



Profitability Ratio Analysis to measure The Financial Performance of PT Citra Sukses Energi

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ABSTRACT

Profitability is one of the main measures for evaluating the financial performance of a business entity. Determines the extent to which a company is performing compared to its competitors and whether they have a competitive advantage in terms of profitability. The aim of this research is to use profitability ratios to test the financial performance of PT Citra Sukses Energi. Descriptive research using a qualitative approach is the type of research used in this research. Based on research results, a significant increase in Gross Profit Margin from 22% in 2020 to 54% in 2022. This reflects the company's ability to maintain a gross profit that is greater than revenue, indicating good profitability. Net Profit Margin has also experienced a drastic increase, from 10% in 2020 to 40% in 2022. However, despite this increase, the net profit margin is still below the industry average of 20%, showing the potential to increase operational cost efficiency. Return on Investment (ROI) increased significantly from 7% in 2020 to 34% in 2022. Despite the improvement, the company's ROI is still below the industry average of 30%, indicating the need for improvements in investment management.

Keywords: Ratio Analysis, Financial Performance, Profitability Ratios, and PT Citra Sukses Energy

INTRODUCTION

In the era of growing globalization, competition in the business world is getting tighter. Companies must be able to maintain their competitiveness and survive in an ever-changing market. One of the main indicators for measuring company performance is through financial analysis. Financial analysis provides valuable insight into how companies manage their assets and resources to achieve their financial goals.

Profitability is one of the main measures for evaluating the financial performance of a business entity. A company's profitability can be influenced by various factors, including industry, company size, market conditions, and other external factors. In addition, it should be noted that the interpretation of profitability ratios must be done by comparing with similar companies or industry benchmarks to gain a more comprehensive understanding of the company's financial performance.

Company health has a strong relationship with profitability. When a company is healthy, it means that the company is in good condition in terms of finances, operations and management.



This can have a positive impact on company profitability. There are several relationships between company health and profitability, including operational efficiency, healthy companies tend to have efficient operational processes. Companies are able to manage resources well, optimize asset use, and reduce production costs. With high operational efficiency, companies can increase profitability by generating more profits from each unit of Revenue.

PT Citra Sukses Energi is a company that operates in a particular industry, and appears to be a key player in that market. These companies are involved in the production, distribution, or sale of certain products or services. In this context, profitability ratio analysis will help us understand the extent to which PT Citra Sukses Energi has succeeded in generating profits in its business. In addition, shareholders, investors and creditors who are interested in PT Citra Sukses Energi will need clear information about the financial performance of this company. Profitability ratio analysis is a useful tool to provide an overview of the extent to which a company can provide profitable returns for shareholders, as well as its ability to pay debt and interest due.

Over the last few years, PT Citra Sukses Energi has also faced various external changes, such as changes in the business climate, changes in regulations, or changes in consumer preferences. Profitability ratio analysis can help in evaluating the extent to which a company is able to adapt to these changes and remain profitable. Profitability ratios allow a company to compare financial performance with similar companies in the same industry. This helps in determining to what extent a company is performing compared to its competitors and whether it has a competitive advantage in terms of profitability. The author chose the company PT Citra Sukses Energi to examine financial ratios, especially the company's profitability ratios in analyzing its financial performance and smooth operations. The aim of this research is to determine the financial performance of PT Citra Sukses Energi using profitability ratios.

According to Suherman, (2019), analyzing financial reports is very important to be able to see what the company's performance has achieved in carrying out its business activities. The performance that has been achieved over time can be seen through financial report analysis and used as a basis for decision making. A company's financial performance can be evaluated using an analytical approach. According to Sunaryo, (2018), a company's financial reports function as a barometer of the company's performance or development.

