

Profitability Ratio Analysis at PT. Medikaloka Hermina, TBK.

Giri Gintang Miransyah¹, Sri Rahayu Sangra Dempo², Sutisna^{3*}

^{1,2}Master of Management Program, Universitas Bina Bangsa, Indonesia

³Lecturer of Master of Management Program, Universitas Bina Bangsa, Indonesia

*Corresponding email: basrowi2018@gmail.com

Article History

Received: April 9, 2021 Revised: April 15, 2021 Accepted: April 30, 2021

Abstract

This study aims to determine the company's financial performance by using profitability ratio analysis, where the profitability ratio is a ratio that aims to determine the company's ability in generating profit over a certain period and also provides an overview of the level of management effectiveness in carrying out its operations. Profitability ratio consists of three ratios, among others Return On Assets, Return On Equity and Net Profit Margin. The research object is PT Medikaloka Hermina Tbk, where the health services company has done IPO (Initial Public Offering) or initial public offering so that economic growth of company very rapidly. The purpose of this study is to test and analyze the financial performance of the company at PT. Medikaloka Hermina Tbk. year 2018 - 2020 if reviewed from the profitability ratio. The sample of this research is financial reports from PT Medikaloka Hermina Tbk for 2018 - 2020 published on the Indonesia Stock Exchange website.

Keywords: Company Profitability, Initial Public Offering

JEL Classification : M21

Type of paper: Research Paper

@ BBIJBM 2021 published by Universitas Bina Bangsa, Indonesia
All rights reserved

DOI:
10.46306/bbijbm.v1i1.7

Web:
<http://bbijbm.lppmbinabangsa.id/index.php/home>

Citation:

Miransyah, G.G., Dempo, S.R.S., & Sutisna. (2021) Profitability Ratio Analysis at PT. Medikaloka Hermina, TBK. *Bina Bangsa International Journal of Business and Management (BBIJBM)*, 1(1), 60-67. DOI: 10.46306/bbijbm.v1i1.7

I. Introduction

The growth of the health industry in the world is growing rapidly where the world community is increasingly concerned about their health (Tan & Juan, 2019), various hospitals have started competing to provide the best service for their patients, one of which is PT Medikaloka Hermina Tbk. The company operates a sizeable network of private hospitals in Indonesia. Initial Public Offering (IPO), which is known as a gateway for companies to obtain as much investment funds as possible from investors to increase their business capital, so that with many investors participating in providing capital assistance, companies can expand their business wings.

Medikaloka Hermina Tbk (HEAL) was established on May 7, 1999 and started commercial operations in 1985. Based on the Company's Articles of Association, the scope of activities of HEAL is doing business in the field of health services. Medikaloka Hermina Tbk operates 28 multi-specialty general hospitals with a total of 2,780 beds, which provide a range of specialist medical services, including maternal and child health services, complex surgical procedures, laboratory services, radiology and imaging facilities, fertility treatments and general health services. , pharmacies, diagnostic and emergency services. (Red : <http://britama.com/index.php/2018/07/sejarah-dan-profil-singkat-heal>)

On May 4, 2018, HEAL obtained an effective statement from the Financial Services Authority (OJK) to conduct an Initial Public Offering of HEAL Shares (IPO) to the public of 351,380,800 shares with a nominal value of Rp100, - per share with an offering price of Rp3,700. per share. These shares were listed on the Indonesia Stock Exchange (IDX) on May 16, 2018. (Red: <http://britama.com/index.php/2018/07/sejarah-dan-profil-sendek-heal>)

The large growth in the number of hospitals under PT Medikaloka Hermina Tbk has generated interest for researchers to discuss how the growth in financial performance is seen from its profitability ratio, because the profitability ratio represents the company's success (Husain et al., 2020) and how it contributes to the progress of PT Medikaloka Hermina Tbk after conducting the IPO, considering that the IPO contributed to increasing the company's business capital (Honjo, 2020). In connection with this, the authors set the title in this study, namely "Profitability Ratio Analysis at PT Medikaloka Hermina Tbk". The purpose of this research is to analyze the company's financial performance at PT Medikaloka Hermina Tbk in 2018 - 2020 in terms of profitability ratios.

II. Literature Review

2.1. Net Profit Margin (NPM)

Net profit margin is the ratio of net profits to revenues for a company or business segment . Typically expressed as a percentage, net profit margins show how much of each dollar collected by a company as revenue translates into profit. The equation to calculate net profit margin is: $\text{net margin} = \text{net profit} / \text{revenue}$. BREAKING DOWN 'Net Profit Margin' Net margins vary from company to company, and certain ranges can be expected in certain industries, as similar business constraints exist in each

distinct industry. Low profit margins don't necessarily equate to low profits (CHRIS B Murphy, 2019).

