can effectively manage its short-term financial commitments.

The TCID is the most liquid company in the industry, with current assets up to 10 times higher than its current liabilities. As of the end of 2020, the company's current liabilities amounted to IDR131.09 billion, which is a decrease of 48.8% from IDR255.85 billion at the end of 2019. This decrease in current liabilities, when compared to the large amount of current assets, results in a larger current ratio.

In 2022, KINO's current ratio dropped from 1.51 to 0.87, marking the company's worst position in six years. This indicates that the company’s assets were insufficient to cover its current liabilities. The decline in the current ratio was mainly due to a decrease in trade receivables from third parties and inventories. On the other hand, the increase in short-term obligations and accrued expenses has contributed to the rise in current liabilities.

UNVR's current ratio is lower than its competitors in the Indonesian Cosmetics and Household Industry, indicating that its current liabilities exceed its current assets.

Figure 18. Comparison of PT Mustika Ratu Tbk with the Industry’s Averages Current Ratio from 2017-2022



Over a period of six years, the company's highest level of current ratio was recorded in 2017, reaching up to 3.60. The decline in the current ratio could be attributed to the increase in current assets, which is in line with the increase in current liabilities. This suggests that the current assets may have been financed by the current liabilities, as they both grew in line with each other.

However, for the following years, the current ratio slightly declined. In 2020, there was a significant drop from 2.89 to 2.21, which can be attributed to the increase of current liabilities by 37% compared to 2019.

In addition, this suggests that the company might have borrowed more money to support its operations, leading to a higher proportion of current liabilities in comparison to its current assets. This increase in current liabilities could potentially result in higher interest expenses and pose a greater risk to the company. It is crucial for the company to closely monitor its current ratio and ensure that it maintains a healthy balance between its current assets and liabilities to avoid any potential financial difficulties in the future.

Over the years, Mustika Ratu has demonstrated good performance, ensuring that its current assets maintain a strong position with a current ratio that has never fallen below one. This is a testament to the company's ability to manage and maintain its short-term performance over the years.

Based on the provided chart, it can be observed that between 2017 to 2019, prior to the pandemic, PT Mustika Ratu had a higher current ratio compared to the industry average. This suggests that the company was more efficient in managing its short-term assets and liabilities than its competitors in the same industry. Therefore, PT Mustika Ratu held a better position in the industry when it came to managing short-term assets and obligations compared to its competitors during these periods.

The COVID-19 pandemic had a global impact on economic and business performances in 2020. During this time, PT Mustika Ratu saw a decrease in its current ratio, which differed from the industry averages. This was largely due to the significant increase in the current ratio by TCID, while other companies in the industry faced declines and minor variations.

Following the unprecedented global health crisis caused by the COVID-19 pandemic, the industry's overall performance experienced a slight decline from 2021 to 2022. However, despite these challenging circumstances, PT Mustika Ratu demonstrated a significant improvement in its current ratio performance, which is a critical measure of its liquidity and financial stability.

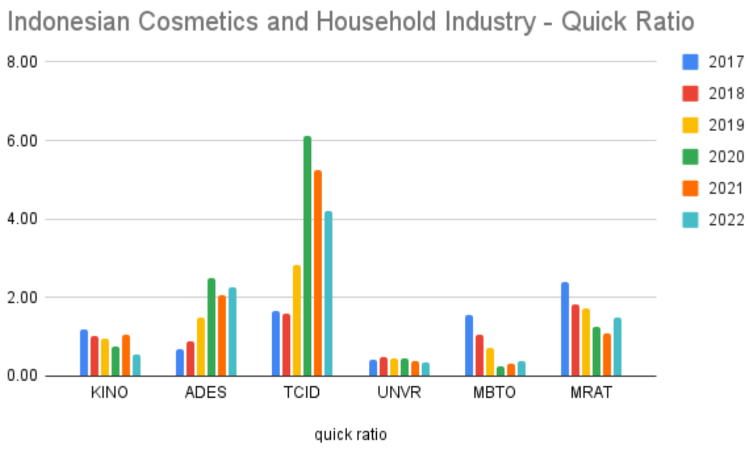
After analyzing the current ratio of PT Mustika Ratu over six years from 2017 to 2022, it is apparent that the company's liquidity position has weakened. This is indicated by a decline in the current ratio. However, other companies in the same sector have been able to maintain or improve their current ratios during this period, as suggested by the industry averages.

b) Quick Ratio

Table 18. Quick Ratio of Indonesian Cosmetics and Household Companies

	2017	2018	2019	2020	2021	2022
KINO	1.19	1.02	0.94	0.75	1.05	0.55
ADES	0.68	0.89	1.50	2.50	2.06	2.26
TCID	1.65	1.61	2.84	6.13	5.24	4.22
UNVR	0.41	0.48	0.46	0.46	0.39	0.36
MBTO	1.57	1.06	0.73	0.24	0.30	0.39
MRAT	2.41	1.84	1.71	1.26	1.09	1.50
INDUSTRY	1.32	1.15	1.36	1.89	1.69	1.55

Figure 19. Indonesian Cosmetics and Household Industry Quick Ratio Comparison Chart



The quick ratio has slightly decreased, indicating that the company's current assets primarily consist of inventory and prepaid expenses, which are not easily converted into cash. A higher inventory amount suggests that the company is having difficulties in selling their inventory, resulting in a decrease in sales and an increase in damaged or unsold goods. A quick ratio below one signifies that the current assets, which include cash, current investments, and trade receivables, may not be sufficient to cover the company's short-term liabilities.

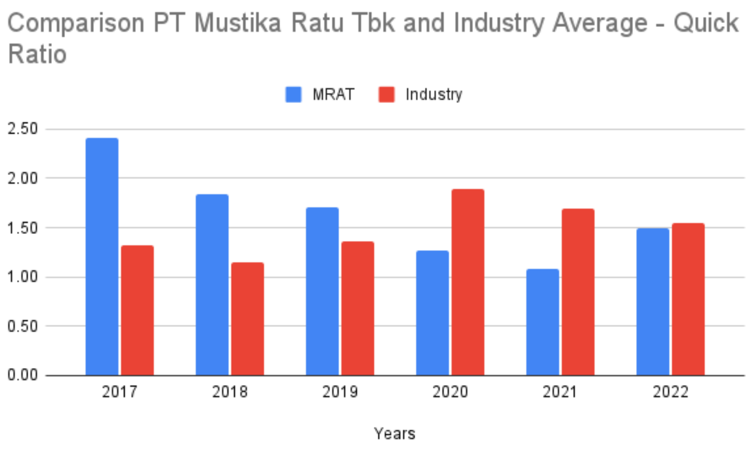
Over the years, KINO has experienced a decline in the quick ratio. The lowest quick ratio for the company was in 2022, which was influenced by a 21.66% increase in short-term liabilities, while cash and trade receivables decreased.

Over the years, KINO, UNVR, TCID, MBTO, and MRAT have consistently maintained their quick ratios in line with their current ratios. ADES has observed a rise in both its current ratio and quick ratio. This indicates that the company is proficient in managing its current assets and liabilities, and it also ensures that there is a balance between liquid assets and inventories.

Among them, TCID stands out as the most liquid company in the industry in terms of the quick ratio from 2019 to 2022. Additionally, MRAT has successfully maintained a quick ratio above one throughout this period.

Despite having a good enough result in terms of the current ratio, MBTO had the lowest quick ratio compared to its competitors within the industry from 2020 to 2022. This significant gap suggests that the current assets of the company are mostly composed of inventories or prepaid expenses, which are not considered as liquid assets in the calculation of the quick ratio.

Figure 20. Comparison of PT Mustika Ratu Tbk to the Industry Averages Tbk Quick Ratio from 2017-2022



The company's highest quick ratio was recorded in 2017 with a value of 2.41. However, this ratio has declined over the years and hit its lowest point of 1.09 in 2021. This decline can be attributed to the decrease in cash and trade receivables which are considered liquid assets. Despite this decline, the company has managed to maintain its quick ratio above one. Maintaining a quick ratio above one indicates that a company has enough liquid assets to cover its current liabilities and meet short-term financial obligations.

In 2022, the quick ratio of the company experienced a significant increase from 1.09 to 1.50. This increase was primarily due to a substantial rise in cash, which increased from 8,693,405,081 to 177,143,354,144. This represents a 19.38-fold increase compared to the previous year. The company's decision to open a short-term deposit in PT Bank Rakyat Indonesia (Persero) Tbk played a crucial role in the increase of cash. Additionally, the cash transaction was also due to the sale of an investment property during the year.

When comparing the company's performance to industry averages or the overall industry performance, it can be observed that before the pandemic period (2017-2019), the company's performance was consistently strong and above industry averages in terms of its current ratio. This indicates that the company had a healthy level of liquidity and was able to cover its short-term obligations effectively.

Due to the pandemic, the company's quick ratio fell below industry averages. This indicates that the company faced challenges in maintaining its short-term liquidity position during the pandemic period until 2022. It is important for the company to address this issue and implement strategies to improve its quick ratio in order to enhance its financial stability and resilience in the face of future uncertainties.

This can be attributed to a decrease in liquid assets and an increase in short-term obligations for PT Mustika Ratu. These changes in the company's financial position can be seen in the decrease in the amount of cash and other easily convertible assets, which are considered as liquid assets, and the increase in the amount of current liabilities, which are the company's obligations that are due within a year.

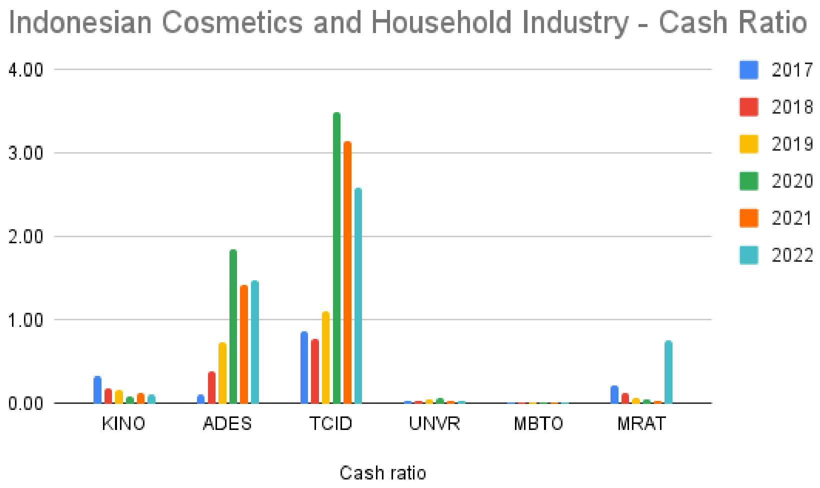
On the other hand, competitors in the industry, particularly TCID, experienced a significant increase in their liquid assets compared to a small amount of current liabilities. This means that TCID has more cash and other easily convertible assets that can be used to meet its short-term obligations. This difference in the financial positions of PT Mustika Ratu and TCID shows a contrasting trend in their liquidity and financial stability.

c) Cash Ratio

Table 19. Cash Ratio of Indonesian Cosmetics and Household Companies

	2017	2018	2019	2020	2021	2022
KINO	0.32	0.18	0.18	0.09	0.13	0.10
ADES	0.10	0.39	0.39	1.84	1.42	1.48
TCID	0.86	0.78	0.78	3.49	3.14	2.59
UNVR	0.03	0.03	0.03	0.06	0.03	0.04
MBTO	0.02	0.02	0.02	0.01	0.02	0.02
MRAT	0.21	0.13	0.13	0.06	0.04	0.75
INDUSTRY	0.26	0.26	0.26	0.93	0.79	0.83

Figure 21. Indonesian Cosmetics and Household Industry Cash Ratio: a Comparison Chart



The cash ratio is a financial metric that evaluates a company's ability to pay its short-term liabilities using its cash and cash equivalents, which are its most liquid assets. During the pandemic, many businesses struggled to meet their short-term obligations, and they relied on cash to pay their creditors. In summary, the cash ratio measures a company's ability to pay off its short-term debts using its cash and cash equivalents.

Prior to the pandemic, many companies in different industries were struggling to manage their cash compared to their short-term liabilities. This resulted in an overall performance below one. When a company's cash ratio is below one, it means that it has more short-term liabilities than cash on hand. This can be a warning sign of financial instability or liquidity issues.

According to the result above from 2020-2022, ADES and TCID are the most liquid companies among their competitors, with cash ratios above one.

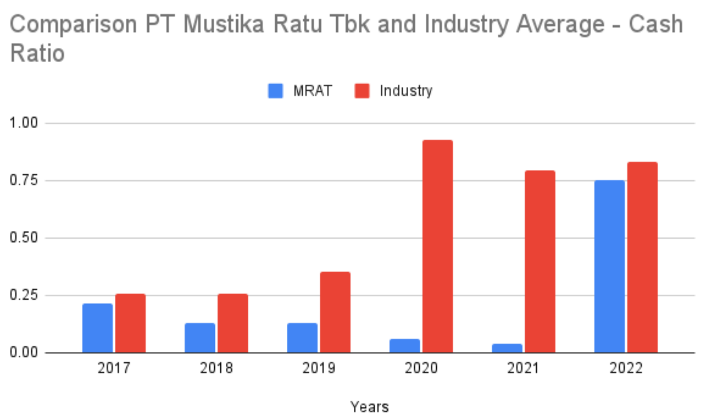
In 2020, TCID experienced a substantial increase in cash and cash equivalents, with a growth of IDR172.23 billion, representing a significant 60.3% increase compared to 2019. This increase was primarily attributed to payments made to suppliers for the purchase of raw materials. However, there was a 36.0% decrease, equivalent to IDR520.79 billion, in payments made to suppliers for raw material purchases in 2020 compared to the previous year. This decrease in payments also contributed to the overall increase in cash.

The increase in cash also led to an increase in deposits with Bank Rakyat Indonesia, which amounted to 234.000.000.000 compared to 60.000.000.000 in 2019. Additionally, there was an increase in deposits with Bank Resona Perdania, which amounted to 162.000.000.000 and 70.000.000.000 in 2019.

UNVR and MBTO have consistently held lower levels of cash over the years. This suggests that the companies don't frequently engage in cash transactions compared to other components of current assets. As a result, their cash ratios have remained relatively unchanged over this period.

KINO and MRAT have experienced a decline in their cash ratio over the years. However, in 2022, the cash ratio of MRAT increased significantly due to the transaction of selling its investment property, which led to a significant increase in its cash and cash equivalents.

Figure 22. Comparison of PT Mustika Ratu Tbk with the Industry Averages Cash Ratio from 2017-2022



Between 2017 and 2022, it was discovered that the company had significantly less cash compared to its current liabilities and other current assets. This indicates that the company's cash ratio is less than 1, which means it does not have enough cash and cash equivalents to cover its current liabilities. Therefore, the company may face difficulties in meeting its short-term financial obligations.

Although the company's current and quick ratios are above 1, which indicates a healthy liquidity position, its cash ratio is below 1. This suggests that more than the company's highly liquid assets may be needed to cover immediate obligations. The high levels of receivables and inventory can contribute to this situation, especially the amount of receivables. Higher receivables and inventories assets indicating possible challenges in quickly converting these assets into cash. Stakeholders must analyze the reasons behind the high receivables and inventory levels to make well-informed decisions about the company's financial stability.

Due to a significant increase in profits in 2022, which can be attributed to the successful sale of an investment property, the company has decided to allocate a portion of these profits to establish a deposit. This deposit will serve as a financial resource for future endeavors and contribute to the overall stability and growth of the company.

Overall, the performance of the cash ratio in the industry from 2017 to 2022 was relatively poor. The data reveals that companies in the sector had relatively low levels of cash compared to their current liabilities. This indicates that, the industry on average was unable to maintain a cash ratio of one or higher throughout this period. As a result, the industry faced challenges in managing its cash flow and liquidity during this period.

Although the overall cash ratio of the industry averages increased during the period 2020-2022, this increase was primarily driven by the improved cash ratio of ADES and TCID. The other companies, such as MRAT, experienced a decline in their cash ratio. During this period, the cash ratios of companies in the industry differed significantly due to their various financial positions and strategies. According to MRAT, selling its investment property could help the company maintain its cash ratio in 2022.

The availability of cash is a critical factor in the cosmetics and household industry in Indonesia. If the companies within an industry lacks sufficient cash, they may face challenges in paying their suppliers, creditors, and other short-term obligations on time. This can lead to late payment fees, strained relationships with suppliers, and disruptions in the supply chain.

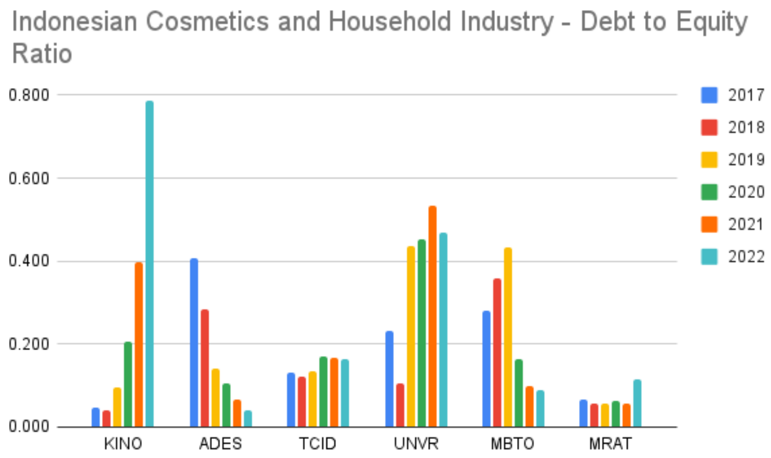
2) Solvency Analysis

a) Debt-to-equity Ratio

Table 20. Debt-to-Equity Ratio of Indonesian Cosmetics and Household Companies

	2017	2018	2019	2020	2021	2022
KINO	4.71%	4.07%	9.61%	20.63%	39.67%	78.68%
ADES	40.74%	28.42%	13.95%	10.67%	6.80%	4.20%
TCID	13.11%	12.23%	13.46%	17.03%	16.71%	16.44%
UNVR	23.21%	10.69%	43.59%	45.36%	53.27%	47.00%
MBTO	28.03%	35.71%	43.21%	16.53%	9.74%	9.02%
MRAT	6.49%	5.70%	5.75%	6.30%	5.67%	11.45%
INDUSTRY	19.38%	16.14%	21.60%	19.42%	21.98%	27.80%

Figure 23. Indonesian Cosmetics and Household Industry Debt-to-Equity Ratio Comparison Chart



During the observed period, the long-term debt performance of companies in the Indonesian Cosmetics and Household industry was lower in comparison to their equity performance. None of the companies within this industry had a debt-to-equity ratio that exceeded one.