According to Munawir, (2014, p.145), a company's ability to generate profits from the income obtained based on the use of its capital is evaluated using a ratio called the profitability ratio. Gross profit margin, an analytical tool or ratio that differentiates gross profit from Revenue, is one of the common test tools used by this profitability ratio. The following are the types of profitability ratios



a. Gross Profit Margin

Gross Profit Margin is a ratio that analysts use to assess a company's financial health by calculating the amount of money remaining from product revenue after deducting the cost of revenue (COGS). According to (Kasmir, 2018, p.36) the industry average for GPM is 20%.

b. Net Profit Margin

The difference between profit after tax with interest and Revenue is known as net profit margin, or net profit margin. The better a company operates. According to Kasmir (2018), the industry average for NPM is 20%.

c. Return On Investment

The return on total assets used by the company is represented by a ratio known as return on investment, return on investment, or return on total assets (ROA). Return on investment also shows the efficiency of all the company's money, including its own capital and borrowed capital. The better the company's performance, the higher this ratio. According to (Kasmir, 2018) the industry average for ROE is 30%.

The company's financial performance is closely related to performance measurement and evaluation. Performance measurement refers to the qualifications, efficiency and effectiveness of a company in running a business in an accounting period. According to (Srimindarti, 2016, p.34), performance assessment is determining the effectiveness of operations, organizations and people based on previously established targets, standards and criteria.

RESEARCH METHODS

Descriptive research using a quantitative approach using the profitability formula for financial reports is the type of research used in this research. This type of research is a literature review, which is a type of research whose focus is collecting, reviewing, and analyzing literature or sources relevant to a particular research topic.

The data collection technique used is a process that involves searching, examining and researching things in the form of notes and documents, as well as recording written information related to the research topic. Documentation techniques are used in this research to collect data from financial reports in the form of profit and loss reports and balance sheets of the company PT Citra Sukses Energi.

Data for this research was received directly from the business, processed, and then analyzed.

Profitability ratios are the basis for the ratio analysis used in this research.



Tabel 1 Profitability Ratio Formula

No.	Ratio	Formula
1	<i>Gross Profit Margin</i>	Gross Profit / Revenue x 100%
2	<i>Net Profit Margin</i>	Net profit / Revenue x 100%
3	<i>Return On Investment</i>	Net Profit / Total Assets

RESULTS AND DISCUSSION

The following is the financial report of PT Citra Sukses Energi from 2019-2022

Tabel 2 Financial Report Data

Tahun	2020	%	2021	%	2022	%
Revenue	18.486.450.000	100	25.326.684.000	37	36.940.770.000	46
Total assets	27.952.628.000	100	33.615.304.000	20	43.438.236.000	29
Gross Profit	4.069.533.000	100	9.747.579.000	140	19.834.625.000	103
Net Profit	1.819.672.000	100	6.167.673.000	239	14.597.319.000	137

Source: PT Citra Sukses Energi Financial Report (2023)

In 2021, PT Citra Sukses Energi's revenue grew by 37% compared to the previous year. Then, in 2022, the company's revenue experienced more significant growth, namely 46% compared to 2021. The significant revenue growth from 2021 to 2022 shows that PT Citra Sukses Energi has succeeded in increasing sales of its products or services. In 2021, PT Citra Sukses Energi's total assets will be 20% of a certain figure (possible total company assets). In 2022, the company's total assets will increase to 29% of certain numbers. The increase in total assets also reflects the company's efforts to develop its business or manage assets more efficiently. In 2021, PT Citra Sukses Energi's gross profit will be 140% of revenue or perhaps a certain figure. However, in 2022, gross profit will experience a significant decrease of 103% of revenue or perhaps a certain figure. This shows that gross profit as a percentage of revenue fell dramatically year over year. However, the drastic decline in gross profit and net profit in 2022 indicates that despite increasing revenues, the company faces challenges in managing operational costs or there are problems affecting profitability. In 2021, PT Citra Sukses Energi's net profit will be 239% of revenue or perhaps a certain figure. However, in 2022, the company's net profit will experience a significant decrease of 137% of revenue or perhaps a certain figure. Furthermore, further analysis needs to be carried out to understand the causes of the decline in gross profit and net profit, including factors such as production costs, competition in the market, or changes in the company's cost structure.

