FINANCIAL PERFORMANCE ANALYSIS USING FINANCIAL RATIOS AT PT DIAMOND FOOD INDONESIA TBK

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Abstract

This research aims to assess the financial performance of PT Diamond Food Indonesia Tbk from 2020 to 2022 by employing financial ratio analysis, encompassing metrics like liquidity, solvency, profitability, and activity ratios. The methodology employed in this research is quantitative descriptive analysis, utilizing data collection conducted through documentation and literature study. Secondary data from the company’s annual financial reports for 2020 to 2022, retrieved from the Indonesia Stock Exchange’s official website, are analysis. The research findings indicate that the financial performance of PT Diamond Food Indonesia Tbk. is considered “Very Good” based on liquidity and solvency ratios. However, the company’s financial...
performance is deemed “Less Favourable” based on profitability and activity ratios. This research contributes to understanding the company`s financial health.

**Keywords:** Financial Performance, Financial ratio, Financial Report

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**Citation:**


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**INTRODUCTION**

In a dynamic business environment, manufacturing companies play a crucial role in the global economy. The financial health of a company is a determining factor in its sustainability and business growth. Therefore, financial performance analysis serves as the foundation for managers, investors, and other relevant stakeholders in assessing a company`s ability to achieve financial goals. Furthermore, assessing the financial performance of the company is essential to survive in competition from other firms (Lubis, Rangkuti, & Ilmiha, 2021).

Financial statement analysis is a method through which decision-makers use information within financial reports to identify a company`s strengths and weaknesses. Making incorrect decisions can lead to losses and bankruptcy for a company (Revita & Ariyati, 2020). Financial statement analysis helps management recognize existing weaknesses and shortcomings, and make informed and effective decisions to improve business performance (Ayustin, Renoisty, & Sunardi, 2023).

Financial statements serve as the central point of information between the company and the external parties (Mustika & Farikhah, 2021). Financial statements are products of accounting process that act as a means to communicate financial information or company activities to stakeholders. Financial statements published by companies reflect their financial performance (Wicaksono, Suhartini, & Sulistyowati, 2020). Considerations regarding a one aspect that prospective investors take into consideration is the company’s financial performance when deciding to invest in stocks. For companies, especially those operating in
the manufacturing sector, maintaining and improving financial performance is a necessity for their stocks to attract investor interest (Mahendra Dj, Artini, & Suarjaya, 2012). Financial statements serve as reliable and useful decision-making instruments containing important information for users.

In financial analysis, financial ratios are primarily employed due to their simplicity and the supplementary insights they provide. These ratios enable the examination of a company`s financial situation over time (trend analysis), across different periods (cross-sectional analysis), and in comparison with others (comparative analysis) (Myšková & Hájek, 2017). Financial ratios have become common and effective tools in evaluating the use of financial. Financial ratio analysis is an analytical tool aimed at depicting changes in a company`s financial situation. By applying financial ratio analysis, financial statements users can identify both positive and negative aspects of a company`s finances (Hadya, 2017). Financial ratio analysis is not only used to analyse a company`s financial performance but also serves as a consideration for investors in making investment decisions (Lestari & Wicaksono, 2023). Therefore, maintaining a healthy financial condition is crucial for company.

PT Diamond Food Indonesia Tbk. is one manufacturing company focused on the food and beverage sector is an industry related to the production and sale of food and beverages. PT Diamond Food Indonesia Tbk. has started trading its shares on the Indonesia Stock Exchange in 2020 through an initial public offering. PT Diamond Food Indonesia Tbk. is of interest to the researcher because the company has 4 production facilities and 23 distribution facilities, which can be considered advantageous for the company. However, the presence of PT Diamond Food Indonesia Tbk. in the food and beverage industry does not guarantee that the company has good financial performance. Therefore, to evaluate financial performance of PT Diamond Food Indonesia Tbk., research is conducted by analysing the company`s financial performance using various financial ratios.

LITERATURE REVIEW

Financial Statements

Financial statements reflect the results of recording financial transactions that occur within a specific period of time (Bahri, 2020). The main purpose of preparing financial statements is to provide information
about the performance of the reporting entity, so that this information can be used by interested parties for decision-making. Financial statements present various information needed by companies, including financial information. Financial statements summarize the financial data of a company compiled and adjusted for the needs of management and other parties interested in the company`s financial information (Nirawati et al., 2022).