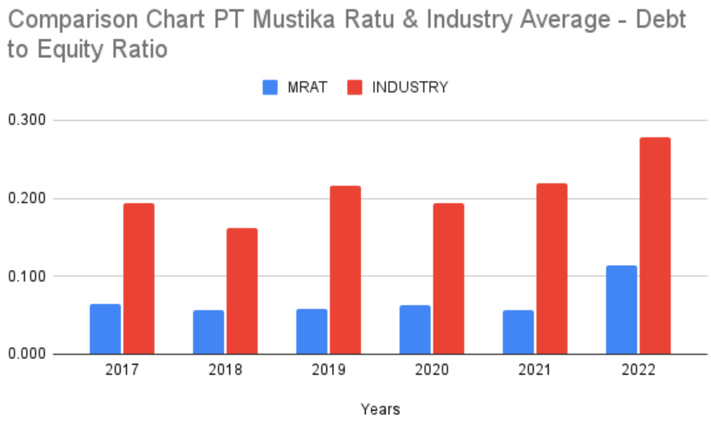
Maintaining a debt-to-equity ratio below 1 might indicate a healthier financial position by having more equity than debt. Over the years, the industry has been facing an increase in the level of debt.

It has been observed that KINO, UNVR, and MRAT have experienced a significant increase in their debt-to-equity ratio from 2017 through 2022.

Among these three companies, KINO earned the largest increase, with its debt-to-equity ratio rising from 39.7% in the previous years to 78.7% in 2022. This increase can be attributed to the rise in debt levels and the decline in equity amounts. In 2022, The company bought back 49,752,600 of its shares on the Indonesia Stock Exchange (IDX) for Rp 193,458,403,000 to improve share performance. The shares were recorded as "Treasury Shares" and can be re-issued later.

While maintaining a debt-to-equity ratio of over 0.1 but below 0.2, On the other hand, ADES and MBTO have outperformed their industry competitors by reducing their debt-to-equity ratio over the years. ADES and KINO achieved a debt-to-equity ratio below 10% between 2021 and 2022 by reducing their long-term debt and increasing their equity components.

Figure 24. Comparison of PT Mustika Ratu Tbk to the Debt-to-Equity of Industry Averages from 2017 to 2022



From 2017 to 2021, the company consistently maintained its debt-to-equity ratio between 5% and 6%. When the long-term debt is lower compared to the equity, it means that the company has relatively less debt in proportion to its ownership or shareholder's equity. This can indicate a stronger financial position and lower risk for the company.

In 2021, the debt-to-equity ratio increased by 142.35%, this amount respectively raised from 19,442,335,065 to 47,118,935,598 in 2022. Such an increase is a result of the company's long-term bank financing facilities. In other words, these are services that banks provide to PT Mustika Ratu in order to obtain funding over an extended period, typically, for projects or investments of a considerable scale that necessitate substantial capital.

When comparing the debt-to-equity results of PT Mustika Ratu with the industry averages, it is found that PT Mustika Ratu has better performance. The company maintains a lower debt-to-equity ratio, while the overall companies in the industry have a higher debt-to-equity ratio.

In 2022, the debt-to-equity ratio in the industry on average reached its highest level in over six years, at 27.80% compared to previous periods. These results indicate that the companies in the industry had a higher level of long-term debt in relation to their equity, compared to PT Mustika Ratu which had a lower level.

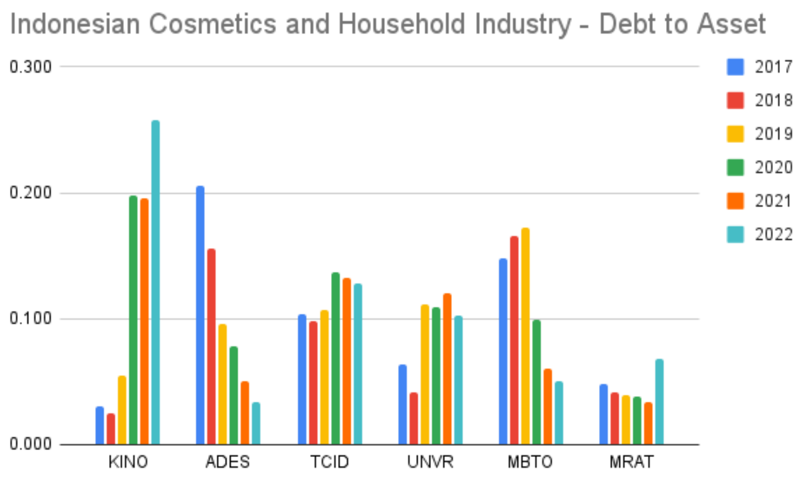
This indicates that the industry depended more on borrowing and long-term debt financing rather than relying on equity. It may also imply a greater financial risk for the companies in the industry since a higher debt-to-equity ratio can make them more susceptible to economic downturns or financial instability.

b) Debt-to-Asset Ratio

Table 21. Debt-to-Asset Ratio of Indonesian and Household Companies

	2017	2018	2019	2020	2021	2022
KINO	2.99%	2.48%	5.53%	19.74%	19.62%	25.81%
ADES	20.51%	15.54%	9.64%	7.79%	5.06%	3.40%
TCID	10.32%	9.86%	10.65%	13.73%	13.22%	12.81%
UNVR	6.35%	4.15%	11.15%	10.91%	12.07%	10.26%
MBTO	14.82%	16.56%	17.19%	9.92%	6.07%	5.06%
MRAT	4.79%	4.10%	3.98%	3.85%	3.36%	6.78%
INDUSTRY	9.96%	8.78%	9.69%	10.99%	9.90%	10.69%

Figure 25. Indonesian Cosmetics and Household Industry Debt-to-Asset Ratio Comparison Chart



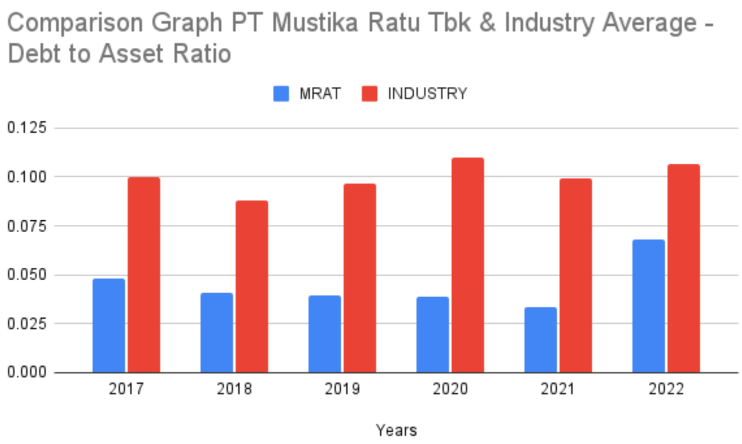
The debt-to-asset ratio shows a similar pattern to the debt-to-equity ratio in the Indonesian cosmetics and household industry. KINO, UNVR, and MRAT experienced a slight increase in their debt-to-asset ratio.

By 2022, KINO had the highest debt-to-asset ratio compared to its competitors. This means that 25% of the company's total assets were financed by long-term debt.

TCID's debt-to-asset ratio fluctuated during this specified period. ADES and MBTO experienced significant declines from 2017 to 2022. The decrease in the long-term debt of companies was offset by an increase in their total assets over the years.

From 2017-2022, the overall industry maintained a low debt-to-asset ratio, ranging from 8.78% to 10.99%. These amounts of debt to asset ratios are 9.96%, 8.78%, 9.69%, 10.99%, 9.90% and 10.69% respectively from 2017-2022. When a company's debt-to-asset ratio increases, it indicates that the company is relying more heavily on long-term debt to fund its total assets. This means that a greater portion of the company's total assets is being financed through long-term debt.

Figure 26. Comparison of PT Mustika Ratu Tbk to the Debt-to-Equity of Industry Averages from 2017-2022



Over the six-year period from 2017 to 2022, the company maintained a low debt-to-asset ratio of below 10%. The highest ratio was recorded in 2022 at 6.78%. This indicates that only 6.78% of the total assets were financed by long-term debt. When a company relies less on borrowing funds to finance its total assets, it means they have a lower dependence on long-term debt financing.

Figure 26 shows that the companies in the industry on average have a minimal amount of debt, which means that they can efficiently manage their financial resources without relying on long-term loans. Additionally, it indicates that these companies may have a stable financial position and can generate enough cash internally to support their operations and investments.

The slight increase in 2022 is the result of an increase in long-term debt and total assets.

When compared to the industry averages, PT Mustika Ratu is financing a smaller portion of its total assets through long-term debt as compared to its competitors in the industry. This is a positive indication as it implies that PT Mustika Ratu has a stronger financial position and is less dependent on long-term debt to support its operations.

It appears that only a portion of the industry is utilizing its long-term assets as a source of finance for the company. On average, the industry has a small amount of long-term debt, which can be beneficial for the companies within the industry.

The companies in the industry usually have an average long-term debt of around 10% to secure the funds required for financing their total assets. This ratio of debt-to-asset allows companies to manage their financial resources effectively and ensure the smooth operation of their business. Additionally, this approach enables companies to take advantage of potential growth opportunities and make strategic investments that can improve their overall performance and profitability in the long run.

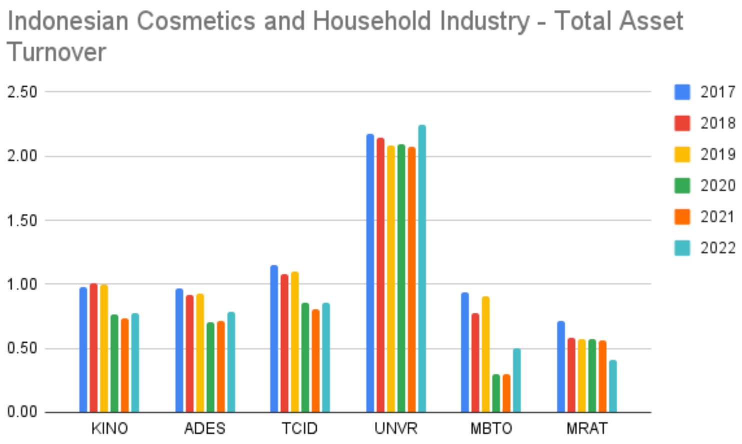
3) Activity Analysis

a) Total Asset Turnover

Table 22. Total Asset Turnover of Indonesian Cosmetics and Household Companies

	2017	2018	2019	2020	2021	2022
KINO	0.98	1.01	1.00	0.77	0.73	0.78
ADES	0.97	0.91	0.93	0.70	0.72	0.78
TCID	1.15	1.08	1.10	0.86	0.80	0.86
UNVR	2.18	2.14	2.08	2.09	2.07	2.25
MBTO	0.94	0.78	0.91	0.30	0.30	0.50
MRAT	0.72	0.59	0.57	0.57	0.57	0.41
INDUSTRY	1.15	1.08	1.10	0.88	0.86	0.93

Figure 27. Indonesian Cosmetics and Household Industry Total Asset Turnover Comparison Chart

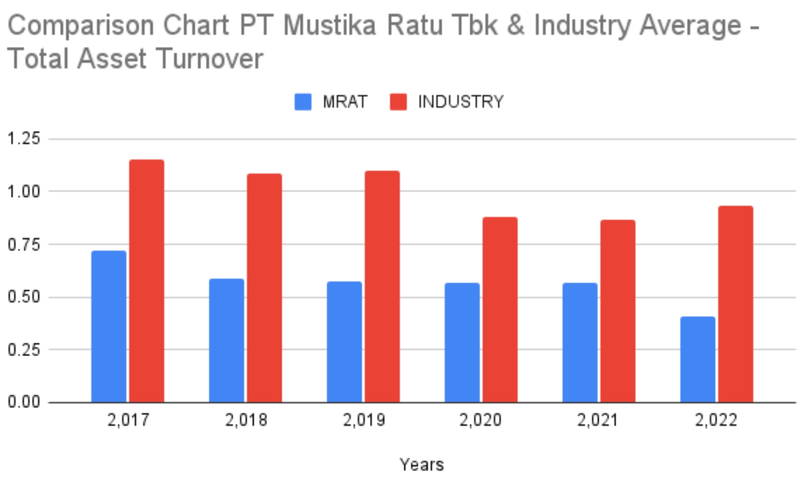


The companies within the industry are not performing well in terms of total asset turnover, that measures how effectively a company uses its assets to generate revenue. A total asset turnover below 1 indicates that the company is not generating enough sales in relation to its total assets. Unfortunately, the majority of companies in the industry have a total asset turnover below 1, indicating a larger total asset but resulting in a lower value of sales. Before the pandemic era, however, TCID was able to generate a total asset turnover of over 1 but then during the pandemic dropped below 1.

During the period of 2019-2020, the companies in the industry experienced a significant decrease in their average performance. The decline can be attributed to various factors, but one of the major contributors is the COVID-19 pandemic. The financial results of each company saw a decline during and after the COVID-19 pandemic compared to before the pandemic era. The pandemic caused several challenges, such as supply chain disruptions, decreased consumer demand, and the implementation of strict lockdown measures.

During the given period, UNVR achieved the highest total asset turnover in the industry, with a result of over two. This indicates that the company's total assets could generate revenue that is twice its total asset value. Despite the pandemic, UNVR managed to maintain this performance with only a slight decrease. This can be attributed to the company's ability to produce a wide range of products to meet the needs of Indonesian society in cosmetics and household products. As a result, UNVR is a strong competitor in this industry due to its effective asset management.

Figure 28. Comparison of PT Mustika Ratu Tbk to The Total Asset Turnover of Industry Averages from 2017-2022



Based on the data presented, it is evident that PT Mustika Ratu has a total asset turnover ratio in which the total assets are greater than the company's sales. This indicates that from 2017 to 2022, the total asset turnover is less than 1. This performance can be attributed to an increase in the number of assets held by the company, in contrast with a decline in sales performance each year. In other words, only a certain percentage of the company's assets can generate revenue, indicating that the company is not managing its assets effectively to generate sales.

The company's asset turnover has been decreasing every year, with a major drop observed in 2022 when the total asset turnover fell to 0.41 from the previous year's 0.57. this was affected by the increase of assets by 20.15% and the decrease of sales by 12.73%.

Before the pandemic, the Indonesian cosmetics and household industries had an average total asset turnover of over 1. This shows that the average companies in the industry could manage their assets to generate revenue effectively. As the industry grew, sales became increasingly crucial for these companies. However, this figure declined between 2020 and 2022. Other factors, the sales performance declined within the industry affected by the pandemic. In fact, the industry averages dropped to less than 1. In 2019, the total industry average was 1.10, but it dropped significantly to 0.88 in 2020.

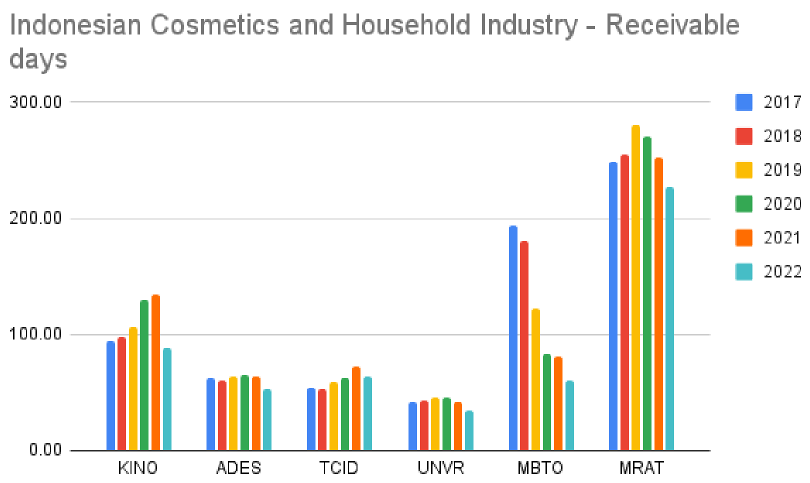
It is clear that PT Mustika Ratu Tbk underperforms compared to the industry averages in total asset turnover, as its total asset turnover remains below the industry averages. This indicates that other competitors in the industry are more proficient in managing their assets effectively. Competitors within the industry are able to manage their assets and operations effectively which in turn can generate higher sales and achieve greater profitability. Therefore, it is crucial for PT Mustika Ratu Tbk to focus on enhancing its asset management strategies. This will help the company improve their performance and remain competitive in the industry.

b) Receivable Days

Table 23. Receivables Days of Indonesian Cosmetics and Household Companies

	2017	2018	2019	2020	2021	2022
KINO	94.73	97.78	106.86	129.55	134.93	87.91
ADES	63.00	59.84	64.15	64.84	63.58	53.42
TCID	53.74	53.36	58.68	62.73	72.64	64.02
UNVR	41.77	43.51	45.37	44.98	41.69	34.75
MBTO	193.47	180.80	122.84	83.19	80.33	60.08
MRAT	248.57	255.40	280.74	270.27	252.22	226.41
INDUSTRY	115.88	115.12	113.11	109.26	107.57	87.77

Figure 29. Indonesian Cosmetics and Household Industry Receivables Days Comparison Chart



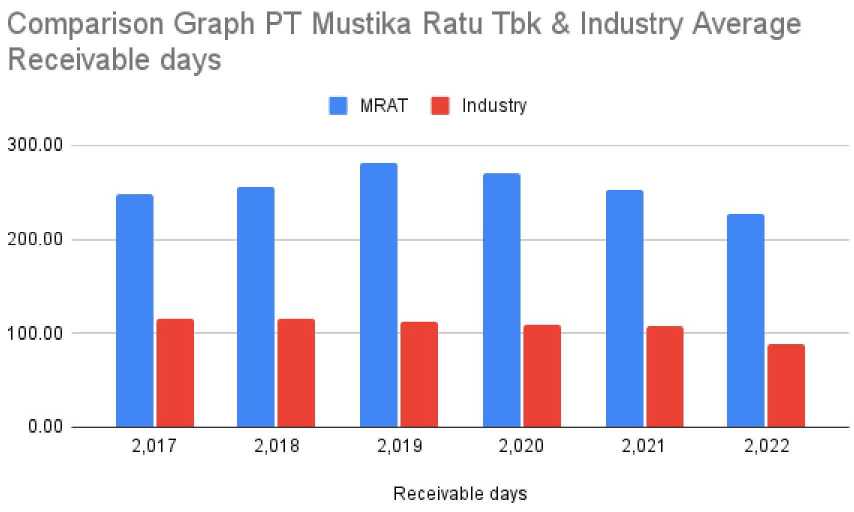
When the number of days it takes to receive payment on receivables is high, it indicates that customers are taking a longer time to pay. ADES, TCID, and UNVR are among the companies in the industry that were able to keep their receivable days below 100 days during the six-year period between 2017-2022. This is a positive sign because it implies that these companies can collect payment on their receivables much faster than their competitors, which indicates improved cash flow and efficiency in managing accounts receivable.