a. Gross Profit Margin

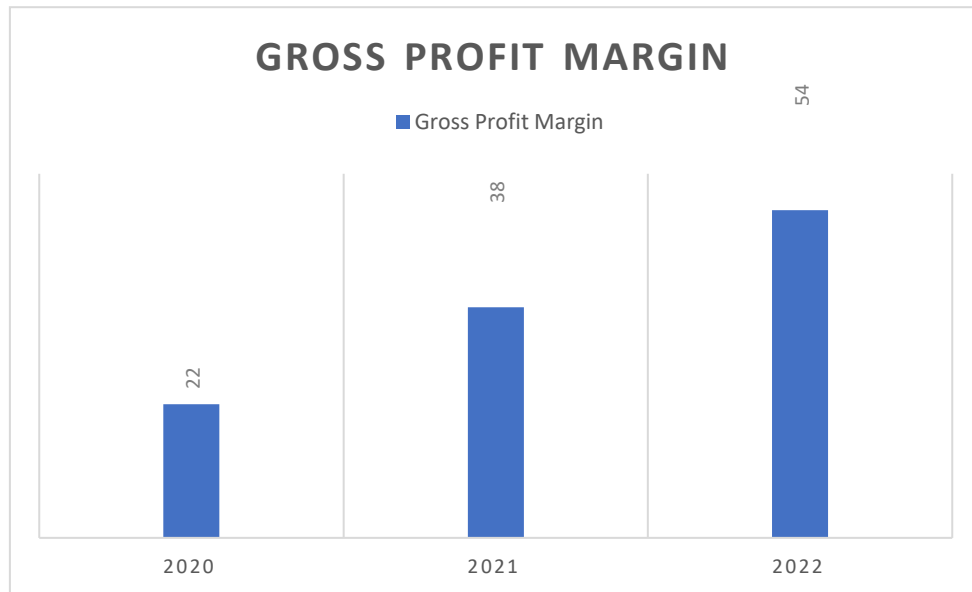
The ratio of Net income minus cost of goods Revenue, also known as the ratio of gross profit to Net income, is known as gross profit margin (GPM).

The formula is $\text{Gross Profit} / \text{Revenue} \times 100\%$ Calculation

Year 2020 = $4,069,533,000 / 18,486,450,000$
= 22%

Year 2021 = $9,747,579,000 / 25,326,684,000$
= 38%

Year 2022 = $19,834,625,000 / 36,940,770,000$
=54%



Gross Profit Margin

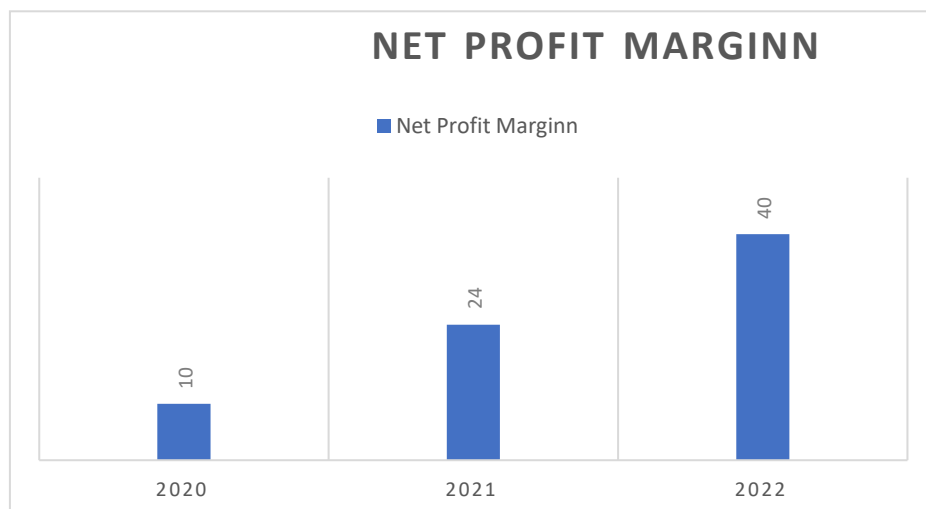
a. Net Profit Margin

The difference between Revenue and profit (net profit), which includes all costs and taxes, is known as net profit margin (NPM). The formula is $\text{Net Profit} / \text{Revenue} \times 100\%$ Calculation