2.2. Return On Equity (ROE)

The amount of net income returned as a percentage of shareholders equity. Return on equity measures a corporation's profitability by revealing how much profit a company generates with the money shareholders have invested. {ROE} is expressed as a percentage and calculated as: Return on Equity = Net Income/Shareholder's Equity Net income is for the full fiscal year (before dividends paid to common stock holders but after dividends to preferred stock.) Shareholder's equity does not include preferred shares (Hargrave, 2019).

2.3. Return On Assets (ROA)

Definition of Return On Assets (ROA) on Investopedia - An indicator of how profitable a company is relative to its total assets. ROA gives an idea as to how efficient management is at using its assets to (Investopedia, 2016).

III. Methodology

The sample in this study was PT Medikaloka Hermina Tbk in 2018 - 2020. The data collection method used in this study was the documentation study method. Documentation is one of the quantitative data collection methods (Joye, 2005) obtained through the Indonesian Capital Market Dictionary (ICMD) which is the financial statement information of companies listed on the Indonesia Stock Exchange, with specialization in financial reports at PT Medikaloka Hermina Tbk.

The data analysis method used is descriptive quantitative (Cartier et al., 2006), which is an analysis based on the calculation of ratios to determine the level of profitability used as a basis for decision making (Cartier et al., 2006). Data in the form of financial reports are analyzed using financial ratios needed to be able to obtain information about profitability consisting of Return On Asset Ratio (ROA) (Gallo, 2016), Return On Equity Ratio (ROE) (Pointer & Khoi, 2019), Net Profit Margin Ratio (NPM) (CHRIS B Murphy, 2019) to assess company performance. This profitability ratio is calculated by:

$$\text{Net Profit Margin} = \frac{\text{ProfitAfterTax}}{\text{Income}} \times 100 \%$$

$$\text{Return on Equity} = \frac{\text{ProfitAfterTax}}{\text{Equity}} \times 100 \%$$

$$\text{Return on Asset} = \frac{\text{ProfitAfterTax}}{\text{TotalAsset}} \times 100 \%$$

IV. Results and Discussion

4.1. Results

The research location is PT Medikaloka Hermina Tbk where researchers use secondary data obtained from the publication of the Indonesia Stock Exchange as well as financial data published on the website (Johnston, 2014), namely PT Medikaloka Hermina Tbk, so that researchers simply search for data related to PT Medikaloka's profitability report. Hermina Tbk in 2018 - 2020. In addition, the idx website provides flexibility for investors and researchers to examine the company's financial performance in a transparent manner (Ameli et al., 2020). The discussion of the results of the calculation of profitability ratios consisting of Net Profit Margin, Return On Assets, and Return On Equity at PT Medikaloka Hermina Tbk in 2018 - 2020 is as follows:

Table 1. Financial performance

	2018	2019	2020
Profit After Tax	191.024	264.454	349.026
Income	3.058.091	2.687.719	2.882.809
Equity	2.369.709	2.764.434	3.110.599
Assets Total	4.171.207	5.047.787	5.812.593

* Unit: Millions

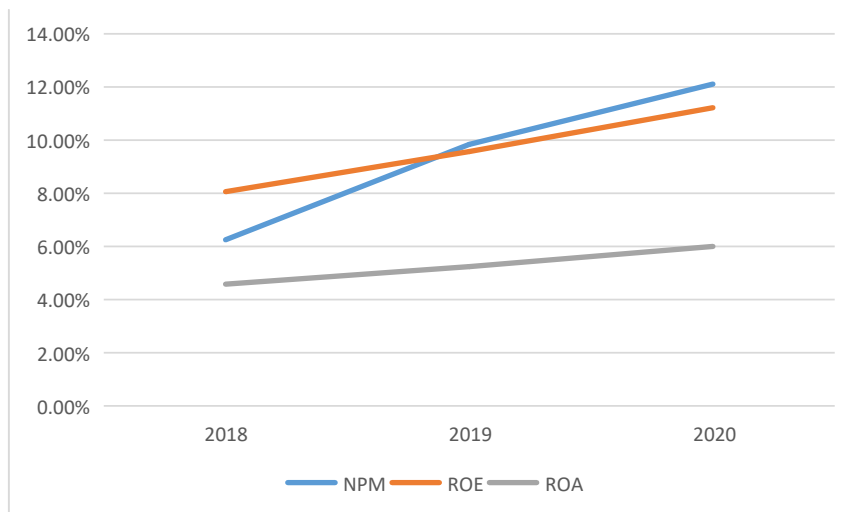


Figure 1. Profitability Ratio

4.2. Net Profit Margin

A high Net Profit Margin indicates that (Chris B Murphy, 2020):

1. The higher the NPM, the thicker the company's profit.
2. The higher the NPM value, the more efficient the company is operating (Derouiche et al., 2021). Companies can reduce unnecessary costs, so that the company is able to maximize the net profit obtained (Stavropoulou et al., 2019).