During the period, MBTO experienced a decrease in receivable days. This was due to a decrease in sales over the years which led to a decrease in receivables. The sales dropped from 731,577,343,628 in 2017 to 360,183,468,535 in 2022, resulting in a significant decrease. As a result, the company implemented a tighter policy on receivables, which led to a decrease in the number of receivables from 387,774,286,090 in 2017 to 59,291,220,816 in 2022. With this small amount of receivables compared to sales, credit policies are only given to some customers to make receivables more collectible.

On the other hand, KINO has experienced a decrease in the number of days it takes to collect receivables over the years. In 2017, it was below 100 days, but then it slightly increased to over 100 days until 2021. As a result, the company tightened its credit policy in

2022, mainly due to a significant decrease in the amount of receivables from 1,470,075,906,048 in 2021 to 874,653,052,415 in 2022, which is a decrease of 40.50%.

Figure 30. PT Mustika Ratu Tbk in Comparison to the Industry Averages Receivables Days from 2017-2022



PT Mustika Ratu is a company in the industry with the most extended collection period compared to its competitors. The average collection period of its receivables is over 200 days. The company has a high level of receivables compared to its total sales. From 2017 to 2022, the percentage of receivables to sales was 68.10%, 69.97%, 76.92%, 74.05%, 69.10%, and 62.03%, respectively. This suggests that the company mainly relies on credit sales, indicating a weak credit policy level. It is anticipated that there will be a higher number of uncollectible receivables.

When a company has a more extended receivable period, it means that it has to wait for a longer time to receive payments. This delay can cause cash flow problems because the company may face difficulties in covering its expenses and may need to seek additional financing or delay payments to suppliers. Therefore, it is crucial for PT Mustika Ratu Tbk to actively manage its receivables and implement strategies to shorten the collection period.

According to calculations of industry averages, the time it takes for receivables to be collected has been decreasing over time. This is largely due to the tight credit policies of companies like MBTO and others, who have been successful in keeping their receivable collection periods stable and below 100 days. In fact, in 2022, the industry average decreased significantly from 107.57 days in 2021 to just 87.77 days. This shows an improvement in the industry's ability to collect payments from customers and convert them to cash.

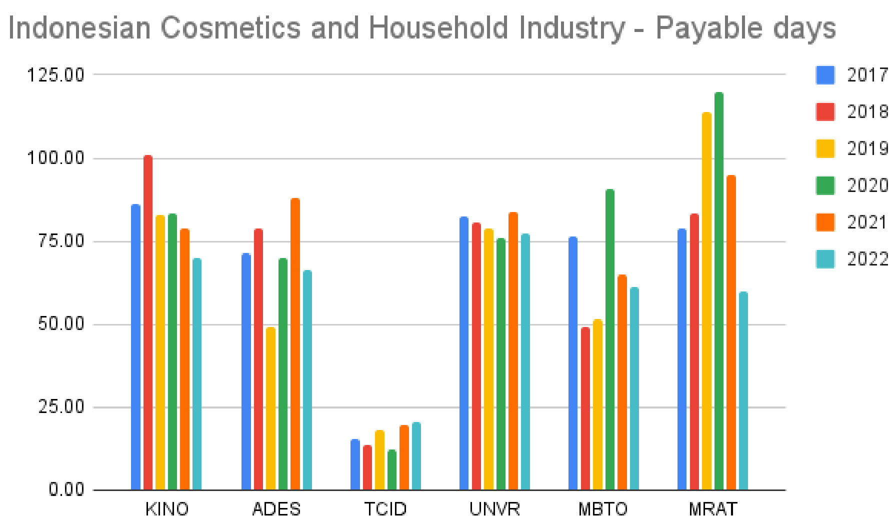
During a period of six years, PT Mustika Ratu took longer to collect payments from customers compared to its competitors. The company's receivables days took up to 200 days on average to collect payments from customers, which is twice as long as the industry average of around 100 days. Therefore, it can be concluded that PT Mustika Ratu's credit policy for managing receivables was less efficient than the industry average.

c) Payable Days

Table 24. Payable Days of Indonesian Cosmetics and Household Companies

	2017	2018	2019	2020	2021	2022
KINO	86.21	101.14	82.91	83.27	78.68	70.04
ADES	71.42	78.63	48.98	69.86	88.07	66.07
TCID	15.65	13.69	18.40	12.14	19.58	20.48
UNVR	82.68	80.59	78.91	76.10	83.76	77.43
MBTO	76.62	49.20	51.40	90.69	64.68	61.35
MRAT	78.57	83.53	113.82	119.92	94.94	59.84
INDUSTRY	68.53	67.80	65.74	75.33	71.62	59.20

Figure 31. Indonesian Cosmetics and Household Industry Payable Days Comparison Chart



Some companies have been facing changes in their payment periods to suppliers in the industry. However, UNVR has managed to maintain an average payment period of around 75 days. On the other hand, KINO, ADES, MRAT, and MBTO have experienced fluctuations in their payable days to suppliers between 2017 and 2022. In this case, the companies' policies for managing payables and paying suppliers fluctuated between 2017 and 2022.

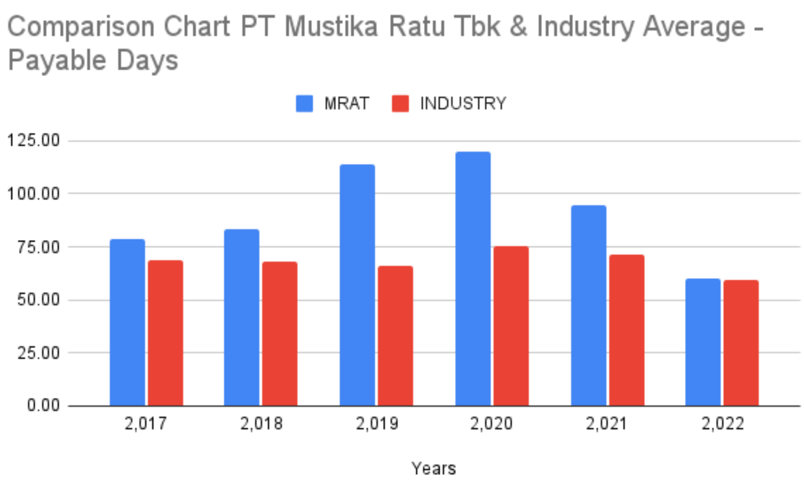
Between 2017 and 2022, KINO's payable days decreased due to the increasing cost of sales. However, the amount owed by the company to its suppliers did not change significantly during this period. This has resulted in shorter payable days, indicating that KINO is now taking less time to pay its suppliers.

On the other hand, ADES experienced its lowest average payment period in 2019. This was primarily due to a significant decrease in payables, which dropped from 89.45 billion in 2018 to 55.99 billion in 2019, representing a 37.41% decrease.

Managing payment periods is essential for companies for several reasons. Balancing the timing of payments to suppliers with the collection of customer receivables helps ensure that the company has enough liquidity to meet its financial obligations. Additionally, managing payment periods helps the company establish its reliability and trustworthiness with suppliers, which can result in better terms, discounts, and a continuous supply of goods and services.

One company that has consistently demonstrated outstanding performance in managing payments to its suppliers within the industry is TCID. This company pays its suppliers in less than 25 days, showing its ability to manage payments efficiently. This sets TCID apart from competitors and establishes it as a leader in prompt supplier payment.

Figure 32. PT Mustika Ratu Tbk in Comparison to the Industry Averages Payable Dyas from 2017-2022



The company has maintained a steady receivables collection period over the years. However, it has experienced fluctuations in the average number of days it takes to pay its suppliers. A company may have a longer receivables collection period but a shorter supplier payment period. The receivables collection period is a metric that measures the average time it takes for a company to collect payments from its customers.

In comparing the company's receivables collection and payment of payables period, it was found that the company has a lower amount of payables and better control over its cost of goods sold. This suggests that the company is managing its expenses and supplier payments more efficiently than it is collecting receivables from customers.

Prior to the pandemic, from 2017 to 2020, the payables days increased from 78.57 to 83.53, then to 113.82, and finally to 119.92. These changes were a result of the decreasing cost of goods sold and a slight increase in its payables. As a result, it took longer for the company to manage the payment of its payables to the suppliers.

The company managed to decrease its payables in comparison to a higher amount of its cost of goods sold, resulting in a slight decrease in 2021 and 2022. Shortening the payment period allows the company to pay suppliers on time and fulfil financial obligations efficiently, leading to stronger supplier relationships.

It has been observed that PT Mustika Ratu takes longer to pay its suppliers when compared to industry averages. As a result, the company's cash flow management and supplier relationships have been significantly impacted. On the other hand, its competitors have shown greater efficiency in managing their payable payments and consistently meet industry standards.

In 2022, PT Mustika Ratu implemented a strategic change by adjusting its payment period to match the industry average. This adjustment not only helped the company manage its cash flow better but also improved its relationships with suppliers.

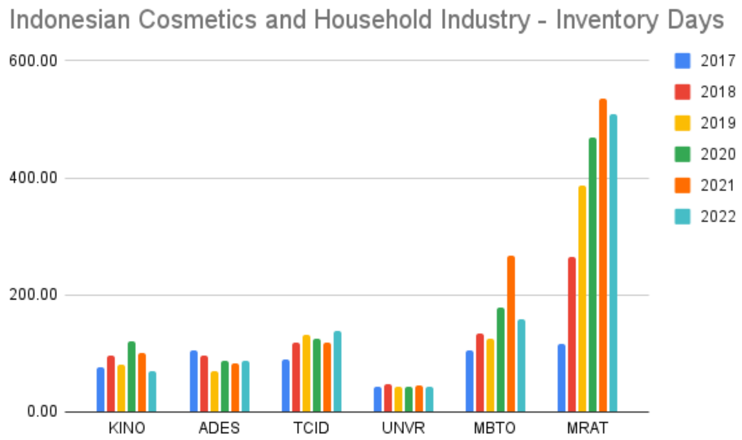
In the industry, payments for payables take an average of 60 to 75 days to be processed over the 2017-2022 periods. This consistent payment period provides a significant advantage for companies in the industry as it allows them to manage their cash flow effectively and managing budget for future expenses.

d) Inventory Days

Table 25. Inventory Days of Indonesian Cosmetics and Household Companies

	2017	2018	2019	2020	2021	2022
KINO	76.71	96.28	81.72	120.21	101.40	70.72
ADES	104.94	95.94	70.08	86.90	82.40	87.18
TCID	90.77	117.45	131.87	125.50	117.64	139.50
UNVR	43.72	46.85	42.44	43.82	44.96	43.25
MBTO	106.12	134.31	125.23	178.31	267.06	158.62
MRAT	116.23	264.55	387.80	469.66	535.89	508.63
INDUSTRY	89.75	125.90	139.86	170.73	191.56	167.98

Figure 33. Indonesian Cosmetics and Household Industry Inventory Days Comparison Chart

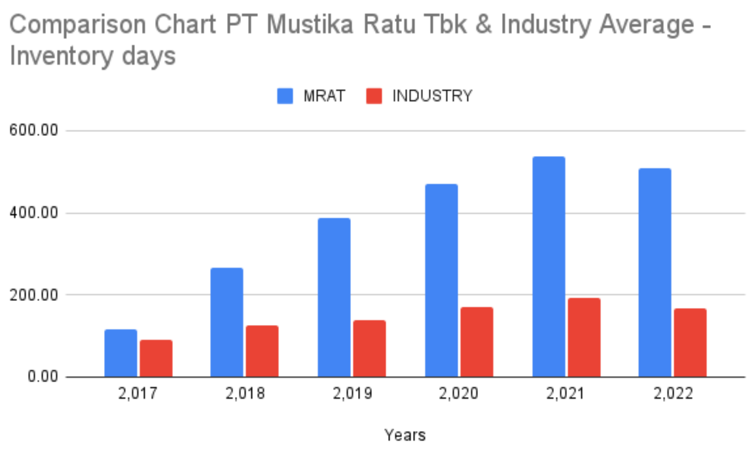


This analysis examines the average inventory that companies keep in their warehouses and how long it takes for them to convert that inventory into sales. The companies within the industry -KINO, ADES, and TCID, have shown slightly fluctuating inventory days. However, overall, these companies have maintained stability in their inventory days over the period of 2017-2022.

UNVR has a great track record in managing its inventory, as it has the lowest inventory days compared to its competitors in the Indonesian cosmetics and household industry. From 2017 to 2022, the company's average inventory days was only 44 days, which indicates that it was able to convert its inventory into sales within 44 days.

There were notable changes in the inventory days for two companies, MBTO and MRAT, over the years 2017-2022. This observation suggests that the inventory of these companies has consistently exceeded their cost of goods sold as reported in their financial statements. This means that the unsold inventory may have been carried over for an extended period. The companies recognize the inventory sold as an expense in the same period, so higher inventory and lower cost of goods sold indicate the potential for unsold inventory.

Figure 34. PT Mustika Ratu Tbk in Comparison to the Industry Averages Inventory Days from 2017-2022



The company uses the first-in, first-out (FIFO) method to sell its inventory. This means that it sells the finished goods in the order they are produced. Over the years, the ending inventory has increased while the cost of goods sold has decreased. However, the company is currently facing challenges as it is only able to sell a small portion of its inventory despite having a large amount of finished goods in its warehouses. This results in a higher inventory level compared to the cost of goods sold.

When a company has a higher number of inventory days, it means that it keeps its inventory for a longer time before selling it. This can lead to increased expenses such as storage and carrying costs, and it may indicate that the company's supply chain or inventory management is not efficient.

Based on the inventory days results between 2017 and 2022, the average inventory days of PT Mustika Ratu over six periods was found to be 380 days. It is evident that inventory days have been increasing significantly over the years, indicating that the company has become more inefficient in managing its inventory in terms of converting it into sales.

The inventory turnover performance of PT Mustika Ratu has been significantly higher than the industry averages over a period of time. This suggests that the company has not been as efficient as its competitors in converting its finished goods into sales.

The industry averages have also experienced increases during these periods, which may be due to the higher changes in inventory levels of MRAT and MBTO. The changes in inventory levels may have been influenced by factors such as changes in customer demand, production capacity, or supply chain management strategies. Therefore, it is important for PT Mustika Ratu to closely monitor and evaluate its inventory management practices in order to improve its competitiveness and align with industry standards.

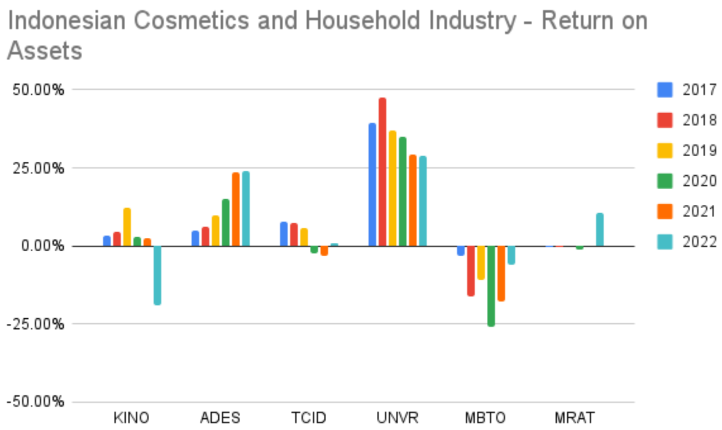
4) Profitability Analysis

a) Return on assets

Table 26. Return on Assets of Indonesian and Household Companies

	2017	2018	2019	2020	2021	2022
KINO	3.36%	4.40%	12.44%	3.08%	2.41%	-18.79%
ADES	4.76%	6.15%	9.85%	15.25%	23.49%	24.07%
TCID	7.88%	7.20%	5.81%	-2.25%	-3.32%	0.77%
UNVR	39.29%	47.41%	36.81%	34.79%	29.08%	28.70%
MBTO	-3.31%	-15.98%	-10.81%	-25.82%	-17.65%	-5.91%
MRAT	-0.27%	-0.46%	0.03%	-1.24%	0.06%	10.65%
INDUSTRY	8.62%	8.12%	9.02%	3.97%	5.68%	6.58%

Figure 35. Indonesian Cosmetics and Household Industry Return on Assets Comparison Chart



Analyzing a company's profitability is crucial when assessing its financial health and sustainability. This analysis helps stakeholders evaluate the company's performance and ability to generate income, which is crucial for informed decision-making, attracting investors, and ensuring long-term success. Return on assets (ROA) is a key metric for measuring a company's profitability. It assesses the efficiency of a company's asset utilization in generating profit.