Year 2020 = $1,819,672,000 / 18,486,450,000 = 10\%$

Year 2021 = $6,167,673,000 / 25,326,684,000 = 24\%$

Year 2022 = $14,597,319,000 / 36,940,770,000 = 40\%$



Net Profit Margin



b. Return On Investment

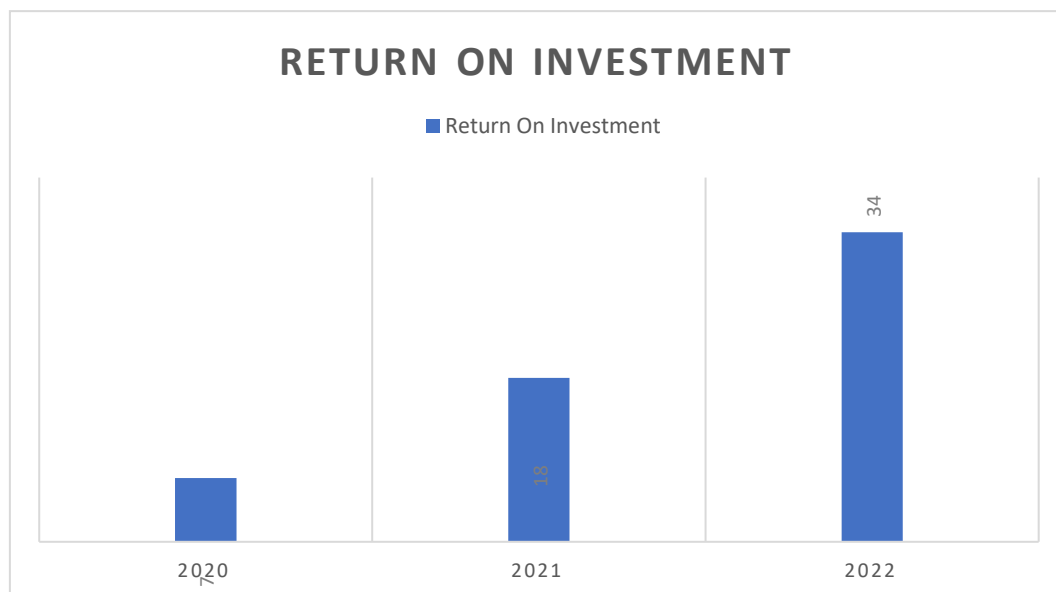
By adding up all of a company's assets, return on investment (ROI) measures a company's overall capacity to generate profits. A company is in better condition if this ratio is higher because its overall assets have high profit potential.

The formula is $\text{Net profit} / \text{Total Assets} \times 100\%$ Calculation

Year 2020 = $1,819,672,000 / 27,952,628,000 = 7\%$

Year 2021 = $6,167,673,000 / 33,615,304,000 = 18\%$

Year 2022 = $14,597,319,000 / 43,438,236,000 = 34\%$



Return On Investment

DISCUSSION

a. Gross Profit Margin

Gross profit margin in 2020 is 22%. This means that the company managed to retain 22% of their revenue as gross profit after accounting for production costs. In 2021, gross profit margin will increase to 38%. This shows a significant increase of 16% from the previous year. The reasons for this increase are stated to be an increase in income and a decrease in costs.

This means that the company managed to increase revenue from the sale of its products or services, and at the same time, it was successful control production costs effectively. In 2022, gross profit margin further increases to 54%.

This is a significant increase from 2021, indicating that the company managed to retain more gross profit from their revenue. A high gross profit margin in 2022 could be an indication that the strategy implemented by the company in 2021 to increase revenue and reduce costs is continuing well.

Based on the results of this analysis, PT Citra Sukses Energi can be classified as a company with good financial performance, considering that its gross profit margin value is above the established industry average. For a more comprehensive evaluation, it is necessary to involve analysis of other profitability ratios and other factors that can influence the company's overall performance.

According to previous research (Mardian, 2018), a decrease in the operating profit margin value indicates a lack of management ability in managing assets to increase income. With an average gross profit margin of 38% that the company can create between 2020 and



2022. When compared with the industry norm of 20%, according to (Kasmir, 2018), the resulting ratio is above the industry average, this shows that gross profit margins are in good condition.

b. Net Profit Margin

Net profit margin in 2020 is 10%. This means that the company manages to retain 10% of their revenue as net profit after taking into account all operational costs and taxes. In 2021, the net profit margin will increase to 24%.

