

PT Sido Muncul, Tbk as an Alternative Investment in 2019

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Abstract

This study aims to analyze the performance of PT. Sido Muncul, Tbk as a consideration to determine the fair price of shares in 2019. PT. Sido Muncul, Tbk has succeeded in penetrating the export market by marketing products to countries such as Malaysia, Singapore, Brunei, Australia, South Korea, Nigeria, Algeria, Hong Kong, the United States, Saudi Arabia, Mongolia and Russia. The research method used in this study is a descriptive study method. In this study the author used secondary data by taking PT Sido Muncul, Tbk Financial Report published from 2013-2018. As the result, the performance appraisal of liquidity ratios as a whole from 2013-2019 considered Liquid, and the Leverage ratios is solvable. Besides, profitability ratios, return on asset, return on equity and profit margin is quite high. EV / EBITDA ratio from 2013-2019 is still below the industry average so it is very possible for companies to pursue industry averages which cause stock prices to rise in the future. The results of this study indicate that companies have strong fundamentals.

Keywords: Liquidity, Leverage, Profitability and Market Value.

Introduction

PT Jamu and Pharmaceutical Industry Sido Muncul, Tbk (IDX: SIDO) is a traditional herbal and pharmaceutical company using the latest machines. In 1940, the company was founded and managed by ny. Rahkmat Sulistio in Jogjakarta. Sido Muncul, which was originally a home industry, slowly developed into a large and well-known company. In 1941, they formulated Jamu Tolak Angin which at that time used the name Jamu Tujuh Angin. When the second Dutch colonial war in 1949, they fled to Semarang and established a herbal business with the name Sido Muncul, which means a dream that was realized. At present the company has three product pillars which are divided into herbal, food & beverage, and pharmaceutical categories. The development of herbal or traditional products makes SIDO continue to innovate and strive to satisfy its customers with a variety of quality products at affordable prices.

PT. Sido Muncul (SIDO) is a pharmaceutical standard herbal medicine factory, has received two certificates, namely the Making of Good Traditional Medicine (CPOTB)

and Good Manufacturing Practices (CPOB). SIDO is determined to develop business in the field of herbal medicine that is right and good. This determination makes the company more concentrated, innovative and uses the right and quality raw materials. Some of the products that we often encounter include sweets and herbal medicine, and other types of herbal medicine products appearing. On February 10, 2010 the groundbreaking of a 3,000 m² raw material factory was built.

SIDO was listed on Indonesia Stock Exchange in 2013 under the Main Board. SIDO was established as a Company in 1975 and based in Semarang, Indonesia. In 2013, SIDO held an Initial Public Offering of 1,500,000,000 (one billion five hundred million) shares with an initial price of Rp 580 per share

In 2018, SIDO has completed a modern liquid medicine factory II and has a capacity of 100 million sachets per month. In order to expand market share, the company has succeeded in penetrating the export market by marketing products to countries such as Malaysia, Singapore, Brunei, Australia, South Korea, Nigeria, Algeria, Hong Kong, the United States, Saudi Arabia, Mongolia and Russia.

Literature Review

The company financial report presented is a form of accountability of each management in the company and to the parties concerned in the company. Financial statements aim to provide information and descriptions of financial position and company performance that can be used as a guide in making business decisions. According to PSAK No.1 (IAI, 2012: p. 3), financial statements aim to:

- Providing information regarding financial position, performance, and changes in the financial position of a company that is beneficial to a large number of users in decision making.
- The financial statements do not provide all information that may be needed by the user in making economic decisions because they generally describe the financial effects and past events, and are not required to provide non-financial information.
- The financial statements also show what has been done by management or management's responsibility for the resources entrusted to it.

Financial ratio analysis is a number that shows the relationship between an element and other elements in the financial statements. The relationship between the elements of the financial statements is expressed in a simple mathematical form. Individually the ratio is small except when compared to a standard ratio that is worthy of being the basis of comparison.

Gibson C (2012), the current ratio is a ratio used to measure a company's ability to pay its short-term obligations using current assets owned by the company. In addition, a fast ratio is a ratio used to measure a company's ability to pay its short-term obligations using more liquid assets. Stephen A. Ross (2010), a debt ratio is used to measure to

what extent the assets of the company are financed by debt ratios, this shows an indication of the level of security of lenders (banks).