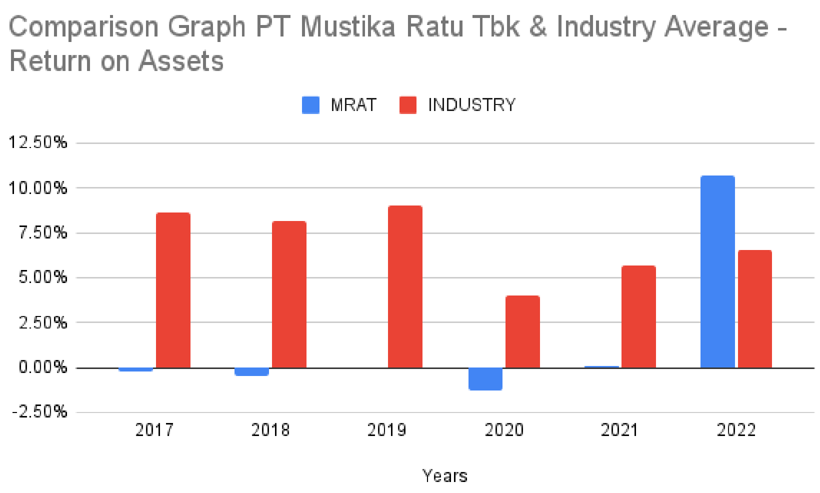
Between 2017 and 2022, the majority of companies in the industry such as KINO, TCID, UNVR, MBTO, and MRAT experienced a decline in Return on Asset (ROA). This decline was worsened by the COVID-19 pandemic, which significantly reduced their profits. This was largely due to factors such as reduced consumer spending, disruptions in the supply chain, and decreased demand for cosmetics and household products in Indonesian society.

KINO's net profit in 2022 declined, which resulted in a significant decrease in ROA. This is mainly due to a decrease in sales and an increase in the expense of sales. The increase in production costs by 103.60%, or Rp259.64 billion, from Rp2,088.10 billion to Rp2,347.64 billion caused this situation.

ADES has seen a slight increase in its return on assets (ROA) compared to its industry competitors. This growth results from the company's strategy to stabilize sales, control expenses, and enhance its sales approach. It demonstrates ADES's ability to adapt, transform, and succeed in various operational activities. In 2022, the company expanded its product line to include cosmetic products such as shampoo, hair dyes, straighteners, vitamins, and Makarizo Vita Caps. The Makarizo brand cosmetics under ADES even experienced significant sales growth compared to pre-COVID levels.

Over the span of six years, from 2017 to 2022, both MBTO and MRAT, two companies in the Indonesian cosmetics and household industry, experienced a significant decline in their return on assets. This shows that companies specializing in natural cosmetics have faced a significant drop in net profit, even before the pandemic.

Figure 36. PT Mustika Ratu Tbk in Comparison to the Industry Averages Return on Assets from 2017-2022



As previously mentioned, the majority of companies within the industry experienced a decrease in their Return on Assets (ROA) during the COVID-19 pandemic. Despite sales and the cost of goods sold remaining relatively stable over the past six years, changes in other factors such as operating expenses, other sources of income, and taxation have been the primary drivers of fluctuations in net profits for these companies over this period.

The company's net profit faced a negative amount in 2017, 2018, and 2020. While there has been growth in other years, it has a relatively small amount of positive values, except in 2022. The significant increase in 2022 was not due to an increase in the company's sales performance but was instead due to an increase in other incomes from selling its investment property. This indicates that although the net profit has increased significantly, there has been no increase in the company's overall performance.

PT Mustika Ratu has demonstrated its ability to manage the company's profits, indicating that it has developed and matured in terms of operations, management, and growth. However, due to the expanding market, the company is presently experiencing a decline in its performance. This decline can be attributed to factors such as increased competition, evolving consumer preferences, and economic fluctuations. Therefore, it is critical for the company to adapt to these changes and implement strategic initiatives to regain its market share and improve its financial performance.

In summary, PT Mustika Ratu Tbk's average total assets are not generating profits effectively. This even indicates the situation before and after the COVID-19 pandemic. It is important for the company to focus on improving its asset management strategies to increase profitability in the long run.

The average Return on Assets (ROA) of the industry saw a significant decline during the period of 2019-2020. Prior to the pandemic, the industry's ROA was around 8%-9% from 2017-2019, indicating that it was making a profit of that percentage from its total assets during those years. However, during the pandemic in 2019-2020, the industry's ROA dropped by around 4%-7%, implying that the industry's performance during the COVID-19 era was less efficient compared to the pre-pandemic period. This trend continued until the industry's recovery in 2022.

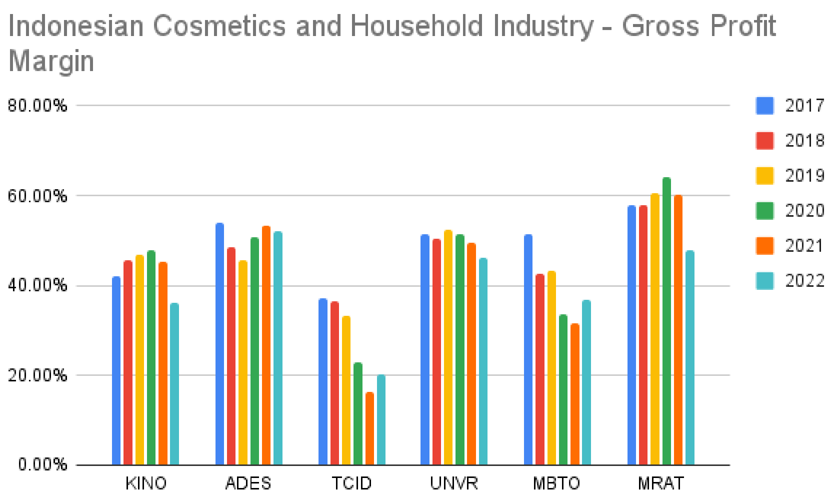
When compared to its competitors in the industry, PT Mustika Ratu's performance indicates that its rivals used their assets more effectively to generate profits between 2017 and 2021. However, in 2022, the company accomplished an impressive feat by successfully selling off its valuable assets. This strategic decision resulted in a significant increase in the company's return on assets, surpassing the industry standards.

b) Gross Profit Margin

Table 27. Gross Profit Margin of Indonesian Cosmetics and Household Companies

	2017	2018	2019	2020	2021	2022
KINO	42.10%	45.50%	46.82%	47.92%	45.18%	36.04%
ADES	53.89%	48.38%	45.43%	50.87%	53.43%	51.96%
TCID	37.21%	36.36%	33.17%	22.86%	16.52%	20.12%
UNVR	51.50%	50.46%	52.32%	51.26%	49.63%	46.25%
MBTO	51.37%	42.53%	43.22%	33.54%	31.67%	36.96%
MRAT	57.90%	58.00%	60.42%	64.21%	60.22%	48.00%
INDUSTRY	48.99%	46.87%	46.90%	45.11%	42.77%	39.89%

Figure 37. Indonesian Cosmetics and Household Industry Gross Profit Margin Comparison Chart

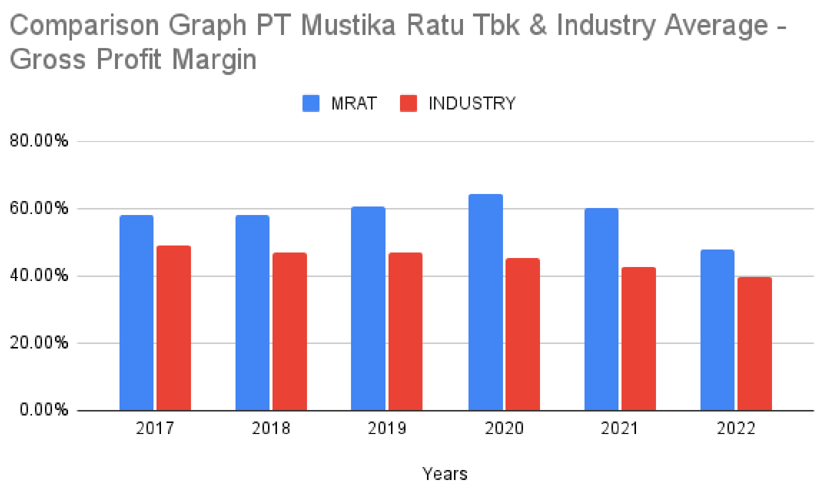


The highest level of gross profit margin refers to the percentage of profit that a company retains after subtracting the cost of goods sold from its total revenue. This metric is used to assess a company's efficiency in managing both production and sales costs. In the industry, KINO, ADES, UNVR, and MRAT are showing good performance with a small decline in gross profit margin over the past six periods. This suggests that they are effectively controlling their cost of goods sold.

During the pandemic era, TCID experienced a significant decline in sales revenue, which impacted the company's overall revenues. Prior to the pandemic, the company generated an average sales revenue of $2.7 trillion between 2017 and 2019. However, from 2020 through 2022, the average sales revenue dropped to $1.9 trillion. This decline in revenue had a significant impact on the company's gross profit margin. Despite the reduction in sales revenue, the company was able to control the Cost of Goods Sold during this period.

During the 2019-2020 period, MBTO experienced a decline in gross profit of 57.10% along with a decline in sales by 44.71%. While this decline continued slightly into 2021, the company's performance showed slight growth in line with the state's economic recovery after the pandemic. As a result of increased sales, there was an increase in gross profit.

Figure 38. PT Mustika Ratu Tbk in Comparison to the Industry Averages Gross Profit Margin from 2017-2022



During the six-year period, the company was able to maintain and control its gross profit at a stable level, except for facing a decrease in 2022. This demonstrates that the company has been efficient in controlling the cost of goods sold in comparison to its revenue. A higher gross profit margin implies that the company is generating more profit from its sales, which can lead to increased financial stability and growth opportunities.

From 2017 to 2021, the company was able to maintain a gross profit margin of around 60% to 65%. However, in 2022, the sales decreased by 12.73% from 326,794,571,097 to 285,177,566,612, resulting in a decrease in gross profit by 29.30% This significant decrease was also influenced by a 14.07% increase in the cost of goods sold.

When comparing the performance of companies in the industry, it is evident that PT Mustika Ratu Tbk has demonstrated a higher level of efficiency in controlling both sales policies and the cost of goods sold. This has contributed to its more substantial gross profit margin, signifying that PT Mustika Ratu Tbk has successfully implemented strategic measures and effective cost management techniques. The company has surpassed its competitors in financial performance by efficiently managing its sales price policies and controlling the cost of goods sold. This has enabled PT Mustika Ratu Tbk to optimize its profitability and maintain a competitive edge in the industry.

The average gross profit margin of the company from 2017-2022 was 58.13%. It indicates that for every unit of currency earned in sales, 58% was retained as gross profit after accounting for the direct costs associated with producing or acquiring the goods sold.

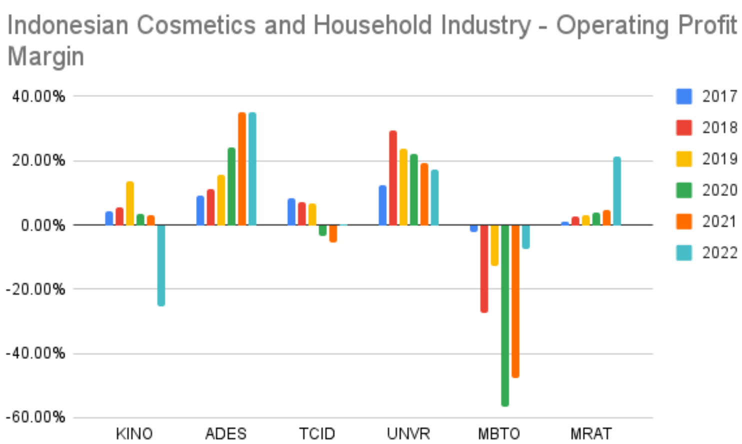
Although the gross profit margin for industry averages has slightly decreased over time, it is important to note that companies have been able to maintain their competitive edge in the market. Through the implementation of innovative strategies and the adoption of new technologies, businesses have managed to counteract the impact of the decreasing profit margins and continue to thrive successfully. Despite the slight reduction in gross profit margins, businesses have adapted and succeeded in the constantly changing cosmetics market.

c) Operating Profit Margin

Table 28. Operating Profit Margin of Indonesian Cosmetics and Household Companies

	2017	2018	2019	2020	2021	2022
KINO	4.46%	5.55%	13.60%	3.36%	3.11%	-25.25%
ADES	9.10%	11.33%	15.79%	24.05%	35.10%	35.05%
TCID	8.33%	6.99%	6.80%	-3.45%	-5.38%	0.29%
UNVR	12.56%	29.37%	23.58%	21.99%	19.42%	17.15%
MBTO	-2.32%	-27.33%	-12.63%	-56.58%	-47.56%	-7.33%
MRAT	1.06%	2.53%	2.98%	4.00%	4.81%	21.24%
INDUSTRY	5.53%	4.74%	8.35%	-1.10%	1.58%	6.86%

Figure 39. Indonesian Cosmetics and Household Industry Operating Profit Margin Comparison Chart



After analyzing the gross profit margin, which provides insight into the efficiency of the production process, the operating profit margin offers a more comprehensive perspective of the company's overall profitability. It considers both production and operational costs. The result of the operating profit margin also shows the gap between the direct cost of sales and other operational costs in generating the company's profit.

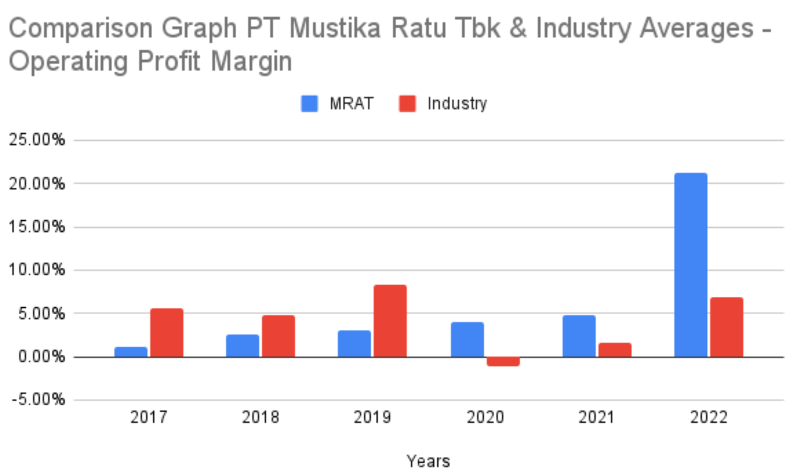
According to the graph, companies in the Indonesian cosmetics and household industry faced a decline during the pandemic era, specifically between 2019 and 2022. This was due to an increase in operating costs and a decrease in sales.

Due to ADES's strategy of optimizing costs, the company has gone in the opposite direction of its industry competitors. In 2019-2020, the company faced a decline in revenue, but still managed to control operating costs resulting in an increase in operating profit. Operating expenses decreased by 5.59% and operating income increased by 34.98%.

The operating profit margin of KINO showed a significant decline from 3.11% in 2021 to -25.25% in 2022. This decline is a result of a decrease in sales by 8.68%, which has led to a decrease in gross profit by 27.15%. As a result, the operating profit margin has fallen by a significant 642.54%. This indicates that the company is struggling to manage its operating income and expenses this year. A smaller operating profit margin suggests lower profitability or reduced efficiency in managing operational costs. This, in turn, implies that the company may be facing challenges in controlling expenses or generating sufficient revenue to cover those expenses.

The industry's stable gross profit margin is in contrast with the varying results of the operating profit margin, suggesting that companies within the industry face challenges in managing their operational costs. This implies that although they generate consistent revenue, they struggle to control their expenses effectively, leading to fluctuating levels of profitability. The factors that affect this include increased competition and changes in market conditions within the Indonesian cosmetics and household industry, as well as inefficiencies in operational processes.

Figure 40. PT Mustika Ratu Tbk in Comparison to Industry Averages Operating Profit Margin from 2017-2022



The figure shows that the company's operating profit experienced a gradual increase from 2017 to 2021. However, there was a significant surge in operating profit in 2022. This indicates that the company was committed to effectively managing and controlling its operating costs throughout these years. The slight increase in operating profit reflects the company's continuous efforts to optimize its financial performance and achieve sustainable growth.

The company has maintained a stable gross profit margin, which means that the percentage of profit earned after deducting the cost of goods sold has remained consistent. This indicates that the company's operating overhead is higher than the cost of goods sold.

In 2022, there was a significant increase in operating profit which was primarily due to a 285.13% increase in operating profit despite a 12.73% decrease in sales. This resulted in an operating profit margin of 21.24%, the highest in 6 years.

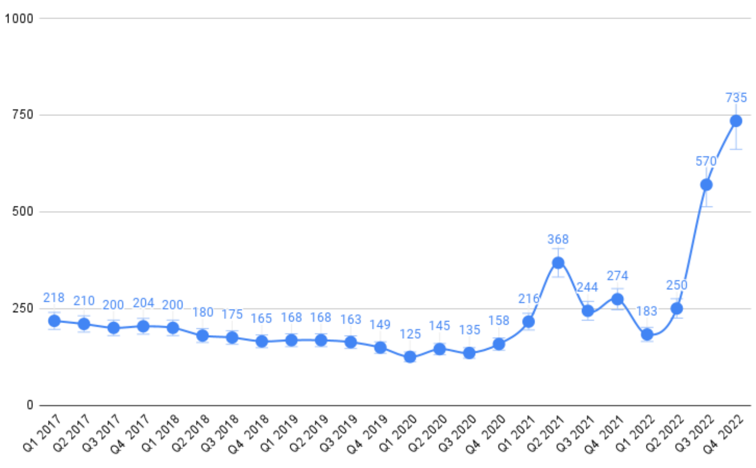
Although an increase in the operating profit margin indicates the company's strategies in managing its operating income by selling its investment property, this has a positive impact on the company's profitability and financial performance.

Overall, when comparing the performance of the overall industry averages before the pandemic to the performance during the pandemic era, it is evident that the industry was experiencing better performance prior to the pandemic. However, when specifically looking at PT Mustika Ratu's operating profit margin over a span of 5 years from 2017 to 2022, it can be observed that its performance was consistently below the industry averages. Nevertheless, in 2022, PT Mustika Ratu experienced a significant increase in their operating profit margin, surpassing the industry averages. This suggests that while its competitors were more efficient in managing their operating expenses, PT Mustika Ratu was able to improve its performance and achieve better results.