3. In anticipation of a surge in raw materials, operational costs such as an increase in employee salaries, or an increase in financial costs such as interest payments. If the NPM of the company is thicker, then when the above occurs, the company's net profit does not drop significantly.

Table 2. Data of Net Profit Margin

	2018	2019	2020
Profit After Tax	191,024	264,454	349,026
Income	3,058,091	2,687,719	2,882,809
NPM Ratio	6.25%	9.84%	12.11%

*Unit: Millions

Discussion on PT Medikaloka Hermina Tbk's Net Profit Margin (NPM) has increased in 2018 - 2020 with an average increase of 3% each year. Based on the level of the company's financial health, companies with an NPM level above 5% (NPM > 5%) are said to be healthy (Chris B Murphy, 2020). PT Medikaloka Hermina Tbk in 2018 - 2020 had an NPM value above 5% for 3 consecutive years so that the health level of PT Medikaloka Hermina Tbk's NPM can be said to be healthy and high.

4.3. Return on Equity

High Return On Equity indicates that (Shim & Lansner, 2020):

1. The higher the ROE, the more efficient the company is in using its own capital to generate investors' profits invested in the company (Andersen & Maibom, 2020).
2. An increase in the ROE ratio from year to year in the company means that there is an increase in the net profit of the company concerned.

The increase in net income can be used as an indication that the company's value is also increasing. Because the increase in the net profit of a company concerned will cause a stock price which means an increase in the value of the company (Zhou & Yang, 2020).

Table 3. Data of Return On Equity

	2018	2019	2020
Profit After Tax	191,024	264,454	349,026
Equity	2,369,709	2,764,434	3,110,599
ROE Ratio	8.06%	9.57%	11.22%

*Unit: Millions

Discussion on the Return on Equity (ROE) of PT Medikaloka Hermina Tbk shows an increase in 2018 - 2020 with an average increase of 1% - 2% per year; So it can be concluded that the company's ability to generate net income from equity increases. However, if it is based on the health of the financial performance of Return On Equity, the

company can be said to be healthy if the ROE value is more than 12% (Hargrave, 2019). PT Medikaloka Hermina Tbk. ROE for 3 years was below 12%, so it can be said that this company is not healthy.

4.4. Return on Asset

High Return On Asset (ROA) indicates that the company has a great opportunity to increase growth. But if the total assets used by the company do not provide profit, then the company will suffer losses and will hinder the company's growth (Farago & Tédongap, 2018).

Return on Asset (ROA) describes the extent to which the rate of return of all assets owned by the company.

Table 4. Data of *Return On Asset*

	2018	2019	2020
Profit After Tax	191,024	264,454	349,026
Total Aset	4,171,207	5,047,787	5,812,593
ROA Ratio	4.58%	5.24%	6.00%

*Unit: Millions

Discussion of PT Medikaloka Hermina Tbk's Return on Assets (ROA) shows an increase in 2018-2020 with an average increase of 0.5% - 1% so it can be concluded that the company's ability to generate net income from total assets increases. If it is based on the health of the financial performance of Return On Assets, the company is said to be healthy if the ROA value is above 2% (Morgan et al., 2009) (ROA > 2%). PT Medikaloka Hermina Tbk ROA for 3 years is above 2% so it can be said that this company is healthy.

V. Conclusion and Recommendation

5.1. Conclusion

The conclusions of this study are:

1. An increase in the NPM value indicates a more productive company performance, thus increasing investor confidence in investing in the company. This ratio shows what percentage of net income is derived from each sale or revenue. The greater this ratio, the better the company's ability to generate high profits (Chris B Murphy, 2020). In 2018-2020 the NPM ratio of PT Medikaloka Hermina Tbk increased, indicating that profitability and financial performance were high, based on income.
2. A high ROE level indicates that a company can obtain a high level of profit compared to its equity level, in other words, the management's ability to use its share capital for its operations generates additional profits for the company (Huang et al., 2020). PT Medikaloka Hermina Tbk's ROE growth ratio in 2018 - 2020 increased, but PT Medikaloka Hermina Tbk's ROE ratio was still below 12%. This shows that the

profitability and financial performance of PT Medikaloka Hermina Tbk is still not effective enough, based on its equity.

3. An increase in the value of ROA shows that the company has a great opportunity to increase growth, but if the total assets used by the company do not provide profit, the company will suffer losses and will inhibit growth (Farago & Tédongap, 2018). In the ROA ratio of PT Medikaloka Hermina Tbk in 2018 - 2020 it has increased. This shows that profitability and financial performance are quite optimal, based on total assets.