This is a significant increase of 14% from the previous year. The cause of this increase is stated to be an increase in income and a decrease in costs. This means that the company managed to increase revenue from sales of its products or services and at the same time, succeeded in reducing operational costs. In 2022, the net profit margin further increases to 40%.

This is a significant increase from 2021, indicating that the company managed to retain more net profit from their revenue. A high net profit margin in 2022 could be an indication that the strategy implemented by the company in 2021 to increase revenue and control costs is continuing well.

Based on the results of this analysis, PT Citra Sukses Energi can be classified as a company with good financial performance, considering the net profit value

The margin is above the established industry average. There has been a significant increase in net profit margin over the last two years (from 10% in 2020 to 40% in 2022). This increase was mainly due to increased income and efficiency in managing operational costs. For a more comprehensive evaluation, it is necessary to involve analysis of other profitability ratios and other factors that can influence the company's overall performance.

According to previous research (Halim, 2018), a decrease in the operating profit margin value indicates a lack of management ability in managing assets to increase income. With an average net profit margin of 25%, the company PT Citra Sukses Energi can create between 2020 and 2022.

When compared with the industry average of 20%, according to Kasmir (2018), the resulting ratio is below average. industry, this shows that the net profit margin is in the good category.

c. Return On Investment (ROI)

ROI in 2020 is 7%. This means that the company earned a profit of 7% from the investment made that year. In 2021, ROI increases drastically to 25% (in the previous statement, you mentioned 18%, but the actual calculation is 25%). This was a significant increase and was caused by an "overestimation of the number of transactions." This may mean that the company has planned investments based on revenue projections that are higher than reality, which then results in a higher ROI than expected. In 2022, ROI increases again to 34%. This is an increase of 16% from 2021. The company appears to have succeeded in maximizing returns from their investment this year.

Based on the results of this analysis, PT Citra Sukses Energi can be said to have varied changes in return on investment during the observed period. There has been a significant increase in ROI year on year. From 7% in 2020 to 25% in 2021, and then to 34% in 2022. The drastic increase in ROI in 2021 was caused by revenue projections that were too high compared to actual results. This reflects the importance of carrying out accurate projections and planning in making investment decisions. 2022 also shows a positive increase in

ROI, shows that the company has succeeded in managing investments well and



generating higher returns. Continuous improvement in ROI is a positive indication that the company has taken good steps in its investment management and overall business. According to (Syakila, 2019) this indicates that the company has not made the best use of its funds, including loan capital and its own capital.

With an average enterprise value return on investment of 20% that businesses can earn between 2020 and 2022. estimates that this is 30% higher than the industry average. The resulting ratio is still lower than industry norms, so return on investment is in poor condition.

CONCLUSION

Based on the research that has been carried out, the following can be concluded:

1. PT Citra Sukses Energi has succeeded in recording a significant increase in gross profit margin over the last three years. From 22% in 2020 to 54% in 2022. This shows that the company managed to retain more gross profit from their revenue, which is a positive indication in terms of profitability. Companies can be categorized as companies with good financial performance in terms of gross profit margin.
2. There has been a significant increase in PT Citra Sukses Energi's net profit margin over the last three years. From 10% in 2020 to 40% in 2022. Although there is positive improvement, it should be noted that the net profit margin is still below the industry average of 20%. Therefore, there is scope to improve profitability further by managing operational costs more efficiently.
3. The company's Return on Investment also experienced a significant increase, from 7% in 2020 to 34% in 2022. However, ROI is still below the industry average of 30%. This shows that investment management needs to be improved in order to achieve a higher rate of return.

Based on the conclusions above, the researcher provides the following suggestions:

1. Despite an increase in profitability, companies need to continue to monitor and control operational costs in order to further increase net profit margin. Further analysis of cost components and efforts to optimize them can help achieve this goal.
2. Companies need to ensure that the investments made are in accordance with realistic income projections. Avoiding overly optimistic estimates can help achieve better ROI and optimize capital use.
3. In addition to the financial ratios that have been analyzed, companies need to carry out a comprehensive analysis involving various aspects of performance, such as risk management, liquidity and cash flow. This will provide a more complete picture of the company's financial health.
4. Companies also need to compare their performance with competitors and the industry as a whole. This can help identify areas where the company can excel or needs to improve its performance.

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