The operating profit margin averages of the industry averages between 2017 and 2022 are as follows: 5.53%, 4.74%, 8.35%, -1.10%, 1.58%, and 6.86%. On the other hand, the gross profit margin percentages are 48.99%, 46.87%, 46.90%, 45.11%, 42.77%, and 39.89%. Comparing these numbers, it becomes evident that the companies in the industry are dealing with higher operating costs as compared to the direct selling costs, which shows that they are efficiently managing their cost of goods sold.

5) Market Analysis

Figure 41. Share Price Movement of PT Mustika Ratu Tbk 2017-2022



Based on the graph, it can be observed that the share price of PT Mustika Ratu Tbk remained relatively stable between 2017 and 2021, with no significant changes. However, there was a slight increase in Q2 2021 when the stock price reached 368. The stock price slightly decreased throughout the year, but the company showed better performance across all aspects in 2022. This improvement can be attributed as one of the reasons for the increase in stock price in Q3 and Q4 of 2022, where the stock price peaked at 570 and 735, respectively.

When the stock price of a company goes up, investors tend to have higher expectations from the company. They may anticipate that the company will continue to grow and become more profitable in the future. Investors may also expect to receive higher dividends or returns on their investments.

The improved condition of the company post-pandemic, along with PT Mustika Ratu's strategic initiatives in 2022, may have contributed to a significant increase in the stock price. As the company has recovered from the pandemic's effects, investors have gained confidence in its ability to navigate challenging market conditions and generate sustainable growth. This positive outlook and improved performance may have attracted more investors, leading to an increase in demand for the company's stock.

a) Earnings Per Share (EPS)

Earnings per share is a ratio that provides information about management’s success in managing the company so that it could provide income for shareholders.

Here is how to calculate earnings per share ratio:

Earnings per share (Rp) $= \frac{Net\ Income\ After\ Tax}{Number\ of\ Shares}$

The following table shows the results of calculating the earnings per share of PT Mustika Ratu Tbk for 2017-2022:

Table 29. Earnings per Share Calculation Results

Year	Net Income After Tax	Number of Shares	EPS
2017	-1,283,332,109	428,000,000	-3
2018	-2,256,476,497	428,000,000	-5
2019	131,836,668	428,000,000	0.31
2020	-6,766,719,891	428,000,000	-16
2021	357,509,551	428,000,000	1
2022	67,812,034,137	428,000,000	158

If a company's earnings per share (EPS) value is negative, it indicates poor performance. In the case of PT Mustika Ratu, its EPS was negative in 2017, 2018, and 2020, with values of -3, -5, and -16, respectively. Essentially, a negative EPS means that the company has experienced a loss per share. This means that the company's net income is lower than the total number of outstanding shares, resulting in a negative EPS.

This can be a concerning sign for investors, suggesting that the company is not generating enough profits to cover its expenses and obligations.

In 2020, the company made a profit and had a positive EPS. There was a slight performance improvement, and it was expected that the profit would significantly increase in 2021 and 2022 resulting in a higher EPS. The significant increase of the EPS of 158 was due to an improvement in net income after tax, with influence by the gain on the sale of investment property, and with no changes in the number of shares.

The EPS calculation of 158 means that the company earned a profit of 158 Rupiah per share in that specific period. This indicates that the company's net income after tax exceeded its expenses and obligations, resulting in a positive EPS.

b) Price Earnings Ratio (PER)

Price Earnings ratio (PER) is the ratio of a company’s stock price to earnings per share.

Here is how to calculate the gross profit margin ratio:

$$\text{Price Earnings Ratio} = \frac{Share\ Price}{Earnings\ per\ share}$$

Table 30. Price Earnings Ratio Calculation Results

Year	Share Price	EPS	PER

2017	204	-3	-68
2018	165	-5	-31
2019	149	0.31	484
2020	158	-16	-10
2021	274	1	328
2022	735	158	5

The Price-Earnings Ratio (PER) is a measure used to evaluate the extent to which investors are willing to pay for a company's stock based on its earnings. The P/E ratios during the periods 2017-2022 were -68, -31, 484, -10, 328, and 5, respectively. This indicates that the PER result is very fluctuated and influenced by the up and down of the EPS results.

Due to a high stock price and low earnings per share (EPS), the company had PER as high as 328 in 2021. It indicates that investors were very optimistic about the company's prospects. The investors expressed confidence in the company's ability to generate future earnings. They had certain expectations from the company, which led the company to acquire an asset that could generate revenue. In 2022, the company sold the investment property and earned a lot of profit, consequently it elevated company’s EPS. Therefore, the price-to-earnings ratio (PER) became more reasonable, declining significantly from 328 to 5. It means the investors expected that the company would lose its ability to create high income in the future.

Investors likely adjusted their expectations based on the company's improvement in financial performance, leading to a more balanced valuation in 2022. This scenario highlights the dynamic nature of stock prices and investor sentiment, emphasizing the importance of fundamental financial improvements in justifying market valuations.

4.3.4 Multivariate (Dupont) Analysis

Table 31. Return on Equity Calculation Based on Du-pont Formula Results

Year	TATO	NPM	EM	ROE
2017	0.6930242359	-0.37%	1.356181663	-0.00349938
2018	0.5871848503	-0.75%	1.391097709	-0.00613216
2019	0.5729087937	0.04%	1.445206011	0.00035763
2020	0.5687938732	-2.13%	1.634829208	-0.01976154
2021	0.5651333652	0.11%	1.684929591	0.00104171
2022	0.4104570098	23.78%	1.688879391	0.16483815

a) Total Asset Turnover (TATO)

According to the table above, it is evident that the Total Asset Turnover (TATO) decreased over the six-year period from 2017 to 2022. In 2017, the TATO value was 0.69 times, which decreased to 0.58 and 0.57 in the following two years. However, in 2020 and 2021, the TATO value remained stable at 0.56. Finally, in

2022, there was a significant drop in the TATO value to 0.41 times due to decreased revenue and total assets.

A decrease in TATO refers to a decline in Total Assets Turnover, a financial ratio used to evaluate a company's efficiency in generating sales from its assets. A drop in TATO indicates that the company is becoming less effective in utilizing its assets to generate revenue.

If a company has a low Total Asset Turnover (TATO), it means that it needs to improve its efficiency in utilizing assets and generating revenue. To achieve this, the management of the company should assess the allocation of assets and identify any underutilized or non-performing assets. They should consider reallocating or divesting these assets to improve overall efficiency.

b) Net Profit Margin

Based on the table above, the net profit margin fluctuated over the years from 2017 to 2022. In 2017, the net profit margin was -0.37%, and it dropped to -0.75% in 2018. However, there was a slight increase in the net profit margin in 2019 by 0.04%, which was due to an increase in the net profit. As the pandemic started to affect business operations in 2020, the net profit margin dropped to its lowest point at -2.13%, which was also accompanied by a significant decrease in net profit.

As the economy was recovering in 2021-2022, PT Mustika Ratu's performance improved. In 2021, the net profit margin (NPM) was 0.11%, but it significantly increased by 23.78% in 2022. A decrease in the Net Profit Margin (NPM) indicates that the company's profitability declined, which means that the company was less effective in carrying out its operations.

c) Return on Investment (ROI)

Based on Table 31, it can be observed that PT Mustika Ratu Tbk experienced poor performance regarding its return on investment (ROI) in the period from 2017 to 2021. This is mainly due to the low level of total asset turnover and gross profit margin. The low ROI value suggests that the management has not been able to manage its assets efficiently to generate net profit. It also indicates that the company experienced an inefficient use of assets reflected in the decreased ROI values in terms of assets, sales, and net profit.

To manage the increase of ROI, the 9.76% ROI in 2022 indicates that PT Mustika Ratu's performance has improved compared to previous years. This increase suggests that the company's efforts to boost its net income, especially through selling investment property, have positively impacted its overall performance. Despite the decline in Total Asset Turnover (TATO), the significant increase in Net Profit Margin (NPM) has contributed to the improved ROI result. Overall, these factors have positively influenced the company's performance.

d) Equity Multiplier (EM)

The equity multiplier analyses a company's ability to use shareholder equity. Based on the calculations in Table 31, it is evident that the equity multiplier value of PT Mustika Ratu Tbk was lower in 2017-2019 compared to the period of 2020-2022. This indicates that the company used a more considerable amount of debt during 2020-2022.

In 2022, the equity multiplier of PT Mustika Ratu Tbk increased to 1.688. This signifies that the company relied more on debt to fund its assets, leading to a smaller proportion of equity for shareholders. Consequently, the company's performance may be adversely affected due to the surge in interest payments. The equity multiplier in the financial statements of PT Mustika Ratu Tbk from 2017 to 2022 indicates that it was not in an optimal condition. This suggests that the company was unable to effectively utilize shareholder equity.

Debt can have a good impact on a company's equity and returns, but too much debt can cause problems with having enough cash. Companies need to be careful when using debt and keep a reasonable balance between debt and equity to make sure that stakeholders trust them and that they stay financially stable.

e) Return on Equity (ROE)

The Return on Equity (ROE) is a ratio that measures the net profit after tax with own capital. According to the calculation Table 31, it shows that in 2017-2018, the value of ROE was negative. However, in 2019 it showed a slight increase to a positive value, indicating that the company's performance improved, although in a small amount. This increase was due to the company's successful strategy of streamlining existing expenses and maximizing sales, resulting in an increase in net profit.

In 2020, it is possible that the decrease in Return on Equity (ROE) was a result of a decline in Net Profit Margin (NPM). Over the next two years (2021-2022), the company demonstrated significant improvement in its Return on Equity (ROE). This positive change can be attributed to the substantial increase in net profit achieved by the company. The increase was primarily due to the company's effective strategies in maximizing income and utilizing equity or its own capital to finance assets. By implementing these measures, the company was able to generate higher returns on its investments and improve its overall financial performance.

In conclusion, the analysis of the Du Pont System shows that the company's financial performance was very poor from 2017 through 2022. The ROE was significantly influenced by the NPM rather than the other indicators of TATO and Equity multiplier. This is evident from the decrease in TATO and NPM, and the increase in equity multiplier, which indicates the decrease in total profit and the company's inability to manage its assets effectively.

The low value of return on investment indicates that the company struggled to generate returns that could have been used for effective operations. Thus, it is important for a company to properly manage its net profit margin (NPM) to achieve a better return on equity.

4.4 Prospective Analysis

4.4.1 Bankruptcy Analysis

In calculating the prediction of financial difficulties at PT Mustika Ratu Tbk, the model used is the Altman Z Model.

Table 32. Financial Report of PT Mustika Ratu Tbk from 2017 to 2022

	2017	2018	2019	2020	2021	2022
Current asset	384,262,906,538	382,330,851,179	412,707,718,061	432,576,455,286	459,338,629,540	586,852,139,107
Current liabilities	106,813,922,324	122,929,175,890	142,931,525,716	195,801,413,331	215,622,712,026	236,276,099,973
Total asset	497,354,419,089	511,887,783,867	532,762,947,995	559,795,937,451	578,260,975,588	694,780,597,799

Retained earnings	234,236,148,118	231,979,015,698	232,110,198,087	206,388,457,833	206,746,993,737	274,580,004,787
PBIT	3,645,061,742	7,589,812,651	9,088,126,035	12,733,383,854	15,730,559,978	60,583,054,696
Ordinary & Preferred shares	428,000,000	428,000,000	428,000,000	428,000,000	428,000,000	428,000,000
total BV liabilities	130,623,005,085	143,913,787,087	164,121,422,945	217,377,331,974	235,065,047,091	283,395,035,571
sales	344,678,666,245	300,572,751,733	305,224,577,860	318,408,499,475	326,794,571,097	285,177,566,612

The following is the calculation of the four variables using the financial statements of PT Mustika Ratu:

Table 33. The Calculation of Four Variables

	Working capital (X1)	Return earning on asset (X2)	Return on asset (X3)	Market value on liabilities (X4)	Sales on total Assets (X5)
2017	0.558	0.471	0.007	0.003	0.693
2018	0.507	0.453	0.015	0.003	0.587
2019	0.506	0.436	0.017	0.003	0.573
2020	0.423	0.369	0.023	0.002	0.569
2021	0.421	0.358	0.027	0.002	0.565
2022	0.505	0.395	0.087	0.002	0.410

From the calculation of the four variables above, the next step is the calculation using the Altman Z Model score by entering the calculation results of the four variables into the Altman Z model equation according to the constant value of each variable and adding it up. Here's the result of the calculation:

Table 34. Calculation Using the Altman Z model

Z - SCORE	
2,017	2.05
2,018	1.88
2,019	1.85
2,020	1.67
2,021	1.66
2,022	1.86

Based on the calculations made, it is evident that the Z value at PT Mustika Ratu Tbk was 2.048 in 2017. However, it decreased to 1.880 and 1.848 in 2018 and 2019 respectively. This decrease might be attributed to the increase in current liabilities and total liabilities of the company.

The COVID-19 pandemic had a negative impact on the company's performance in Indonesia. This is evident from the financial report data, which showed a significant increase in the total liability from IDR 164,121,422,945 to IDR 217,377,331,974 in 2019. This increase in the total liability also indicates an increase in the total assets, which suggests that the company used debt finance to finance its purchases.

The company showed an increase in liabilities but only experienced a slight increase in sales during this period. However, the sales have not yet returned to the level before the pandemic. For instance, in 2017, the company generated sales of IDR 344,678,666,245, while in 2020, they could only make sales of IDR 318,408,499,475. The high rate of debt along with the same level of sales may indicate that the company's operations were not efficient in making sales to optimize their profit level.

In 2022, Company Z's score improved to 1.86 as its assets and retained earnings increased, while total liabilities also increased.

It can be concluded that the company is currently facing financial distress. Although it is not yet bankrupt, its financial performance is not healthy either. The situation worsened due to the pandemic, causing the Z-score to drop to the point of financial distress. However, by implementing effective strategies in 2022, the company was able to improve its performance and move to a more stable financial standing in the Gray area.

It seems like there is reason to be concerned about the financial performance of companies that have not performed well over six years. It is important for companies such as the beauty giant company in Indonesia, which has been in business for over 45 years, to exercise caution when creating financial policies.

In order to enhance the financial condition of the company and recover from the financial distress, the Z-score calculation was used to identify the aspects of financial statements that require evaluation and improvement. This helped in improving the financial performance of the company and making it more stable.

As the cosmetics industry is one of the most promising markets in Indonesia, the company should focus on identifying areas within its operations that can be made more efficient. This could involve optimizing production processes, reducing waste, improving inventory management, or implementing technology solutions to automate tasks and improve productivity. Additionally, the company should explore opportunities for external investment or strategic partnerships to inject additional capital into the business. This would provide the necessary funds to support growth initiatives and improve financial stability.

Based on the Z-score calculation, the company fell into the financial distress area in the years 2019-2022 with the result of below 1.8. The score for 2020 was 1.67 and slightly lower in 2021 at 1.66. This decrease in score is also affected by the fall in the retained earnings. A decrease in retained earnings suggests a decline in the number of accumulated profits that a company has kept for future use or reinvestment. This could happen due to reasons, for significant losses in net profit during this period.

CHAPTER V

CONCLUSIONS

This chapter presents conclusions from the results of the research in the previous chapter and suggestions for future similar research.

5.1 Summary

This research aims to find out the financial performance of the Indonesian Cosmetics and Household Industry PT Mustika Ratu Tbk in the last six years by using analysis financial performance. Data analysis techniques used are business strategy analysis, accounting analysis, financial analysis, and prospective analysis. Based on the results of the four data analyses that had been described, it can be concluded that:

1. The financial performance of the Indonesian Cosmetics and Household Industry in 2017-2022.
    a. Business Environment

        Indonesia's cosmetic and household industry is highly competitive due to various factors. Firstly, the number of competitors within the industry grew at a significant rate during 2017-2022. This growth might be influenced by the fact that people highly needed cosmetics daily and the demand for beauty products was increasing in line with population growth. Therefore, it is important for companies to implement strategies to make their brand remain competitive in the market.

Another strong factor that influences competitiveness within the industry is the purchasing power of buyers. The suppliers are also an important factor in the industry's competitiveness, and they are categorized as medium.

Finally, the substitute products also play a role in the industry's competitiveness. As there are no direct substitute products available in the industry, this indicates that the threat of substitutes is relatively low.

b. Financial Performance

The Indonesian Cosmetics and Household industry is highly competitive, and this affects the financial performance of the companies operating in the industry.

Indonesia's cosmetics and household industry consists of companies of varying sizes, resulting in varying performance. Some companies achieve good performance while others perform poorly in the same year.

The liquidity position of the industry has improved. Before the pandemic (2017-2019), the liquidity position was lower compared to 2020-2023. This indicates that the companies had more current assets compared to their current liabilities during this period. Despite having a large amount of current assets, the companies' assets were dominated by receivables and inventory, compared to cash. This might be the companies' strategy during difficult economic times to maintain their cash.

The solvency position of the industry remained stable from 2017 to 2022. The amount of long-term debt was lower than assets and equity. It's generally positive to have lower long-term debt, but companies should strike a balance between debt and equity based on their financial goals and operational requirements. In 2020-2022, companies within the industry increased their debt due to economic difficulties during the pandemic.

The industry's ability to generate returns decreased during the pandemic compared to before the pandemic era. This was due to a decrease in sales and a longer payment period to suppliers. Overall, the industry decreased its receivables during the pandemic. However, the most inefficient company in managing the ability to collect receivables and payables is MRAT compared to its competitors within the industry. From 2017 to 2022, the company had a longer receivables collection period and shortened payment to its suppliers.

Revenue is a crucial aspect of the Indonesian cosmetics and household industry because the level of competition directly impacts it. This competition influences the returns of the companies operating within the industry. Overall, the profitability of the companies in the industry worsened during the pandemic period (2020-2022). This was due to a significant decline in consumer demand. Lockdowns, social distancing measures, and economic uncertainty caused consumers to cut back on non-essential purchases, leading to a decline in the industry's ability to generate profits.

2. The Business and financial performance of PT Mustika Ratu Tbk

   a. Business Aspects

      From a business standpoint, PT Mustika Ratu Tbk is a company that stands out with its unique capability to differentiate itself from its competitors through various products that have high-quality product innovation.