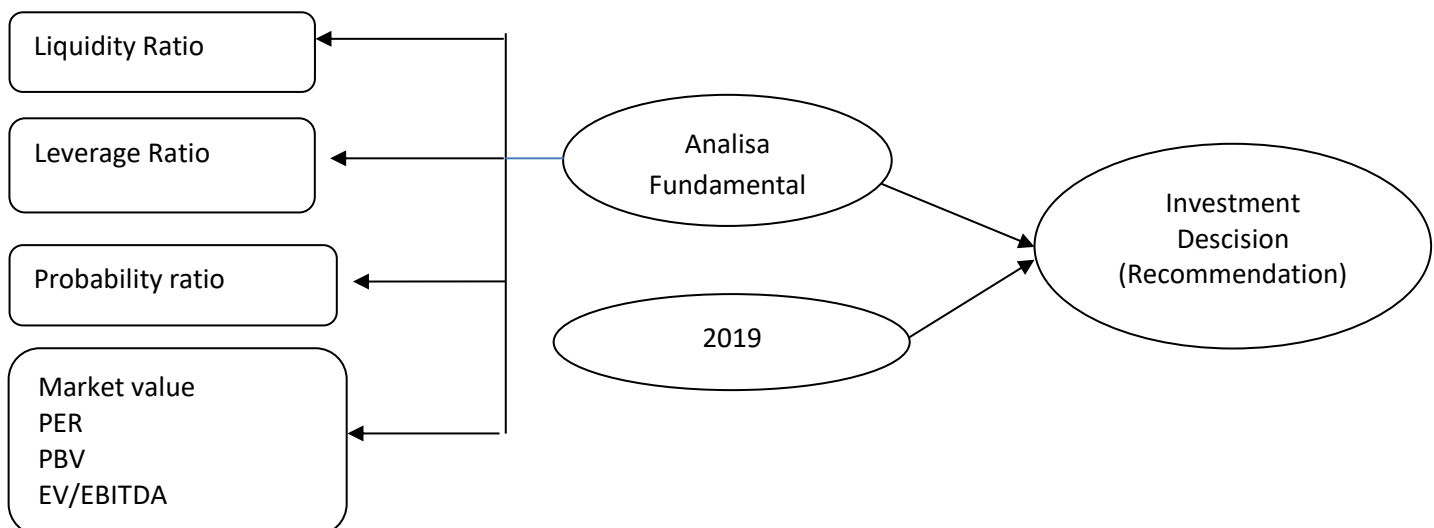
Agnes Sawir (2015) said that profitability ratios are ratios used to measure a company's ability to earn profits or profits. The profitability of a company embodies a comparison between profits and assets or capital that produces these profits. In addition, profit margin is a comparison between net sales minus the cost of goods sold at the level of sales. This ratio describes the gross profit that can be achieved from the number of sales. Return on assets which is also a ratio used to measure the ability of invested capital in all assets to generate net profits. Return on equity is a ratio used to measure the ability of own capital to generate profits for all shareholders, both ordinary shares and preferred shares.

Gibson C (2012), price earnings ratio (PER) is one of the most basic measures in fundamental stock analysis. In simple terms, PER is a comparison between the share price and the company's net profit. Because the focus of the calculation is the net profit that has been generated by the company, then by knowing PER of an issuer, we can know whether the price of a stock is reasonable. Furthermore, enterprise value is a number that shows the value of a company or firm value, so EV is similar to Market capitalization, meanwhile, EBITDA stands for Earning Before Interest, Tax, Depreciation and Amortization.

Research Methodology

This research is a case study of PT Sido Muncul TBK, by designing a frame work model in making investment decisions in companies that are expected to be profitable after being analyzed. It is quantitative research by using descriptive statistical analysis. Sekaran (2013), the purpose of descriptive research is to give researchers a history or to describe aspects that are relevant to the phenomenon of attention from a person's perspective, organization, industry orientation, or others, which then helps researchers provide ideas for further investigation and research certain simple decisions.