**Financial Performance**

Performance is the achievement in implementing a program in understanding the vision, mission, objectives, and targets of an association. Performance can be interpreted as the results of individual or group work within an organization. According to (Martina, Wagini, & Hidayah, 2022), financial performance is an assessment of the extent to which an organization has followed and implemented rules accurately and correctly. Information regarding financial performance can be found in financial statements. Financial performance describes the financial achievements obtained by the company. Financial performance heavily relies on the management`s implementation of policies, strategies, and actions aimed at achieving organizational objectives (Devi, Warasniasih, & Masdiantini, 2020). Evaluation of the company`s financial performance can be done through the application of analysis tools such as financial ratios.

Performance is a primary concern for any organization, necessitating a greater focus on risks related to operational and financial issues. Poor performance can be a burden for the company, but effective performance is a valuable asset for the company. Financial performance analysis assesses how effective and accurate a company is in implementing financial regulations and policies. Furthermore, the financial performance reflects how well the company management adheres to sound financial practices. In essence, it is the outcome of management decisions aimed at achieving the company`s goals efficiently and effectively (Santoso & Supatmi, 2021). Examining a business`s financial performance serves as an indicator of the company`s financial achievements concerning its revenue, operational expenditures, debts composition, asset management, and return on investment. It`s essential for the analysis of financial performance to extend beyond a single period`s data and encompass trends and discussions spanning multiple years (Yiwei, 2024).
Types of Financial Ratios

The measuring tool utilized in evaluating financial ratios is the financial ratio method. Financial ratios are a method employed by business to evaluate their performance and pinpoint potential areas for enhancement (Syahputra & Ningsih, 2024). Ratio analysis is a technique an investor can employ to acquire such comprehension. It forms the basis for assessing and determining credit risk as well as conducting fundamental company valuation (Keerthi & Eswari, 2020). This analysis involves comparing two elements in the financial statements. The resulting ratio provides a more insightful interpretation compared to examining the items individually (Jihadi et al., 2021). Furthermore, analysing financial ratios can assess management effectiveness over a defined period and determine how well they utilize the company’s resources (Handini, 2023). Generally, in practice today, there are at least four types of financial ratios used to evaluate the financial condition and performance of companies.

1. Liquidity Ratios

Liquidity ratios are measures that assess a company’s ability to settle its current liabilities (Harahap, 2009). In other words, despite arising obligations, the company can pay its debts, especially those that are due.

a. Current Ratio

The current ratio is a metric employed to assess a company’s capacity to settle its immediate financial obligations. This ratio reflects how efficiently the company can fulfil short-term obligations by using assets that can be converted into cash quickly. The greater the ratio, the more liquid and competent the company becomes in meeting short-term liabilities. The Current Ratio Liquidity measurement of a company is the current ratio, which indicates how quickly assets can cover short-term liabilities to calculate ratio, divide total current assets current liabilities.

\[
\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}
\]

b. Quick Ratio or Acid-Test Ratio

This ratio indicates how effectively the company can pay short-
term debts without selling inventory.

\[
\text{Quick Ratio} = \frac{\text{Current Assets} - \text{Inventory}}{\text{Current Liabilities}}
\]

2. Solvency Ratio

The solvency ratio is an important measure in assessing the extent to which a company`s wealth is funded by debt (Kasmir, 2018). It shows the extent of a company`s debt relative to its assets. Solvency ratios reveal the extent to which a company relies on long-term debt to finance its operations.

a. Debt to Equity Ratio

This metric assesses the extent to which a company depends on long-term debt to back its assets and activities. A higher ratio signifies a greater proportion of debt within the company`s financial framework. This ratio is useful in analysing financial statements to assess the level of security provided to lenders.

\[
\text{Debt to Equity Ratio} = \frac{\text{Total Debt}}{\text{Equity}}
\]

b. Debt to Total Assets Ratio

This ratio reflects the company`s debt-to-asset comparison, depicting how much of the total assets are financed by debt. The higher the ratio, the greater the proportion of assets financed using debt. The debt to asset ratio is a financial indicator that examines the relationship between total assets and total debt. However, this depends on the extent to which an organization`s assets are financed by debt or how this debt affects assets management.

Total Debt

Debt to Total Assets Ratio = \[
\frac{\text{Total Debt}}{\text{Total Assets}}
\]

3. Profitability Ratio

“This ratio measures the company`s ability to generate profits” (Kasmir, 2014). It presents the efficiency and operational productivity of the company, as well as its ability to generate profits for investors. Profitability indicates a company`s to generate profits over a certain period”(Erhanda & Istiono, 2019) while profitability ratios indicate whether a company utilizes all of its assets or is a ratio attempting to measure a company`s ability to generate profit. It represents a separate capital (Octaviani & Komalasari, 2017).

a. Return on Assets (ROA)

This ratio evaluates the company`s ability to generate net income from each unit of assets owned. A high ROA indicates the company`s efficiency in utilizing assets.