      PT Mustika Ratu Tbk maintains a competitive edge in the industry by emphasizing high-quality product innovation that lets it stay ahead of trends and respond quickly to market changes. Its strategic focus helps it capture market share and encourages customer loyalty. The company can extend its marketing beyond the local market by leveraging its brand identity to foreign markets. This market expansion can be achieved by implementing effective marketing strategies in new markets worldwide.

b. Financial Aspects

- General

PT Mustika Ratu Tbk has concluded that there are no suspicious activities red flags, or significant differences or deviations, except for the net profit and operating cash flow in 2022. The company has gained significant returns due to an increase in other incomes resulting from these transactions. PT Mustika Ratu Tbk has disclosed this transaction and its fairness in its financial statement.

In addition, as per the Beneish model, the company's earning management has remained consistently below the threshold of -2.2 for a period of six years. This suggests that there has been no questionable or suspicious earning management. Therefore, there is no need to seek external information to reverse any distortions. All the progress made by the company has been thoroughly explained in the notes to the financial position section of the annual report.

- Financial Performance

The liquidity conditions at PT Mustika Ratu Tbk have decreased over the last six years. However, the company has maintained its current assets to its current liabilities with ratio above 1, while when comparing its most liquid assets; cash to its current liabilities the ratio below 1. It suggests that the company's liquidity position is relatively healthy but not entirely dominated by cash.

From 2017 through 2022, same as the industry averages, the long-term debt of the company was lower than the assets and equity. The company's ratios were lower than the industry performance, it may indicate that the company did not effectively utilize debt financing.

During 2017-2022, the company also faced inefficiencies in utilizing its assets, resulting in longer ability to collect receivables from customers, and also longer periods of turning inventory in the warehouse into their sales. Meanwhile, they paid their suppliers sooner. The company's ability to meet short-term obligations may be impacted by prolonged cycles of receivables and inventory, which could also affect liquidity and cash flow. While maintaining a balance, long payable days provide short-term financing benefits; avoiding excessive delays in payment is crucial to sustaining positive supplier relationships. Therefore, the company should improve operational efficiency, streamline processes, and better manage inventory and receivables.

The company also faced challenges in profitability before and after the pandemic. As the industry is highly competitive, this affected the company's ability to generate profit. However, in 2022, the company's performance improved due to the sale of its investment property.

The company's increase in profit highlights its dedication to maximizing profitability while maintaining operational efficiency. This also affected the share price of the company in 2022, with high EPS due to high income. Meanwhile, during the previous periods, the company had fluctuations in its net income, resulting in fluctuated EPS.

c. Prospective Aspects

The financial performance of PT Mustika Ratu Tbk seems to be struggling between period 2017-2022, indicating that the company may be in financial distress and could be heading towards bankruptcy. This can be evidenced by the Altman Z-score method, which calculates the company's prediction and yields a Z-value that does not exceed 2.6 during the period from 2017 to 2022.

If a company's Altman Z-Score falls into the "Distress Zone," it means that the company is at an increased risk of financial distress. In such a situation, the company should take corrective actions to improve its financial health and avoid potential bankruptcy.

5.2 Implementations

Based on the analysis of the research, to improve the company's financial performance, it is recommended that the company adopt an effective strategy to evaluate and enhance its overall operating efficiency. This could include simplifying processes and increasing productivity, which would significantly contribute to better financial performance. Additionally, it is crucial for PT Mustika Ratu Tbk to maximize its marketing strategy by engaging in activities such as advertising, promotions, public relations, social media marketing, and influencer collaborations. To remain competitive and capture consumer interest, the company should continuously innovate its products and services in line with current industry trends. The primary objective here is to expand the company's reach and increase brand visibility within the industry.

5.3 Recommendations

There are a few recommendations for future studies related to this research topic.

1. It is recommended that future research reach a longer research period so that more samples are obtained which in turn can provide more precise research results.

2. It is recommended that future research obtain primary data from the companies by doing observations and interviews, so that actual situations are better described.

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Appendices

Appendix 1

Indonesia Cosmetics and Household Industry Data

Entity Code	Entity Name
KINO	PT. Kino Indonesia Tbk
ADES	PT. Akasha Wira International Tbk
TCID	PT. Mandom Indonesia Tbk
UNVR	PT. Unilever Indonesia Tbk
MBTO	PT. Martina Berto Tbk
MRAT	PT. Mustika Ratu Tbk

Appendix 2

Indonesian Cosmetics and Household Industry Financial Data in Asset Category

- **Cash and Cash Equivalent**

	2017	2018	2019	2020	2021	2022
KINO	Rp475,208,893,730	Rp371,605,957,214	Rp267,677,121,921	Rp183,991,601,440	Rp203,875,569,354	Rp194,557,791,747
ADES	Rp25,507,000,000	Rp102,273,000,000	Rp129,049,000,000	Rp338,488,000,000	Rp390,237,000,000	Rp387,722,000,000
TCID	Rp434,602,153,366	Rp372,434,584,521	Rp288,931,118,313	Rp461,236,250,866	Rp557,941,978,082	Rp573,682,033,748
UNVR	Rp404,784,000,000	Rp351,667,000,000	Rp628,649,000,000	Rp844,076,000,000	Rp325,197,000,000	Rp502,882,000,000
MBTO	Rp7,150,119,339	Rp5,414,818,015	Rp4,207,079,681	Rp4,334,330,614	Rp4,729,465,400	Rp15,827,174,478
MRAT	Rp22,853,543,946	Rp16,003,117,023	Rp10,099,505,476	Rp11,695,694,524	Rp8,693,405,081	Rp177,143,354,144

- **Inventory**

	2017	2018	2019	2020	2021	2022
KINO	Rp384,646,010,207	Rp519,237,523,369	Rp557,080,008,368	Rp690,323,890,776	Rp605,667,466,852	Rp450,043,863,595
ADES	Rp107,977,000,000	Rp109,137,000,000	Rp80,118,000,000	Rp78,755,000,000	Rp98,316,000,000	Rp148,141,000,000
TCID	Rp422,625,745,680	Rp542,466,904,015	Rp677,051,920,275	Rp527,537,794,084	Rp497,854,833,102	Rp624,271,015,544

UNVR	Rp2,393,540,000,000	Rp2,658,073,000,000	Rp2,429,234,000,000	Rp2,463,104,000,000	Rp2,453,871,000,000	Rp2,625,116,000,000
MBTO	Rp103,446,614,309	Rp106,276,782,334	Rp104,723,459,796	Rp96,505,108,105	Rp105,058,320,655	Rp98,673,293,083
MRAT	Rp109,760,005,307	Rp126,358,482,691	Rp128,353,150,403	Rp146,622,901,883	Rp190,870,625,464	Rp206,648,966,313

- **Current Assets**

	2017	2018	2019	2020	2021	2022
KINO	Rp1,795,404,979,854	Rp1,975,979,249,304	Rp2,335,039,563,811	Rp2,562,184,889,015	Rp2,397,707,190,646	Rp1,688,505,201,652
ADES	Rp294,244,000,000	Rp364,138,000,000	Rp351,120,000,000	Rp545,239,000,000	Rp673,394,000,000	Rp815,319,000,000
TCID	Rp1,276,478,591,542	Rp1,333,428,311,186	Rp1,428,191,709,308	Rp1,343,961,709,769	Rp1,437,357,374,823	Rp1,594,565,567,872
UNVR	Rp7,941,635,000,000	Rp8,325,029,000,000	Rp8,530,334,000,000	Rp8,828,360,000,000	Rp7,642,208,000,000	Rp7,567,768,000,000
MBTO	Rp520,384,083,342	Rp392,357,840,917	Rp317,285,450,420	Rp182,202,105,658	Rp169,823,522,943	Rp191,558,365,707
MRAT	Rp384,262,906,538	Rp382,330,851,179	Rp412,707,718,061	Rp432,576,455,286	Rp459,338,629,540	Rp586,852,139,107

- **Trade Receivables**

	2017	2018	2019	2020	2021	2022
KINO	Rp820,333,562,486	Rp967,561,118,359	Rp1,369,763,734,522	Rp1,428,552,938,541	Rp1,470,075,906,048	Rp874,653,052,415

ADES	Rp140,593,000,000	Rp131,862,000,000	Rp134,404,000,000	Rp119,610,000,000	Rp162,895,000,000	Rp188,937,000,000
TCID	Rp398,469,885,226	Rp387,200,808,534	Rp450,804,270,162	Rp341,834,500,785	Rp368,214,599,317	Rp358,632,132,266
UNVR	Rp4,715,554,000,000	Rp4,983,471,000,000	Rp5,335,489,000,000	Rp5,295,288,000,000	Rp4,516,555,000,000	Rp3,924,499,000,000
MBTO	Rp387,774,286,090	Rp248,920,628,843	Rp180,920,402,107	Rp67,741,431,604	Rp46,334,324,743	Rp59,291,220,816
MRAT	Rp234,734,759,432	Rp210,319,029,868	Rp234,765,923,097	Rp235,767,566,993	Rp225,820,288,163	Rp176,895,809,501

- **Total Assets**

	2017	2018	2019	2020	2021	2022
KINO	Rp3,237,595,219,274	Rp3,592,164,205,408	Rp4,695,764,958,883	Rp2,693,174,266,016	Rp5,436,062,152,770	Rp4,676,372,045,095
ADES	Rp840,236,000,000	Rp881,275,000,000	Rp822,357,000,000	Rp958,791,000,000	Rp1,304,108,000,000	Rp1,645,582,000,000
TCID	Rp2,361,807,189,430	Rp2,445,143,511,801	Rp2,551,192,620,939	Rp2,314,790,056,002	Rp2,300,804,864,960	Rp2,380,657,918,106
UNVR	Rp18,906,413,000,000	Rp19,522,970,000,000	Rp20,649,371,000,000	Rp20,534,632,000,000	Rp19,068,532,000,000	Rp18,318,114,000,000
MBTO	Rp780,669,761,787	Rp648,016,880,325	Rp591,063,928,037	Rp982,882,686,217	Rp713,520,658,807	Rp721,703,608,823
MRAT	Rp497,354,419,089	Rp511,887,783,867	Rp532,762,947,995	Rp559,795,937,451	Rp578,260,975,588	Rp694,780,597,799

Appendix 3

Indonesian Cosmetics and Household Industry Financial Data in Liabilities & Equity Category

- **Trade Payables**

	2017	2018	2019	2020	2021	2022
KINO	Rp432,264,149,769	Rp545,455,845,864	Rp565,236,151,929	Rp478,214,276,810	Rp469,973,987,653	Rp445,688,979,689
ADES	Rp73,488,000,000	Rp89,450,000,000	Rp55,991,000,000	Rp63,317,000,000	Rp105,080,000,000	Rp112,266,000,000
TCID	Rp72,853,813,499	Rp63,241,839,107	Rp94,469,645,330	Rp51,041,150,742	Rp82,840,902,063	Rp91,632,115,654
UNVR	Rp4,527,110,000,000	Rp4,572,600,000,000	Rp4,516,954,000,000	Rp4,277,617,000,000	Rp4,571,352,000,000	Rp4,699,974,000,000
MBTO	Rp74,685,967,049	Rp38,929,060,275	Rp42,983,708,016	Rp49,081,933,007	Rp25,442,813,621	Rp38,165,299,807
MRAT	Rp31,237,164,909	Rp39,894,673,698	Rp37,670,738,643	Rp37,438,002,160	Rp33,813,395,901	Rp24,311,214,595

- **Current Liabilities**

	2017	2018	2019	2020	2021	2022
KINO	Rp1,085,566,305,465	Rp1,316,323,262,100	Rp1,733,135,623,684	Rp2,146,338,161,363	Rp1,591,081,638,290	Rp1,935,669,493,305
ADES	Rp244,888,000,000	Rp262,397,000,000	Rp175,191,000,000	Rp183,559,000,000	Rp268,367,000,000	Rp254,719,000,000
TCID	Rp503,480,853,006	Rp472,680,346,662	Rp260,244,280,265	Rp131,087,175,475	Rp176,837,470,021	Rp221,011,501,094

UNVR	Rp12,532,304,000,000	Rp11,134,786,000,000	Rp13,065,308,000,000	Rp13,357,536,000,000	Rp12,445,152,000,000	Rp12,442,223,000,000
MBTO	Rp252,247,858,307	Rp240,203,560,883	Rp254,266,866,831	Rp295,518,213,807	Rp169,823,522,943	Rp191,558,365,707
MRAT	Rp106,813,922,324	Rp122,929,175,890	Rp142,931,525,716	Rp195,801,413,331	Rp215,622,712,026	Rp236,276,099,973

- **Total Long-Term Liability**

	2017	2018	2019	2020	2021	2022
KINO	Rp96,858,033,700	Rp88,940,816,912	Rp259,767,155,647	Rp531,758,447,447	Rp1,066,537,251,697	Rp1,206,882,251,364
ADES	Rp172,337,000,000	Rp136,964,000,000	Rp79,247,000,000	Rp74,724,000,000	Rp65,924,000,000	Rp56,027,000,000
TCID	Rp243,674,007,163	Rp241,146,503,875	Rp271,804,523,512	Rp317,715,961,088	Rp304,118,699,225	Rp304,858,502,250
UNVR	Rp1,200,721,000,000	Rp810,051,000,000	Rp2,302,201,000,000	Rp2,239,728,000,000	Rp2,302,111,000,000	Rp1,878,635,000,000
MBTO	Rp115,679,280,937	Rp107,313,562,569	Rp101,625,859,467	Rp97,505,112,943	Rp43,285,619,819	Rp36,524,877,314
MRAT	Rp23,809,082,761	Rp20,984,611,197	Rp21,189,897,229	Rp21,575,918,643	Rp19,442,335,065	Rp47,118,935,598

- **Total Equity**

	2017	2018	2019	2020	2021	2022
KINO	Rp2,055,170,880,109	Rp2,186,900,126,396	Rp2,702,862,179,552	Rp2,577,235,546,221	Rp2,688,443,262,783	Rp1,533,820,300,426

ADES	Rp423,011,000,000	Rp481,914,000,000	Rp567,937,000,000	Rp700,508,000,000	Rp969,817,000,000	Rp1,334,836,000,000
TCID	Rp1,858,326,336,424	Rp1,972,463,165,139	Rp2,019,143,817,162	Rp1,865,986,919,439	Rp1,819,848,695,714	Rp1,854,787,106,097
UNVR	Rp5,173,388,000,000	Rp7,578,133,000,000	Rp5,281,862,000,000	Rp4,937,368,000,000	Rp4,321,269,000,000	Rp3,997,256,000,000
MBTO	Rp412,742,622,543	Rp300,499,756,873	Rp235,171,201,739	Rp589,859,359,467	Rp444,330,311,609	Rp404,797,197,979
MRAT	Rp366,731,414,004	Rp367,973,996,780	Rp368,641,525,050	Rp342,418,605,477	Rp343,195,928,497	Rp411,385,562,228

Appendix 4

Indonesian Cosmetics and Household Industry Financial Data in Revenue & Profit

- **Revenue**

	2017	2018	2019	2020	2021	2022
KINO	Rp3,160,637,269,263	Rp3,611,694,059,699	Rp4,678,868,638,822	Rp4,024,971,042,139	Rp3,976,656,101,508	Rp3,631,451,490,321
ADES	Rp814,490,000,000	Rp804,302,000,000	Rp764,703,000,000	Rp673,364,000,000	Rp935,075,000,000	Rp1,290,992,000,000
TCID	Rp2,706,394,847,919	Rp2,648,754,344,347	Rp2,804,151,670,769	Rp1,989,005,993,587	Rp1,850,311,080,131	Rp2,044,821,803,111
UNVR	Rp41,204,510,000,000	Rp41,802,073,000,000	Rp42,922,563,000,000	Rp42,972,474,000,000	Rp39,545,959,000,000	Rp41,218,881,000,000
MBTO	Rp731,577,343,628	Rp502,517,714,607	Rp537,567,605,097	Rp297,216,309,211	Rp210,528,089,820	Rp360,183,468,535
MRAT	Rp344,678,666,245	Rp300,572,751,733	Rp305,224,577,860	Rp318,408,499,475	Rp326,794,571,097	Rp285,177,566,612

- **Cost of sales**

	2017	2018	2019	2020	2021	2022
KINO	Rp1,830,139,851,672	Rp1,968,473,595,847	Rp2,488,296,342,317	Rp2,488,296,342,317	Rp2,180,157,675,615	Rp2,322,785,204,347
ADES	Rp375,546,000,000	Rp415,212,000,000	Rp417,281,000,000	Rp417,281,000,000	Rp435,507,000,000	Rp620,240,000,000
TCID	Rp1,699,417,758,295	Rp1,685,791,739,001	Rp1,873,937,759,675	Rp1,873,937,759,675	Rp1,544,655,239,334	Rp1,633,386,491,498
UNVR	Rp19,984,776,000,000	Rp20,709,800,000,000	Rp20,893,870,000,000	Rp20,893,870,000,000	Rp19,919,572,000,000	Rp22,153,944,000,000
MBTO	Rp355,796,818,935	Rp288,808,650,976	Rp305,240,878,778	Rp305,240,878,778	Rp143,585,591,874	Rp227,053,839,928
MRAT	Rp145,109,272,647	Rp174,335,515,518	Rp120,805,351,025	Rp120,805,351,025	Rp130,003,488,963	Rp148,294,315,695

- **Gross Profit**

	2017	2018	2019	2020	2021	2022
KINO	Rp1,330,497,417,591	Rp1,643,220,463,852	Rp2,190,572,296,505	Rp1,928,864,136,786	Rp1,796,498,425,893	Rp1,308,666,285,974
ADES	Rp438,944,000,000	Rp389,090,000,000	Rp347,422,000,000	Rp342,565,000,000	Rp499,568,000,000	Rp670,752,000,000
TCID	Rp1,006,977,089,624	Rp962,962,605,346	Rp930,213,911,094	Rp454,729,528,652	Rp305,655,840,797	Rp411,435,311,613
UNVR	Rp21,219,734,000,000	Rp21,092,273,000,000	Rp22,456,990,000,000	Rp22,028,693,000,000	Rp19,626,387,000,000	Rp19,064,937,000,000
MBTO	Rp375,780,524,693	Rp213,709,063,631	Rp232,326,726,319	Rp99,674,314,438	Rp66,669,497,946	Rp133,129,628,607
MRAT	Rp199,569,393,598	Rp174,335,515,518	Rp184,419,226,835	Rp204,458,544,368	Rp196,791,082,134	Rp136,883,250,917

