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Analysis of Profitability and Liquidity Ratios to Evaluate the Financial Performance of PT Sreeya Sewu Tbk for the Period 2019–2023

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Abstract: This study aims to assess the financial performance of PT Sreeya Sewu Indonesia Tbk from 2019 to 2023 using profitability and liquidity ratios. Financial performance is a critical indicator for evaluating a company's ability to generate profits and manage short-term obligations. The profitability ratios used include Net Profit Margin (NPM), Return on Equity (ROE), and Return on Assets (ROA), while the liquidity ratios include the Current Ratio, Quick Ratio, and Cash Ratio. The data analyzed were derived from the company's financial statements, particularly the balance sheets and income statements over a five-year period. The results reveal a consistent decline in the company's financial performance. The NPM fell from a positive 1.94% in 2019 to negative values in 2021 and 2022, indicating decreasing net income despite increasing revenue. ROE and ROA also showed deteriorating trends, with ROE falling as low as -30.10% in 2022 and ROA dropping to -7.26%, suggesting inefficiency in using equity and assets to generate profits. Furthermore, liquidity ratios such as the Quick Ratio and Cash Ratio were significantly below industry standards, indicating a limited ability to meet short-term liabilities. The COVID-19 pandemic played a pivotal role in this performance downturn, causing supply chain disruptions, reduced market demand, and higher operational costs. Although minor recovery signs were observed in 2023, the overall financial condition remained below industry benchmarks. These findings highlight the need for PT Sreeya Sewu Indonesia Tbk to implement strategic financial restructuring and improve efficiency to ensure long-term financial sustainability.

Keywords: Financial Performance, Profitability Ratios, Liquidity Ratios, COVID-19 Impact, PT Sreeya Sewu Indonesia Tbk

INTRODUCTION

Financial performance is a fundamental indicator of a company's ability to manage resources effectively, generate profits, and ensure long-term sustainability. It is commonly assessed through financial reports and the application of financial ratio analysis, which enables stakeholders to evaluate operational efficiency, profitability, and solvency (Kasmir, 2015). In dynamic and competitive environments, robust financial performance is essential for firms to adapt, grow, and remain viable.

Among the numerous tools used to evaluate financial performance, profitability and liquidity ratios are particularly critical. Profitability ratios—such as Return on Assets (ROA), Return on Equity (ROE), and Net Profit Margin (NPM)—reflect a company's efficiency in generating income relative to its assets and equity base. These indicators are especially valuable to investors and management in assessing a firm's potential for value creation (Brigham & Houston, 2018). Meanwhile, liquidity ratios—including the Current Ratio, Quick Ratio, and Cash Ratio—measure the company's capacity to meet short-term liabilities. Strong liquidity is vital to maintaining financial stability, especially in periods of economic uncertainty (Cholil, 2021).

PT Sreeya Sewu Indonesia Tbk, a key player in Indonesia's agribusiness sector, particularly in poultry and feed production, has experienced substantial volatility in its financial outcomes. These fluctuations—occurring before, during, and after the COVID-19 pandemic—highlight the importance of assessing its financial performance in greater depth. Therefore, this study aims to analyze the company's financial performance from 2019 to 2023 using profitability and liquidity ratios, with the objective of identifying factors that influence financial sustainability and evaluating the company's ability to meet short-term obligations and generate long-term profitability.

STUDY LITERATURE

Financial Performance

Financial performance is a crucial indicator in evaluating the achievements and efficiency of a company in managing its available resources. According to Fahmi (2014), financial performance is an analytical process to assess the extent of financial implementation in a precise and accurate manner. Sujarweni (2017) also emphasized that the measurement of financial performance aims to determine the level of success in achieving organizational objectives. In practice, performance measurement is frequently conducted through financial ratios that reflect the operational effectiveness and efficiency of a company (Hery, 2018; Putra, 2020).

Financial Ratio Analysis

Financial ratio analysis serves as an essential tool in assessing a company's financial condition by interrelating elements in the financial statements to produce information that supports strategic decision-making (Riesmiyantiningtias & Siagian, 2020). Hery (2018) highlights that financial ratios provide a more interpretable statistical summary compared to complex financial data. These ratios allow both internal comparisons over time and external benchmarking with peer companies in the same industry (Murwanti & Mulyono, 2015).