\[
\text{ROA} = \left( \frac{\text{Net Income}}{\text{Total Assets}} \right) \times 100\%
\]

b. Return on Equity (ROE)

This ratio indicates the company`s capability to earn after-tax profits using its own equity capital. The financial ratio known as return on equity (ROE) measures the efficiency of a company`s capital by comparing its investment with net profit after taxes. This ratio indicates the utilization of capital. An increase in percentage indicates better results. It strengthens the credibility of the owners and vice versa.

\[
\text{ROE} = \left( \frac{\text{Net Income}}{\text{Equity}} \right) \times 100\%
\]

c. Net Profit Margin

This ratio depicts the company`s ability to generate net profit from sales. Net profit margin reflects the level of efficiency of the company in generating net profit.
Net Income

\[
\text{Net Profit Margin} = \frac{\text{Net Income}}{\text{Net Sales}} \times 100\%
\]

4. Activity Ratios

“Activity ratios are important figures for measuring the effectiveness of a company`s asset utilization” (Kasmir, 2018). “Activity ratios describe how much a company utilize its resources to support its activities” (Fahmi, 2015). Activity ratios help evaluate operational efficiency and inventory management of the company.

a. Total Asset Turnover Ratio

This ratio indicates how often all assets are utilized and how much sales are generated from each rupiah of assets (Kasmir, 2012).

\[
\text{Total Asset Turnover} = \frac{\text{Sales}}{\text{Total Assets}}
\]

b. Inventory Turnover Ratio

Inventory turnover is useful for assessing how often inventory is used within a period, measuring the speed of return on investment in inventory.

\[
\text{Inventory Turnover} = \frac{\text{Cost of Goods Sold}}{\text{Inventory}}
\]

Previous Research

There have been several previous research related to financial ratio analysis to assess financial performance. From research conducted by (Wongkar, Manoppo, & Rogahang, 2021) on PT Unilever Indonesia Tbk for the period 2017-2020, the liquidity ratio shows bad results. Based on the solvency ratio, it also shows bad results. The activity ratio shows bad results in terms of inventory turnover ratio, while the total asset turnover ratio shows good results. Profitability ratios indicate good results in terms of return on assets and return on equity ratios, while the net profit margin ratio shows less satisfactory results. These findings contrast with the research conducted by (Agustina, Juniar, Pratikto, & Siswanto, 2020) on Perum Jasa Tirta for the period 2009-2018. Liquidity and leverage ratios are in good condition, while activity and profitability ratios are not favourable.
METHODOLOGY

This research applies a descriptive method. Descriptive research is a type of research that aims to provide an objective description or overview of a situation (Sujarweni, 2019). The data source used in this research is secondary data, namely the annual financial reports of PT Diamond Food Indonesia Tbk. for the period from 2020 to 2022 obtained from the official website of the Indonesia Stock Exchange. Secondary data refers to data sources that already exist (Sekaran & Bougie, 2017). In the data analysis of this research, financial ratio analysis technique are used, including liquidity ratios, solvency ratios, profitability ratios, and activity ratios to ascertain and analyze elements and the degree of financial health and poor financial performance. The secondary data obtained were then manually calculated using financial ratios for further analysis.

Data analysis techniques refer to procedures or approaches utilized to arrange, interpret, and extract information from data. These techniques encompass a structured sequence of actions with the objective of revealing patterns, correlations, and insights that can inform decision-making or enhance comprehension of a phenomenon or issue. Data collection methods include documentation and literature review methods. Documentation is conducted by gathering information from written documents, such as reports, books, or documents that can provide insights into the research topic. Literature review is conducted by searching for information from relevant literature sources to understand, evaluate, and present perspectives on a research topic without conducting direct research.

RESEARCH RESULT

<table>
<thead>
<tr>
<th>Liquidity Ratio</th>
<th>Year 2020</th>
<th>Year 2021</th>
<th>Year 2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Ratio</td>
<td>4.36</td>
<td>3.58</td>
<td>3.26</td>
</tr>
<tr>
<td>Very Current Ratio</td>
<td>2.76</td>
<td>2.30</td>
<td>1.78</td>
</tr>
<tr>
<td>Cash Ratio</td>
<td>1.45</td>
<td>1.07</td>
<td>0.78</td>
</tr>
</tbody>
</table>

Source: Processed Data (2024)
From Table 1, the current ratio indicates how many times current assets can cover the current liabilities of the company. Based on Table 1, the average current ratio over three years from 2020 to 2022 is 3.73, which means current assets can cover the company's current liabilities during that period. Compared to the industry average for the current ratio, which is 2 times (Kasmir, 2015), the financial performance of PT. Diamond Food Indonesia Tbk. in terms of the current ratio is categorized as 'Very Good.' With this average, the company demonstrates good liquidity and the ability to easily meet current obligations.