- **Total Profit**

	2017	2018	2019	2020	2021	2022
KINO	Rp109,696,001,798	Rp150,116,045,042	Rp515,603,339,649	Rp113,665,219,638	Rp97,819,911,970	-Rp950,288,973,938
ADES	Rp38,242,000,000	Rp52,958,000,000	Rp83,885,000,000	Rp135,789,000,000	Rp265,758,000,000	Rp354,972,000,000
TCID	Rp179,126,382,068	Rp173,049,442,756	Rp145,149,344,561	-Rp54,776,587,213	-Rp76,507,618,777	Rp18,109,470,352
UNVR	Rp7,004,562,000,000	Rp9,109,445,000,000	Rp7,392,837,000,000	Rp7,163,536,000,000	Rp5,758,148,000,000	Rp5,364,761,000,000
MBTO	-Rp24,690,826,118	-Rp114,131,026,847	-Rp66,945,894,110	-Rp203,214,931,752	-Rp149,735,541,904	-Rp42,426,805,953
MRAT	-Rp1,283,332,109	-Rp2,256,476,497	Rp131,836,668	-Rp6,766,719,891	Rp357,509,551	Rp67,812,034,137

Appendix 5

Statement of Financial Position

PT Mustika Ratu Tbk

	2016	2017	2018	2019	2020	2021	2022
Assets							
Current Assets							
Cash and cash equivalents	Rp24,376,706,961	Rp22,853,543,946	Rp16,003,117,023	Rp10,099,505,476	Rp11,695,694,524	Rp8,693,405,081	Rp177,143,354,144
Trade receivables	Rp217,260,853,732	Rp211,442,312,219	Rp192,679,159,586	Rp214,230,984,938	Rp215,136,542,425	Rp212,825,582,283	Rp166,316,482,373
Other receivables	Rp20,483,069,480	Rp23,292,447,213	Rp17,639,870,282	Rp20,534,938,159	Rp20,631,042,568	Rp12,994,705,880	Rp10,579,327,128
Inventories	Rp90,719,293,111	Rp109,760,005,307	Rp126,358,482,691	Rp128,353,150,403	Rp146,622,901,883	Rp190,870,625,464	Rp206,648,966,313
Prepaid taxes	Rp3,705,056,187	Rp528,717,389	Rp5,548,324,048	Rp3,956,195,699	Rp568,059,217	Rp586,243,890	Rp625,140,057
Prepaid expenses	Rp8,026,185,784	Rp11,216,061,148	Rp17,983,318,143	Rp28,570,889,295	Rp18,756,787,846	Rp17,926,775,887	Rp13,366,334,004
Advances to suppliers and others	Rp8,160,336,222	Rp5,169,819,316	Rp6,118,579,406	Rp6,962,054,091	Rp19,165,426,823	Rp15,441,291,055	Rp12,172,535,088
Total current assets	Rp372,731,501,477	Rp384,262,906,538	Rp382,330,851,179	Rp412,707,718,061	Rp432,576,455,286	Rp459,338,629,540	Rp586,852,139,107
Non current Assets							
PPE	Rp64,730,154,674	Rp62,835,680,941	Rp59,744,095,869	Rp54,872,479,523	Rp55,965,014,371	Rp52,843,940,911	Rp49,266,249,003

Investment property	Rp25,707,340,772	Rp25,707,340,772	Rp25,707,340,772	Rp25,707,340,772	Rp25,356,431,941	Rp27,256,431,941	Rp0
Deposits - related parties	Rp1,938,341,473	Rp1,968,555,664	Rp2,089,304,506	Rp2,020,250,761	Rp2,001,573,293	Rp2,001,573,293	Rp2,001,573,293
Estimated claim for tax refund	Rp6,753,735,152	Rp9,985,120,794	Rp9,985,120,794	Rp9,985,120,794	Rp3,010,440,267	Rp0	Rp0
Deferred tax assets	Rp9,348,247,342	Rp12,584,814,380	Rp9,726,298,749	Rp9,545,501,796	Rp11,416,364,209	Rp9,553,180,633	Rp32,761,900,716
Other non current assets	Rp1,827,852,974	Rp10,000,000	Rp22,304,771,998	Rp17,924,536,288	Rp29,469,658,084	Rp27,267,219,270	Rp23,898,735,680
Total non-current assets	Rp110,305,672,387	Rp113,091,512,551	Rp129,556,932,688	Rp120,055,229,934	Rp127,219,482,165	Rp118,922,346,048	Rp107,928,458,692
Total Assets	Rp483,037,173,864	Rp497,354,419,089	Rp511,887,783,867	Rp532,762,947,995	Rp559,795,937,451	Rp578,260,975,588	Rp694,780,597,799
Liabilities & Equity							
Liabilities							
Current Liabilities							
Short-term bank loans	Rp36,526,282,736	Rp53,415,327,801	Rp54,589,768,443	Rp54,549,705,194	Rp80,747,427,391	Rp87,163,161,804	Rp106,218,642,093
Trade payables – third parties	Rp34,839,717,481	Rp31,237,164,909	Rp39,894,673,698	Rp37,670,738,643	Rp37,483,002,160	Rp33,813,395,901	Rp24,311,214,595
Other payable – third parties	Rp4,870,869,925	Rp4,235,631,953	Rp5,257,111,751	Rp3,248,667,950	Rp7,601,291,339	Rp28,908,078,011	Rp31,045,321,709
Due to related parties	Rp13,241,095,000	Rp14,102,226,758	Rp19,100,588,759	Rp29,602,226,758	Rp29,602,226,758	Rp29,602,226,758	Rp29,602,226,758
Taxes payable	Rp2,055,867,923	Rp2,377,210,571	Rp2,242,917,585	Rp3,140,424,517	Rp11,613,789,686	Rp18,634,242,854	Rp24,217,763,224

Accrued expenses	Rp475,242,912	Rp906,282,037	Rp851,731,991	Rp11,761,824,192	Rp27,868,255,699	Rp16,710,982,677	Rp14,383,747,824
Dividends payable	Rp283,056,366	Rp283,056,366	Rp283,056,366	Rp283,056,366	Rp283,056,366	Rp283,056,366	Rp283,056,366
Advance - unearned revenue	Rp271,000,027	Rp163,000,028	Rp55,000,028	Rp2,214,560,090	Rp435,000,000	Rp360,000,000	Rp1,825,666,668
Current maturities of finance							
Bank loans – current portion of long term liabilities	Rp1,308,819,940	Rp94,021,901	Rp50,620,638	Rp0	Rp0	Rp0	Rp4,166,666,667
Debt leasing– current portion of long-term liabilities	Rp0	Rp0	Rp603,706,631	Rp460,322,006	Rp167,363,932	Rp147,567,655	Rp221,794,069
Total Current liabilities	Rp93,871,952,310	Rp106,813,922,324	Rp122,929,175,890	Rp142,931,525,716	Rp195,801,413,331	Rp215,622,712,026	Rp236,276,099,973
Non-current liabilities							
Non-current liabilities - net of current maturities: Bank loan	Rp243,762,533	Rp49,192,657	Rp0	Rp0	Rp0	Rp0	Rp28,958,333,333
Long-term liabilities - net of current maturities: finance lease liabilities	Rp0	Rp0	Rp628,694,093	Rp309,726,923	Rp169,633,920	Rp966,420,340	Rp696,637,120
Post-employment benefits liabilities	Rp19,832,259,046	Rp23,759,890,104	Rp20,355,917,104	Rp20,880,170,306	Rp21,406,284,723	Rp18,475,914,725	Rp17,463,965,145

Total non-current liabilities	Rp20,076,021,579	Rp23,809,082,761	Rp20,984,611,197	Rp21,189,897,229	Rp21,575,918,643	Rp19,442,335,065	Rp47,118,935,598
Total Liabilities	Rp113,947,973,889	Rp130,623,005,085	Rp143,913,787,087	Rp164,121,422,945	Rp217,377,331,974	Rp235,065,047,091	Rp283,395,035,571
EQUITY							
Equity attributable to owners of the Parent company	Rp53,500,000,000	Rp53,500,000,000	Rp53,500,000,000	Rp53,500,000,000	Rp53,500,000,000	Rp53,500,000,000	Rp53,500,000,000
Additional paid-in capital	Rp56,710,000,000	Rp56,710,000,000	Rp56,710,000,000	Rp56,710,000,000	Rp56,710,000,000	Rp56,710,000,000	Rp56,710,000,000
Retained Earnings							
Appropriated	Rp13,748,488,606	Rp13,748,488,606	Rp13,748,488,606	Rp13,748,488,606	Rp13,748,488,606	Rp13,748,488,606	Rp13,748,488,606
Unappropriated	Rp221,807,611,362	Rp220,487,659,512	Rp218,230,527,092	Rp218,361,709,481	Rp192,640,378,200	Rp192,998,505,131	Rp260,831,516,181
Exchange difference due to translation of financial statements	Rp29,918,942,663	Rp30,218,929,103	Rp30,415,936,256	Rp30,561,798,963	Rp30,333,079,633	Rp30,676,236,474	Rp29,819,536,752
Other equity components	-Rp6,607,842,656	-Rp7,982,193,765	-Rp4,680,483,191	-Rp4,290,563,796	-Rp4,559,152,247	-Rp4,483,013,171	-Rp3,248,806,957
Non-controlling interest	Rp12,000,000	Rp48,530,548	Rp49,528,017	Rp50,091,796	Rp45,811,285	Rp45,711,457	Rp24,827,646
Total Equity	Rp369,089,199,975	Rp366,731,414,004	Rp367,973,996,780	Rp368,641,525,050	Rp342,418,605,477	Rp343,195,928,497	Rp411,385,562,228
Total Liabilities and Equity	Rp483,037,173,864	Rp497,354,419,089	Rp511,887,783,867	Rp532,762,947,995	Rp559,795,937,451	Rp578,260,975,588	Rp694,780,597,799

Appendix 6

Statement of Profit or Loss

PT Mustika Ratu Tbk

	2016	2017	2018	2019	2020	2021	2022
NET SALES	Rp344,361,345,265	Rp344,678,666,245	Rp300,572,751,733	Rp305,224,577,860	Rp318,408,499,475	Rp326,794,571,097	Rp285,177,566,612
COST OF SALES	-Rp142,263,034,669	-Rp145,109,272,647	-Rp126,237,236,215	-Rp120,805,351,025	-Rp113,494,955,107	-Rp130,003,488,963	-Rp148,294,315,695
GROSS PROFIT	Rp202,098,310,596	Rp199,569,393,598	Rp174,335,515,518	Rp184,419,226,835	Rp204,458,544,368	Rp196,791,082,134	Rp136,883,250,917
Selling expenses	-Rp154,870,187,331	-Rp149,895,559,375	-Rp121,854,966,846	-Rp127,264,471,191	-Rp132,164,370,165	-Rp132,466,346,156	-Rp172,504,465,058
General and administrative expenses	-Rp45,750,235,747	-Rp43,984,434,952	-Rp43,793,006,242	-Rp48,192,315,737	-Rp58,327,364,740	-Rp49,853,563,331	-Rp63,814,070,665
Gain (loss) on foreign exchange	-Rp1,309,954,850	Rp1,834,023,590	Rp2,293,299,533	-Rp1,071,885,602	-Rp1,486,407,442	-Rp428,925,357	Rp1,103,281,172
Other expense	-Rp167,759,452	-Rp3,878,361,119	-Rp3,391,029,312	Rp1,197,571,730	Rp252,981,833	Rp1,688,312,688	Rp158,915,058,330
OPERATING PROFIT (LOSS)	Rp173,216	Rp3,645,061,742	Rp7,589,812,651	Rp9,088,126,035	Rp12,733,383,854	Rp15,730,559,978	Rp60,583,054,696

Finance expenses	-Rp4,747,208,360	-Rp5,568,603,458	-Rp6,507,057,142	-Rp6,810,180,321	-Rp6,602,688,536	-Rp8,179,109,877	-Rp11,732,865,228
Interest income	Rp664,733,259	Rp567,970,732	Rp794,345,026	Rp151,592,505	Rp48,467,955	Rp37,211,268	Rp587,358,510
INCOME (LOSS) BEFORE INCOME TAX	-Rp4,082,301,885	-Rp1,355,570,984	Rp1,877,100,535	Rp2,429,538,219	Rp6,179,163,273	Rp7,588,661,369	Rp49,437,547,978
INCOME TAX BENEFIT (EXPENSES) – NET							
Current tax	-Rp1,614,864,875	-Rp2,112,623,314	-Rp2,036,563,500	-Rp2,465,148,195	-Rp9,494,762,098	-Rp5,403,169,125	-Rp5,182,369,628
Deferred tax	Rp147,701,082	Rp2,184,862,189	-Rp2,097,013,532	Rp167,446,644	-Rp3,451,121,066	-Rp1,827,982,693	Rp23,556,855,787
PROFIT (LOSS) FOR THE CURRENT YEAR	-Rp5,549,465,678	-Rp1,283,332,109	-Rp2,256,476,497	Rp131,836,668	-Rp6,766,719,891	Rp357,509,551	Rp67,812,034,137
OTHER COMPREHENSIVE INCOME							
Items that will be reclassified to profit or loss							
Exchange difference due to translation of financial statements	-Rp551,705,219	Rp299,986,440	Rp197,007,153	Rp145,862,707	-Rp228,719,330	Rp343,156,841	-Rp856,699,722

Items that would never be reclassified to profit or loss							
Actuarial gain or (loss)	-Rp2,447,531,916	-Rp1,832,587,069	Rp4,402,736,161	Rp519,771,860	-Rp124,158,839	Rp97,623,882	Rp1,582,435,020
Income tax relating to components	Rp611,882,979	Rp458,146,767	-Rp1,100,684,040	-Rp129,942,965	-Rp144,328,766	-Rp21,477,254	-Rp348,135,704
Total others comprehensive income	-Rp2,387,354,156	-Rp1,074,453,862	Rp3,499,059,274	Rp535,691,602	-Rp497,206,935	Rp419,303,469	Rp377,599,594
TOTAL COMPREHENSIVE INCOME (LOSS)	-Rp7,936,819,834	-Rp2,357,785,971	Rp1,242,582,777	Rp667,528,270	-Rp7,263,926,826	Rp779,813,020	Rp68,189,633,731

Appendix 7

Trend Analysis Statement of Financial Position

PT Mustika Ratu Tbk

	PT Mustika Ratu Tbk						
	Statement of Financial Position						
	2016	2017	2018	2019	2020	2021	2022
Assets							
Current Assets							
Cash and cash equivalents	1.00	0.94	0.66	0.41	0.48	0.36	7.27
Trade receivables	1.00	0.97	0.89	0.99	0.99	0.98	0.77
Others receivables	1.00	1.14	0.86	1.00	1.01	0.63	0.52
Inventories	1.00	1.21	1.39	1.41	1.62	2.10	2.28
Prepaid taxes	1.00	0.14	1.50	1.07	0.15	0.16	0.17
Prepaid expenses	1.00	1.40	2.24	3.56	2.34	2.23	1.67
Advances to suppliers and others	1.00	0.63	0.75	0.85	2.35	1.89	1.49
Total current assets	1.00	1.03	1.03	1.11	1.16	1.23	1.57
Non current Assets							

PPE	1.00	0.97	0.92	0.85	0.86	0.82	0.76
Investment property	1.00	1.00	1.00	1.00	0.99	1.06	0.00
Deposits - related parties	1.00	1.02	1.08	1.04	1.03	1.03	1.03
Estimated claim for tax refund	1.00	1.48	1.48	1.48	0.45	0.00	0.00
Deferred tax assets	1.00	1.35	1.04	1.02	1.22	1.02	3.50
Other non current assets	1.00	0.01	12.20	9.81	16.12	14.92	13.07
Total non-current assets	1.00	1.03	1.17	1.09	1.15	1.08	0.98
Total Assets	1.00	1.03	1.06	1.10	1.16	1.20	1.44
LIABILITIES AND EQUITY							
LIABILITIES							
Current Liabilities							
Short-term bank loans	1.00	1.46	1.49	1.49	2.21	2.39	2.91
Trade payables – third parties	1.00	0.90	1.15	1.08	1.08	0.97	0.70
Other payable – third parties	1.00	0.87	1.08	0.67	1.56	5.93	6.37
Due to related parties	1.00	1.07	1.44	2.24	2.24	2.24	2.24
Taxes payable	1.00	1.16	1.09	1.53	5.65	9.06	11.78
Accrued expenses	1.00	1.91	1.79	24.75	58.64	35.16	30.27

Dividends payable	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Advance - unearned revenue	1.00	0.60	0.20	8.17	1.61	1.33	6.74
Current maturities of finance							
Bank loans – current portion of long term liabilities	1.00	0.07	0.04	0.00	0.00	0.00	3.18
Total Current liabilities	1.00	1.14	1.31	1.52	2.09	2.30	2.52
Non current liabilities							
Non-current liabilities - net of current maturities: Bank loan	1.00	0.20	0.00	0.00	0.00	0.00	2.86
Post-employment benefits liabilities	1.00	1.20	1.03	1.05	1.08	0.93	0.88
Total non current liabilities	1.00	1.19	1.05	1.06	1.07	0.97	2.35
Total Liabilities	1.00	1.15	1.26	1.44	1.91	2.06	2.49
EQUITY							
Equity attributable to owners of the Parent company	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Additional paid-in capital	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Retained Earnings							
Appropriated	1.00	1.00	1.00	1.00	1.00	1.00	1.00

Unappropriated	1.00	0.99	0.98	0.98	0.87	0.87	1.18
Exchange difference due to translation of financial statements	1.00	1.01	1.02	1.02	1.01	1.03	1.00
Other equity components	1.00	1.21	0.71	0.65	0.69	0.68	0.49
Non-controlling interest	1.00	4.04	4.13	4.17	3.82	3.81	2.07
Total Equity	1.00	0.99	1.00	1.00	0.93	0.93	1.11
Total Liabilities and Equity	1.00	1.03	1.06	1.10	1.16	1.20	1.44