Profitability and Liquidity Ratios

Profitability ratios are utilized to evaluate a company's ability to generate profit. According to Kasmir (2015) and Fahmi (2015), these ratios reflect management effectiveness in using resources to produce earnings. Commonly used profitability indicators include Net Profit Margin (NPM), Return on Equity (ROE), and Return on Assets (ROA), each with thresholds that indicate strong, moderate, or weak performance.

On the other hand, liquidity ratios measure a company's ability to meet its short-term obligations. These ratios are critical in assessing a firm's short-term financial health (Kasmir, 2015; Munawir, 2015). The primary liquidity indicators—Current Ratio, Quick Ratio, and Cash Ratio—provide insights into the company's capacity to convert assets into cash to settle debts as they come due.

RESEARCH METHOD

Type of Research

This study employs a quantitative research method using a descriptive approach, focusing on analyzing financial performance based on numerical data drawn from financial statements. According to Sugiyono (2021), descriptive methods are used to collect, compile, classify, and interpret data to provide a clear depiction of the phenomenon under study. The goal is to describe the financial performance of PT Sreeya Sewu Indonesia Tbk by using profitability and liquidity ratios to assess the company's ability to generate profit and fulfill short-term obligations.

Research Subject and Object

The subject of this research is PT Sreeya Sewu Indonesia Tbk, a company engaged in livestock feed, poultry farming, egg hatching, chicken production, slaughterhouses, and related industries. The object of this study is the company's financial performance, specifically focusing on profitability and liquidity aspects during the period 2019–2023.

Data Sources

This research uses secondary data obtained from publicly available financial reports downloaded from the official website of PT Sreeya Sewu Indonesia Tbk (https://www.sreeyasewu.com/en). The data include the balance sheet and income statement for the years 2019 to 2023.

Data Collection Method

The data collection technique used is library research, in which the researcher gathers information from books, scientific literature, journals, and financial reports relevant to the research topic. This method enables the collection of informative and accurate data regarding the company's financial health.

Data Analysis Technique

The study utilizes a descriptive comparative financial ratio analysis, comparing the company's current financial ratios to its historical performance and, when necessary, to industry benchmarks. The analytical steps include:

1. **Calculating Profitability Ratios**:
   - **Net Profit Margin (NPM)**:
     $\text{NPM} = \frac{\text{Net Profit}}{\text{Sales}} \times 100\%$
   - **Return on Equity (ROE)**:
     $\text{ROE} = \frac{\text{Net Profit}}{\text{Equity}}$
   - **Return on Assets (ROA)**:
     $\text{ROA} = \frac{\text{Net Profit}}{\text{Total Assets}} \times 100\%$
2. **Calculating Liquidity Ratios**:
   - **Current Ratio**:
     $\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$
   - **Quick Ratio**:
     $\text{Quick Ratio} = \frac{\text{Current Assets} - \text{Inventories}}{\text{Current Liabilities}}$
   - **Cash Ratio**:
     $\text{Cash Ratio} = \frac{\text{Cash and Equivalents}}{\text{Current Liabilities}}$
3. Analyzing the Factors contributing to changes in each ratio per year using insights from the financial reports.
4. Comparing the calculated ratios to industry averages for benchmarking purposes.

RESULT AND DISCUSSION

Data Description

Company performance can be evaluated through three main aspects: financial, operational, and administrative. This study focuses on the financial aspect, specifically profitability and liquidity. Profitability reflects the company's ability to generate profit from the management of its assets, equity, and sales, while liquidity measures its capacity to meet short-term obligations.

The analysis employs key financial ratios: Net Profit Margin (NPM), Return on Equity (ROE), and Return on Assets (ROA) to assess profitability, and Current Ratio, Quick Ratio, and Cash Ratio to assess liquidity. The data used in this study are drawn from the financial position and income statements of PT Sreeya Sewu Indonesia Tbk over a five-year period, from 2019 to 2023.

Profitability Analysis

Profitability ratios serve as critical indicators of a company's ability to generate income relative to its revenue, equity, and assets. For PT Sreeya Sewu Indonesia Tbk, three main profitability ratios were analyzed: Net Profit Margin (NPM), Return on Equity (ROE), and Return on Assets (ROA) for the period 2019–2023.