Framework



Result

A. Liquidity

SIDO Current Ratio always experiences a significant increase with the average current ratio above the industry standard, so that it can be said that the company is able to pay its short-term liabilities with current assets owned by it. This can be seen where the current assets of SIDO are greater than non-current assets. Moreover, from 2013-2019 SIDO does not have loans from the bank. Since 2016, SIDO's assets have experienced 7%, which then rises constantly at 6%, where SIDO's total assets currently exceed 3 trillion. In addition, a significant increase in SIDO cash came from customer payments of more than 2.5 trillion. In 2018, SIDO's assets increased by 6% from a total of 3.1 trillion to 3.3 trillion. Moreover, the inventories of SIDO are insured. It can be said that the average Quick Ratio owned is above the industry standard. It indicated that the company is able to pay its short-term obligations with more liquid current assets.

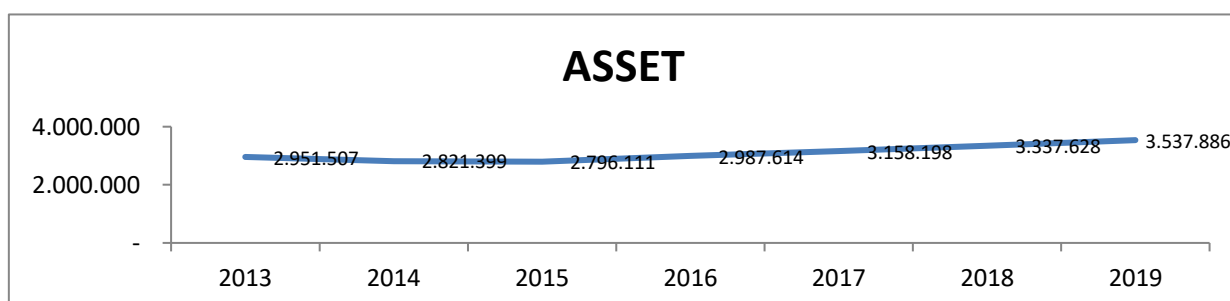


Chart 1, processed by author

More than 360 billion is a current account where SIDO customers make their payments on time, and only small portion are not yet collected. Majority of customers is from Indonesia therefore it is not affected by the value of foreign currencies. It shows that SIDO has good liquidity.

B. Leverage

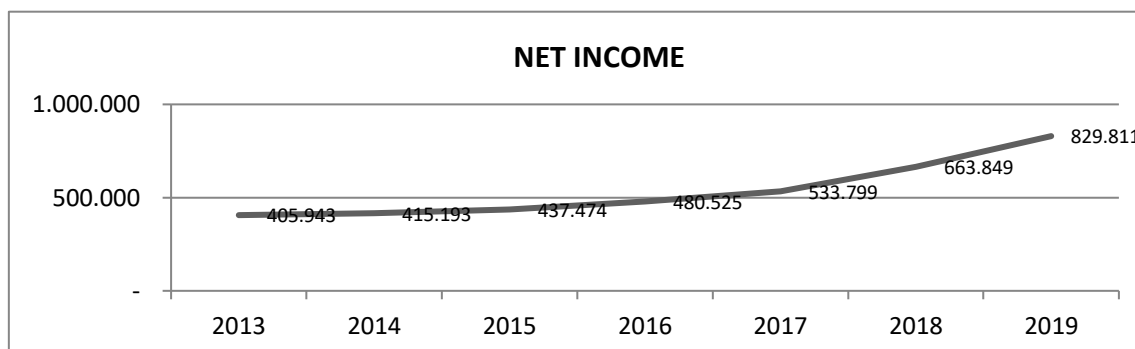
In terms of liability, this company only has a liability of 400 billion and all of them are business and operating debt obligations. Interestingly the company doesn't have bank loans.

<i>Ratios</i>	2013	2014	2015	2016	2017	2018
Bank Loans	0%	0%	0%	0%	0%	0%
DER	0%	0%	0%	0%	0%	0%
EER	16%	17%	20%	22%	26%	26%
EAR	89%	93%	93%	92%	92%	87%

Table1. Source: idx.co.id

The debt equity ratio is always zero and earning to equity ratio goes up every year. Company's equity is very large. Besides that it can be seen from the table above that the equity owned by SIDO is very large.