Appendix 8

Trend Analysis Statement of Profit or Loss

PT Mustika Ratu Tbk

	PT Mustika Ratu Tbk						
	Statement of Financial Position						
	2016	2017	2018	2019	2020	2021	2022
NET SALES	1.00	1.00	0.87	0.89	0.92	0.95	0.83
COST OF SALES	1.00	1.02	0.89	0.85	0.80	0.91	1.04
GROSS PROFIT	1.00	0.99	0.86	0.91	1.01	0.97	0.68
Selling expenses	1.00	0.97	0.79	0.82	0.85	0.86	1.11
General and administrative expenses	1.00	0.96	0.96	1.05	1.27	1.09	1.39
Gain (loss) on foreign exchange	1.00	2.40	2.75	0.82	1.13	0.33	2.40
Other (expense) & Other Income	1.00	23.12	20.21	8.14	2.51	11.06	948.28
OPERATING PROFIT (LOSS)	1.00	21,043.45	43,817.04	52,467.01	73,511.59	90,814.71	349,754.38
Finance expenses	1.00	1.17	1.37	1.43	1.39	1.72	2.47

Interest income	1.00	0.85	1.19	0.23	0.07	0.06	0.88
INCOME (LOSS) BEFORE INCOME TAX	1.00	0.33	1.46	1.60	2.51	2.86	13.11
INCOME TAX BENEFIT (EXPENSES) – NET							
Current tax	1.00	1.31	1.26	1.53	5.88	3.35	3.21
Deferred tax	1.00	14.79	-14.20	1.13	-23.37	-12.38	159.49
PROFIT (LOSS) FOR THE CURRENT YEAR	1.00	0.23	0.41	1.02	1.22	1.06	13.22
OTHER COMPREHENSIVE INCOME							
Items that will be reclassified to profit or loss							
Exchange difference due to translation of financial statements	1.00	1.54	1.36	1.26	0.41	1.62	1.55
Items that would never be reclassified to profit or loss							
Actuarial gain or (loss)	1.00	0.75	2.80	1.21	0.05	1.04	1.65
Income tax relating to components	1.00	0.75	-1.80	-0.21	-0.24	-0.04	-0.57
Total others comprehensive income	1.00	0.45	2.47	1.22	0.21	-0.18	-0.16
TOTAL COMPREHENSIVE INCOME (LOSS)	1.00	0.30	1.16	1.08	0.92	1.10	9.59

Appendix 9

Common size Analysis Statement of Financial Position

PT Mustika Ratu Tbk

	PT Mustika Ratu Tbk						
	Statement of Financial Position						
	2016	2017	2018	2019	2020	2021	2022
Assets							
Current Assets							
Cash and cash equivalents	5.05%	4.60%	3.13%	1.90%	2.09%	1.50%	25.50%
Trade receivables	44.98%	42.51%	37.64%	40.21%	38.43%	36.80%	23.94%
Other receivables	4.24%	4.68%	3.45%	3.85%	3.69%	2.25%	1.52%
Inventories	18.78%	22.07%	24.68%	24.09%	26.19%	33.01%	29.74%
Prepaid taxes	0.77%	0.11%	1.08%	0.74%	0.10%	0.10%	0.09%
Prepaid expenses	1.66%	2.26%	3.51%	5.36%	3.35%	3.10%	1.92%
Advances to suppliers and others	1.69%	1.04%	1.20%	1.31%	3.42%	2.67%	1.75%
Total current assets	77.16%	77.26%	74.69%	77.47%	77.27%	79.43%	84.47%
Non-current Assets							

PPE	13.40%	12.63%	11.67%	10.30%	10.00%	9.14%	7.09%
Investment property	5.32%	5.17%	5.02%	4.83%	4.53%	4.71%	0.00%
Deposits - related parties	0.40%	0.40%	0.41%	0.38%	0.36%	0.35%	0.29%
Estimated claim for tax refund	1.40%	2.01%	1.95%	1.87%	0.54%	0.00%	0.00%
Deferred tax assets	1.94%	2.53%	1.90%	1.79%	2.04%	1.65%	4.72%
Other non current assets	0.38%	0.00%	4.36%	3.36%	5.26%	4.72%	3.44%
Total non-current assets	22.84%	22.74%	25.31%	22.53%	22.73%	20.57%	15.53%
Total Assets	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
LIABILITIES AND EQUITY							
LIABILITIES							
Current Liabilities							
Short-term bank loans	7.56%	10.74%	10.66%	10.24%	14.42%	15.07%	15.29%
Trade payables – third parties	7.21%	6.28%	7.79%	7.07%	6.70%	5.85%	3.50%
Other payable – third parties	1.01%	0.85%	1.03%	0.61%	1.36%	5.00%	4.47%
Due to related parties	2.74%	2.84%	3.73%	5.56%	5.29%	5.12%	4.26%
Taxes payable	0.43%	0.48%	0.44%	0.59%	2.07%	3.22%	3.49%
Accrued expenses	0.10%	0.18%	0.17%	2.21%	4.98%	2.89%	2.07%

Dividends payable	0.06%	0.06%	0.06%	0.05%	0.05%	0.05%	0.04%
Advance - unearned revenue	0.06%	0.03%	0.01%	0.42%	0.08%	0.06%	0.26%
Current maturities of finance							
Bank loans – current portion of long term liabilities	0.27%	0.02%	0.01%	0.00%	0.00%	0.00%	0.60%
Debt leasing– current portion of long term liabilities	0.00%	0.00%	0.12%	0.09%	0.03%	0.03%	0.03%
Total Current liabilities	19.43%	21.48%	24.01%	26.83%	34.98%	37.29%	34.01%
Non current liabilities							
Finance lease liabilities - net of current maturities	0.00%	0.00%	0.12%	0.06%	0.03%	0.17%	0.10%
Non-current liabilities - net of current maturities: Bank loan	0.05%	0.01%	0.00%	0.00%	0.00%	0.00%	4.17%
Post-employment benefits liabilities	4.11%	4.78%	3.98%	3.92%	3.82%	3.20%	2.51%
Total non current liabilities	4.16%	4.79%	4.10%	3.98%	3.85%	3.36%	6.78%
Total Liabilities	23.59%	26.26%	28.11%	30.81%	38.83%	40.65%	40.79%
EQUITY							
Equity attributable to owners of the Parent company	11.08%	10.76%	10.45%	10.04%	9.56%	9.25%	7.70%
Additional paid-in capital	11.74%	11.40%	11.08%	10.64%	10.13%	9.81%	8.16%
Retained Earnings							

Appropriated	2.85%	2.76%	2.69%	2.58%	2.46%	2.38%	1.98%
Unappropriated	45.92%	44.33%	42.63%	40.99%	34.41%	33.38%	37.54%
Exchange difference due to translation of financial statements	6.19%	6.08%	5.94%	5.74%	5.42%	5.30%	4.29%
Other equity components	-1.37%	-1.60%	-0.91%	-0.81%	-0.81%	-0.78%	-0.47%
Non-controlling interest	0.00%	0.01%	0.01%	0.01%	0.01%	0.01%	0.00%
Total Equity	76.41%	73.74%	71.89%	69.19%	61.17%	59.35%	59.21%
Total Liabilities and Equity	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Appendix 10

Common size Analysis Statement of Profit or Loss

PT Mustika Ratu Tbk

	PT Mustika Ratu Tbk						
	Statement of Profit or Loss						
	2016	2017	2018	2019	2020	2021	2022
NET SALES	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
COST OF SALES	-41.31%	-42.10%	-42.00%	-39.58%	-35.64%	-39.78%	-52.00%
GROSS PROFIT	58.69%	57.90%	58.00%	60.42%	64.21%	60.22%	48.00%
Selling expenses	-44.97%	-43.49%	-40.54%	-41.70%	-41.51%	-40.54%	-60.49%
General and administrative expenses	-13.29%	-12.76%	-14.57%	-15.79%	-18.32%	-15.26%	-22.38%
Gain (loss) on foreign exchange	-0.38%	0.53%	0.76%	-0.35%	-0.47%	-0.13%	0.39%
Other expense	-0.05%	-1.13%	-1.13%	0.39%	0.08%	0.52%	55.72%
OPERATING PROFIT (LOSS)	0.00%	1.06%	2.53%	2.98%	4.00%	4.81%	21.24%
Finance expenses	-1.38%	-1.62%	-2.16%	-2.23%	-2.07%	-2.50%	-4.11%

Interest income	0.19%	0.16%	0.26%	0.05%	0.02%	0.01%	0.21%
INCOME (LOSS) BEFORE INCOME TAX	-1.19%	-0.39%	0.62%	0.80%	1.94%	2.32%	17.34%
INCOME TAX BENEFIT (EXPENSES) – NET							
Current tax	-0.47%	-0.61%	-0.68%	-0.81%	-2.98%	-1.65%	-1.82%
Deferred tax	0.04%	0.63%	-0.70%	0.05%	-1.08%	-0.56%	8.26%
PROFIT (LOSS) FOR THE CURRENT YEAR	-1.61%	-0.37%	-0.75%	0.04%	-2.13%	0.11%	23.78%
OTHER COMPREHENSIVE INCOME							
Items that will be reclassified to profit or loss							
Exchange difference due to translation of financial statements	-0.16%	0.09%	0.07%	0.05%	-0.07%	0.11%	-0.30%
Items that would never be reclassified to profit or loss							
Actuarial gain or (loss)	-0.71%	-0.53%	1.46%	0.17%	-0.04%	0.03%	0.55%
Income tax relating to components	0.18%	0.13%	-0.37%	-0.04%	-0.05%	-0.01%	-0.12%
Total others comprehensive income	-0.69%	-0.31%	1.16%	0.18%	-0.16%	0.13%	0.13%
TOTAL COMPREHENSIVE INCOME (LOSS)	-2.30%	-0.68%	0.41%	0.22%	-2.28%	0.24%	23.91%

Appendix 11

Liquidity Ratio

	2017			2018			2019			2020			2021			2022		
	Current ratio	quick ratio	Cash ratio	Current ratio	quick ratio	Cash ratio	Current ratio	quick ratio	Cash ratio	Current ratio	quick ratio	Cash ratio	Current ratio	quick ratio	Cash ratio	Current ratio	quick ratio	Cash ratio
KINO	1.65	1.19	0.32	1.50	1.02	0.18	1.35	0.94	0.15	1.19	0.75	0.09	1.51	1.05	0.13	0.87	0.55	0.10
ADES	1.20	0.68	0.10	1.39	0.89	0.39	2.00	1.50	0.74	2.97	2.50	1.84	2.51	2.06	1.42	3.20	2.26	1.48
TCID	2.54	1.65	0.86	2.82	1.61	0.78	5.49	2.84	1.10	10.25	6.13	3.49	8.13	5.24	3.14	7.21	4.22	2.59
UNVR	0.63	0.41	0.03	0.75	0.48	0.03	0.65	0.46	0.05	0.66	0.46	0.06	0.61	0.39	0.03	0.61	0.36	0.04
MBTO	2.06	1.57	0.02	1.63	1.06	0.02	1.25	0.73	0.01	0.62	0.24	0.01	1.00	0.30	0.02	1.00	0.39	0.02
MRAT	3.60	2.41	0.21	3.11	1.84	0.13	2.89	1.71	0.07	2.21	1.26	0.06	2.13	1.09	0.04	2.48	1.50	0.75
INDUSTRY	1.95	1.32	0.26	1.87	1.15	0.26	2.27	1.36	0.35	2.98	1.89	0.93	2.65	1.69	0.79	2.56	1.55	0.83

Appendix 12

Solvability Ratio

	2017		2018		2019		2020		2021		2022	
	Debt to equity	Debt to asset	Debt to equity	Debt to asset	Debt to equity	Debt to asset	Debt to equity	Debt to asset	Debt to equity	Debt to asset	Debt to equity	Debt to asset

KINO	0.047	0.030	0.041	0.025	0.096	0.055	0.206	0.197	0.397	0.196	0.787	0.258
ADES	0.407	0.205	0.284	0.155	0.140	0.096	0.107	0.078	0.068	0.051	0.042	0.034
TCID	0.131	0.103	0.122	0.099	0.135	0.107	0.170	0.137	0.167	0.132	0.164	0.128
UNVR	0.232	0.064	0.107	0.041	0.436	0.111	0.454	0.109	0.533	0.121	0.470	0.103
MBTO	0.280	0.148	0.357	0.166	0.432	0.172	0.165	0.099	0.097	0.061	0.090	0.051
MRAT	0.065	0.048	0.057	0.041	0.057	0.040	0.063	0.039	0.057	0.034	0.115	0.068
INDUSTRY	0.194	0.100	0.161	0.088	0.216	0.097	0.194	0.110	0.220	0.099	0.278	0.107

Appendix 13

Activity Ratio

	2,017				2,018				2,019			
	TATO	Receivable days	Payable days	Inventory days	TATO	Receivable days	Payable days	Inventory days	TATO	Receivable days	Payable days	Inventory days
KINO	0.98	94.73	86.21	76.71	1.01	97.78	101.14	96.28	1.00	106.86	82.91	81.72
ADES	0.97	63.00	71.42	104.94	0.91	59.84	78.63	95.94	0.93	64.15	48.98	70.08
TCID	1.15	53.74	15.65	90.77	1.08	53.36	13.69	117.45	1.10	58.68	18.40	131.87
UNVR	2.18	41.77	82.68	43.72	2.14	43.51	80.59	46.85	2.08	45.37	78.91	42.44
MBTO	0.94	193.47	76.62	106.12	0.78	180.80	49.20	134.31	0.91	122.84	51.40	125.23

MRAT	0.72	248.57	78.57	276.08	0.59	255.40	83.53	264.55	0.57	280.74	113.82	387.80
INDUSTRY	1.15	115.88	68.53	116.39	1.08	115.12	67.80	125.90	1.10	113.11	65.74	139.86

	2,020				2,021				2,022			
	TATO	Receivable days	Payable days	Inventory days	TATO	Receivable days	Payable days	Inventory days	TATO	Receivable days	Payable days	Inventory days
KINO	0.77	129.55	83.27	120.21	0.73	134.93	78.68	101.40	0.78	87.91	70.04	70.72
ADES	0.70	64.84	69.86	86.90	0.72	63.58	88.07	82.40	0.78	53.42	66.07	87.18
TCID	0.86	62.73	12.14	125.50	0.80	72.64	19.58	117.64	0.86	64.02	20.48	139.50
UNVR	2.09	44.98	76.10	43.82	2.07	41.69	83.76	44.96	2.25	34.75	77.43	43.25
MBTO	0.30	83.19	90.69	178.31	0.30	80.33	64.68	267.06	0.50	60.08	61.35	158.62
MRAT	0.57	270.27	119.92	469.66	0.57	252.22	94.94	535.89	0.41	226.41	59.84	508.63
INDUSTRY	0.88	109.26	75.33	170.73	0.86	107.57	71.62	191.56	0.93	87.77	59.20	167.98

Appendix 14

Profitability Ratio

	2017	2018	2019	2020	2021	2022

	Return on assets	GPM	NPM	Return on assets	GPM	NPM	Return on assets	GPM	NPM	Return on assets	GPM	NPM	Return on assets	GPM	NPM	Return on assets	GPM	NPM
KINO	3.36%	42.10%	3.47%	4.40%	45.50%	4.16%	12.44%	46.82%	11.02%	3.08%	47.92%	2.82%	2.41%	45.18%	2.46%	-18.79%	36.04%	-26.17%
ADES	4.76%	53.89%	4.70%	6.15%	48.38%	6.58%	9.85%	45.43%	10.97%	15.25%	50.87%	20.17%	23.49%	53.43%	28.42%	24.07%	51.96%	27.50%
TCID	7.88%	37.21%	6.62%	7.20%	36.36%	6.53%	5.81%	33.17%	5.18%	-2.25%	22.86%	-2.75%	-3.32%	16.52%	-4.13%	0.77%	20.12%	0.89%
UNVR	39.29%	51.50%	17.00%	47.41%	50.46%	21.79%	36.81%	52.32%	17.22%	34.79%	51.26%	16.67%	29.08%	49.63%	14.56%	28.70%	46.25%	13.02%
MBTO	-3.31%	51.37%	-3.38%	-15.98%	42.53%	-22.71%	-10.81%	43.22%	-12.45%	-25.82%	33.54%	-68.37%	-17.65%	31.67%	-71.12%	-5.91%	36.96%	-11.78%
MRAT	-0.27%	57.90%	-0.37%	-0.46%	58.00%	-0.75%	0.03%	60.42%	0.04%	-1.24%	64.21%	-2.13%	0.06%	60.22%	0.11%	10.65%	48.00%	23.78%
INDUSTRY	8.62%	48.99%	4.67%	8.12%	46.87%	2.60%	9.02%	46.90%	5.33%	3.97%	45.11%	-5.60%	5.68%	42.77%	-4.95%	6.58%	39.89%	4.54%

Appendix 15

Du Pont System Analysis

PT Mustika Ratu Tbk

Year	TATO	NPM	EM	ROE
2017	0.6930242359	-0.37%	1.356181663	-0.00349938
2018	0.5871848503	-0.75%	1.391097709	-0.00613216

2019	0.5729087937	0.04%	1.445206011	0.00035763
2020	0.5687938732	-2.13%	1.634829208	-0.01976154
2021	0.5651333652	0.11%	1.684929591	0.00104171
2022	0.4104570098	23.78%	1.688879391	0.16483815

Appendix 16

Bankruptcy Prediction

- **The calculation of Four Variables**

	Working capital (X1)	Return earning on asset (X2)	Return on asset (X3)	Market value on liabilities (X4)	Sales on total sales (X5)
2017	0.558	0.471	0.007	0.003	0.693
2018	0.507	0.453	0.015	0.003	0.587
2019	0.506	0.436	0.017	0.003	0.573
2020	0.423	0.369	0.023	0.002	0.569
2021	0.421	0.358	0.027	0.002	0.565
2022	0.505	0.395	0.087	0.002	0.410

- **The Altman Z model**

Z - SCORE	
2017	2.05
2018	1.88
2019	1.85
2020	1.67
2021	1.66
2022	1.86