Net Profit Margin (NPM) experienced a dramatic decline from 1.94% in 2019 to -0.02% in 2023, even reaching a low of -0.36% in 2022. This downward trajectory indicates that despite increasing sales revenue, operational inefficiencies and external disruptions such as the COVID-19 pandemic severely impacted the company's ability to convert sales into net profit.

Return on Equity (ROE) reflects the return generated on shareholders' equity. The company's ROE dropped from 8.70% in 2019 to -30.10% in 2022 before slightly recovering to -1.14% in 2023. The negative values imply severe erosion of shareholder value, signaling poor capital management and declining investor confidence during and after the pandemic.

Return on Assets (ROA) similarly deteriorated from 3.22% in 2019 to -7.26% in 2022, with a slight rebound to 0.62% in 2023. This pattern illustrates ineffective utilization of company assets in generating profit, further confirming the financial stress experienced by the firm during the review period.

These findings are consistent with the literature on financial performance during economic crises, where supply chain disruptions, input cost volatility, and decreased consumer demand adversely affect profitability metrics (Brigham & Houston, 2016).

Liquidity Analysis

Liquidity ratios assess the firm's capacity to meet its short-term obligations. Three key metrics were used: Current Ratio, Quick Ratio, and Cash Ratio.

The Current Ratio remained relatively stable yet suboptimal, ranging from 118.40% in 2019 to 111.80% in 2023—both well below the standard benchmark of 200%. This suggests the company held insufficient current assets relative to its current liabilities.

The Quick Ratio, which excludes inventories, dropped from 86.82% in 2019 to 75.93% in 2023, also falling short of the 150% industry benchmark. This decline reveals a heavy reliance on inventory to fulfill short-term liabilities, which could prove problematic in periods of sluggish sales or inventory turnover delays.

The Cash Ratio, a stringent measure of liquidity, showed the weakest performance, plunging from 24.77% in 2019 to a mere 12.79% in 2023. This indicates that cash reserves were severely depleted, compromising the firm’s ability to meet obligations without relying on receivables or inventory.

Collectively, the liquidity ratios point to substantial short-term financial vulnerabilities. These could be attributed to reduced cash inflows during the pandemic period and increased reliance on credit lines to sustain operations (Cholil, 2021).

Interpretation in the Context of COVID-19

The overall financial performance of PT Sreeya Sewu Indonesia Tbk during the 2019–2023 period illustrates the profound impact of macroeconomic disruptions, particularly those related to COVID-19. The global health crisis introduced unprecedented challenges in the form of operational restrictions, supply chain fragmentation, and fluctuating consumer demand.

While certain indicators showed marginal recovery in 2023, the firm has yet to regain pre-pandemic financial stability. Profitability remains below acceptable thresholds, and liquidity constraints pose significant operational risks. These findings reinforce the importance of strategic financial planning and resilience-building in corporate governance, especially during times of crisis (Ross, Westerfield, & Jordan, 2015).

Table 1. Summary of Financial Performance Analysis (2019–2023)

Financial Ratio	Trend (2019–2023)	Industry Standard	Interpretation
Net Profit Margin (NPM)	Decreased from 1.94% to -0.02%	≥ 20%	Profitability deteriorated; company struggles to convert revenue into net income.
Return on Equity (ROE)	Declined from 8.70% to -1.14%	≥ 40%	Failing to provide shareholder returns; erosion of equity value.
Return on Assets (ROA)	Fell from 3.22% to 0.62% (negative in between)	≥ 30%	Asset utilization inefficient in generating profit.
Current Ratio	Declined slightly, remains ~111%	≥ 200%	Insufficient current assets to cover short-term liabilities.
Quick Ratio	Declined from 86.82% to 75.93%	≥ 150%	Heavy reliance on inventory; potential liquidity issues.
Cash Ratio	Dropped from 24.77% to 12.79%	≥ 50%	Critical shortage of cash; high risk in paying immediate obligations.

Discussion

Profitability Ratios

The company's Net Profit Margin (NPM) experienced a significant decline during the observed period, dropping from 1.94% in 2019 to negative figures in 2021 (-0.21%) and 2022 (-0.36%), before slightly improving to -0.02% in 2023. This ratio is far below the industry standard of 20%. This decline indicates that the company struggled to generate net income from its revenues. The COVID-19 pandemic led to decreased demand, disruptions in the supply chain, and rising operational costs, all of which directly impacted the company's profitability.