C. Profitability



Graph 2, source processed by author

Sido Muncul Tbk (SIDO), the Herbal Medicine and Pharmaceutical Industry, posted a net profit in 2018 of 663.8 billion. Increases when compared to the same period in 2017 of 533.8 billion. Thus, the net income per share is equivalent to IDR 44.26 per share. Previously in 2016, SIDO posted a net profit of 480.5 billion with the net income per share is equivalent to IDR 35.59 per share. Then, this company does not carry out massive expansion every year and tends to play safe. Therefore, the company remained stable even in a crisis.

Ratios	2013	2014	2015	2016	2017	2018	2019
EER	16%	17%	20%	22%	26%	26%	26%
ROA	14%	15%	16%	16%	17%	20%	23%
ROE	15%	16%	17%	17%	18%	23%	27%
OPM	42%	38%	40%	42%	45%	52%	59%
NPM	17%	19%	20%	19%	21%	24%	27%

Table 2, source: dx.co.id

Besides, from the table above it can be seen that earnings to equity ratio, return on assets, return on equity, operating profit margin and net profit margin always increase every year.

D. Market Value and Projection 2019

In 2018, SIDO completed its new factory. And with the new plant, SIDO's production is estimated to increase 2.5-fold. According to Kontan, with the increase in sales and product demand last October, SIDO officially opened a liquid factory available at Ungaran, Semarang. In the third quarter of 2018, SIDO made sales of Rp 1.94 trillion, an increase of 4.86 percent from the same period last year of Rp 1.85 trillion. While the current period profit attributable to the owner of the parent entity amounted to Rp 480.11 billion, up 26.21%. SIDO is optimistic that in 2019 it can achieve an increase in revenue of around 10%. Therefore the net profit can increase by 25%-26%.

Ratios	2013	2014	2015	2016	2017	2018	2019
PBV	4,0	3,5	3	2,8	2,8	4,3	4,5

Price	700	610	550	520	545	840	900
PER			25,5	23,1	18,5	16,2	13,9
EV/EBITDA			21,7	19,3	14,3	13,63	12,5

Table 3 Source: processed by author

From the table above, EV / EBITDA which is still below 15 or the industry average, allows stock prices to rise in the future because the company will pursue industry-standard EV / EBITDA ratio.

The price of SIDO shares is always traded on PBV more than three times, , because SIDO is a fairly profitable company. This can be seen from the always high annual ROE, above 15%, even in 2018 it is at 22%. It is predicted that in 2019 SIDO ROE will increase at the level of 27%. The price of SIDO at the end of February 2019 was 1055 where the price reflects PBV 5.19x. The company always distributes high payout dividends. As the result, the increase in equity is not high. It is predicted that the PBV reasonable is between 3.5 – 4.5 times.

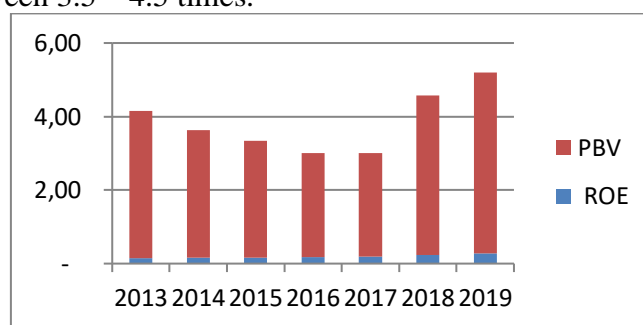


Chart 3, processed by author

Conclusion and Recommendation

In this study it can be concluded that the performance appraisal of liquidity ratios which can be seen from the average Current Ratio and Quick Ratio of SIDO as a whole from 2013-2018 is said to be Liquid. Performance appraisal of Leverage ratios where the overall Debt to Asset ratio from 2013-2018 is solvable. Performance appraisal of profitability ratios, return on asset, return on equity and profit margin from 2013-2018 is quite high. Price to earning ratio is currently quite good compared to the industry, and EV / EBITDA Ratio from 2013-2018 is still below the industry average so it is very possible for companies to pursue industry averages which cause stock prices to rise in the future.

In this research, the findings indicated that SIDO has a strong fundamental with no bank loans. Based on the history of data profitability ratio, PBV and EV / EBITDA, it is estimated that stock prices will increase in 2019. Therefore, it is recommended that this stock can also be collected as savings and can be referenced for long term investment.

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