5.2. Recommendation

The author's suggestions for future research in order to obtain improvements, including:

1. Researchers who are interested in conducting research in the same field can use other proxies that are more diverse given the many variables to measure the company's financial performance.
2. Further research is expected to compare with several health industry companies in the Indonesia Stock Exchange, so that it can provide an overview of health companies that have good financial performance.

References

- Ameli, N., Drummond, P., Bisaro, A., Grubb, M., & Chenet, H. (2020). Climate finance and disclosure for institutional investors: why transparency is not enough. *Climatic Change*, 160(4). <https://doi.org/10.1007/s10584-019-02542-2>
- Andersen, T. M., & Maibom, J. (2020). The big trade-off between efficiency and equity—is it there? *Oxford Economic Papers*, 72(2). <https://doi.org/10.1093/oep/gpz040>
- Cartier, R., Rytz, A., Lecomte, A., Poblete, F., Krystlik, J., Belin, E., & Martin, N. (2006). Sorting procedure as an alternative to quantitative descriptive analysis to obtain a product sensory map. *Food Quality and Preference*, 17(7-8). <https://doi.org/10.1016/j.foodqual.2006.03.020>
- Derouiche, I., Manita, R., & Muessig, A. (2021). Risk disclosure and firm operational efficiency. *Annals of Operations Research*, 297(1-2). <https://doi.org/10.1007/s10479-020-03520-z>
- Farago, A., & Tédongap, R. (2018). Downside risks and the cross-section of asset returns. *Journal of Financial Economics*, 129(1). <https://doi.org/10.1016/j.jfineco.2018.03.010>
- Gallo, A. (2016). A Refresher on Return on Assets and Return on Equity. *Harvard Business Review*.
- Hargrave, M. (2019). Return on Equity – ROE Definition. In *Investopedia*.
- Honjo, Y. (2020). Public or perish? From founding to initial public offering. *Review of*

Managerial Science. <https://doi.org/10.1007/s11846-020-00390-4>

- Huang, S., Sun, H., Zhao, H., & Zhang, Y. (2020). Influence of leverage on the return on equity. *Xitong Gongcheng Lilun Yu Shijian/System Engineering Theory and Practice*, 40(2). <https://doi.org/10.12011/1000-6788-2019-1820-11>
- Husain, T., Sarwani, Sunardi, N., & Lisdawati. (2020). Firm's Value Prediction Based on Profitability Ratios and Dividend Policy. *Finance & Economics Review*, 2(2). <https://doi.org/10.38157/finance-economics-review.v2i2.102>
- Investopedia. (2016). Return On Assets (ROA) Definition | . *Investopedia*.
- Johnston, M. P. (2014). Secondary Data Analysis : A Method of which the Time Has Come. *Qualitative and Quantative Methods in Libraries (QQML)*, 3.
- Joye, D. (2005). Qualitative or quantitative? Data archiving in documentation, research and teaching. *Forum Qualitative Sozialforschung*, 6(2). <https://doi.org/10.17169/fqs-6.2.462>
- Morgan, N. A., Vorhies, D. W., & Mason, C. H. (2009). Research notes and commentaries market orientation: Marketing capabilities, and firm performance. In *Strategic Management Journal* (Vol. 30, Issue 8). <https://doi.org/10.1002/smj.764>
- Murphy, Chris B. (2020). Net Profit Margin. *Investopedia*, 1(3).
- Murphy, CHRIS B. (2019). Net Profit Margin Definition. *Investopedia*.
- Pointer, L. V., & Khoi, P. D. (2019). Predictors of return on assets and return on equity for banking and insurance companies on Vietnam stock exchange. *Entrepreneurial Business and Economics Review*, 7(4). <https://doi.org/10.15678/EBER.2019.070411>
- Shim, J. K., & Lansner, J. (2020). PROFITABILITY RATIOS. In *101 Investment Tools for Buying Low & Selling High*. <https://doi.org/10.1201/9781420033106-14>
- Stavropoulou, F., Repoussis, P. P., & Tarantilis, C. D. (2019). The Vehicle Routing Problem with Profits and consistency constraints. *European Journal of Operational Research*, 274(1). <https://doi.org/10.1016/j.ejor.2018.09.046>
- Tan, H., & Juan, L. Y. (2019). Finance transformation for healthcare: A structured model for planning and action. *International Journal of Healthcare*, 5(1). <https://doi.org/10.5430/ijh.v5n1p42>
- Zhou, L., & Yang, C. (2020). Investor sentiment, investor crowded-trade behavior, and limited arbitrage in the cross section of stock returns. *Empirical Economics*, 59(1). <https://doi.org/10.1007/s00181-019-01630-7>