The Return on Equity (ROE) showed a particularly poor performance, turning negative in 2022 (-30.10%) and 2023 (-1.14%), after positive figures in 2019 and 2020 (8.70% and 1.55%). These results are far below the typical industry standard of around 40%. A low ROE reflects the company's failure to deliver adequate returns to its shareholders. The decline in ROE is consistent with the decrease in profits, primarily driven by the adverse effects of the pandemic, which eroded investor confidence and affected the company's stock value.

Return on Assets (ROA) measures how effectively the company uses its assets to generate profit. In 2019, the ROA was still at 3.22%, but it dropped into negative territory in 2021 (-0.52%) and 2022 (-7.26%), with a slight recovery to 0.62% in 2023. This figure is still far below the 30% industry benchmark. The decline in ROA indicates the company was unable to use its assets efficiently to generate profit, likely due to reduced operational capacity and production and distribution disruptions during the pandemic.

Liquidity Ratios

The company's Current Ratio stood at 118.40% in 2019 and slightly declined in the following years, reaching 111.80% in 2023. Despite the minor improvement in 2023, this figure remains well below the industry standard of 200%. The decline in the current ratio shows that the company has relatively low current assets to cover its short-term liabilities. This could be attributed to a drop in revenues during the pandemic, which affected cash flow and the management of current assets.

The Quick Ratio also decreased, from 86.82% in 2019 to 75.93% in 2023—again, below the industry standard of 150%. This drop suggests that the company relies heavily on inventory to meet short-term obligations, and if the inventory cannot be quickly converted into cash, the company may face further liquidity challenges. The pandemic decreased demand for the company's goods and services, potentially leading to an inventory buildup and reducing the company's ability to quickly generate cash.

The Cash Ratio declined from 24.77% in 2019 to 12.79% in 2023, significantly lower than the industry benchmark of 50%. This indicates that the company does not have enough cash to meet its short-term obligations. The decreasing cash ratio reflects how the pandemic severely affected the company's cash flow. Operational restrictions, falling sales, and rising costs may have reduced the cash available to meet short-term liabilities.

Overall Analysis

The COVID-19 pandemic has had a major impact on the company's financial performance, both in terms of profitability and liquidity. The sharp declines in profitability ratios (NPM, ROE, ROA) reveal the company's struggle to generate profit. Operational disruptions, a drop in market demand, and economic restrictions during the pandemic worsened the situation.

Meanwhile, the declining liquidity ratios—current ratio, quick ratio, and cash ratio—indicate that the company had difficulty maintaining cash balance and meeting short-term liabilities, exacerbated by the economic uncertainty brought about by the pandemic. Although some ratios showed signs of recovery in 2023 (e.g., a slight rise in the cash ratio), overall performance remained poor compared to industry standards, suggesting the company has not fully recovered from the pandemic's impact.

This situation shows that the company is currently in a precarious financial condition. The prospects for long-term survival are slim unless the company implements more strategic actions to address its short-term liabilities and stabilize its financial position.

CONCLUSION

Based on the analysis of profitability and liquidity ratios of PT. Sreeya Sewu Indonesia Tbk from 2019 to 2023, it can be concluded that the company's financial performance experienced a significant decline. The sharp decrease in profitability ratios, particularly the Net Profit Margin (NPM), indicates that the company faced considerable challenges in generating adequate profits. This condition is likely driven by rising production costs, declining revenues, and the prolonged effects of economic instability caused by the COVID-19 pandemic.

From the liquidity perspective, the company also showed unsatisfactory performance. Both the Quick Ratio and Cash Ratio were far below the industry standard, reflecting the company's weak ability to meet its short-term obligations. This poses a risk to the continuity of daily operations and increases the company's short-term financial vulnerability.

Overall, the financial condition of PT. Sreeya Sewu Indonesia Tbk over the last five years highlights the urgent need for strategic corrective measures. The management must implement adaptive and efficient policies to restructure costs, improve revenue generation, and strengthen cash reserves to ensure business sustainability amid an ever-changing economic landscape.

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