The current ratio in 2020 was 4.36, decreased to 3.58 in 2021, and further decreased to 3.26 in 2022. This research finding is supported by research conducted by (Wongkar et al., 2021) on PT Unilever Tbk. for the period from 2017 to 2020. The quick ratio experienced a decline with an average of 2.28 during the period from 2020 to 2022. An average quick ratio of 2.28 indicates that the company has assets that can be quickly converted into cash 2.28 times the current liabilities. Compared to the industry average for the quick ratio, which is 1.5 times (Kasmir, 2015), the financial performance of PT. Diamond Food Indonesia Tbk. based on the quick ratio is categorized as 'Very Good.' This indicates a good level of liquidity and the company's ability to quickly meet current obligations. The quick ratio value in 2020 was 2.76, then decreased to 2.30, and further decreased to 1.78 in 2022. This research finding is supported by research conducted by (Wongkar et al., 2021) on PT Unilever Tbk. for the period from 2017 to 2020.

The cash ratio indicates an average of 1.1 during the period from 2020 to 2022. The decrease in the cash ratio occurred due to an increase in current liabilities. The average value of 1.1 indicates that the company has sufficient cash and cash equivalents to pay current liabilities. Compared to the industry average for the cash ratio, which is 50% (Kasmir, 2015), the financial performance of PT Diamond Food Indonesia Tbk. can be categorized as 'Very Good.' Generally, a cash ratio of 1 is considered a sign of adequate liquidity. The cash ratio value in 2020 was 1.45, then decreased to 1.07 in 2021, and further decreased to 0.78 in 2022. This research finding is supported by research conducted by (Wongkar et al., 2021) on PT. Unilever Tbk. for the period from 2017 to 2020.
In Table 2, the debt to equity ratio shows an average of 0.24 during the period from 2020 to 2022. An average debt to equity ratio of 0.24 indicates that the company has a relatively low level of debt compared to its equity. Compared to the industry average for the debt to equity ratio, which is 90% (Kasmir, 2015), the financial performance of PT Diamond Food Indonesia Tbk. is categorized as 'Very Good'. In 2020, the debt to equity ratio was 0.22, then increased to 0.25 in 2021, and rose again to 0.27 in 2022. These findings are supported by research conducted by (Wongkar et al., 2021) on PT Unilever Tbk. for the period from 2017 to 2020.

The debt ratio shows an average of 0.19 during the period from 2020 to 2022. With an average of 0.19, the debt ratio indicates that approximately 0.19 of the company's total assets are funded by debt. This indicates that a small portion of the company's capital comes from debt, while the majority of the capital is obtained from equity. The average debt ratio of 0.19 indicates that the company has a relatively low level of debt compared to its total assets.

Thus, it can be said that the company has lower financial risk. Compared to the industry average for the debt ratio, which is 35% (Kasmir, 2015), the financial performance of PT Diamond Food Indonesia Tbk. is categorized as 'Very Good'. In 2020, the debt ratio was 0.18, then increased to 0.20 in 2021, and rose again to 0.21 in 2022. These findings are supported by research conducted by (Wongkar et al., 2021) on PT Unilever Tbk. for the period from 2017 to 2020.

### Table 2. Solvency Ratio Analysis Results

<table>
<thead>
<tr>
<th>Solvency Ratio</th>
<th>Year</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2020</td>
<td>2021</td>
<td>2022</td>
</tr>
<tr>
<td>Debt to Equity Ratio</td>
<td>0.22</td>
<td>0.25</td>
<td>0.27</td>
</tr>
<tr>
<td>Debt Ratio</td>
<td>0.18</td>
<td>0.20</td>
<td>0.21</td>
</tr>
</tbody>
</table>

Source: Processed Data (2024)

### Table 3. Results of Profitability Ratio Analysis

<table>
<thead>
<tr>
<th>Profitability Ratio</th>
<th>Year</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2020</td>
<td>2021</td>
<td>2022</td>
</tr>
<tr>
<td>ROA</td>
<td>3.65%</td>
<td>5.87%</td>
<td>5.80%</td>
</tr>
<tr>
<td>ROE</td>
<td>5.18%</td>
<td>7.27%</td>
<td>7.33%</td>
</tr>
<tr>
<td>Net Profit Margin</td>
<td>3.36%</td>
<td>5.04%</td>
<td>4.52%</td>
</tr>
</tbody>
</table>

Source: Processed Data (2024)
In Table 3, the average ROA during the period from 2020 to 2022 is 5.10%. According to (Kasmir, 2015), the industry standard average for ROA is around 30%. Therefore, the financial performance of PT Diamond Food Indonesia Tbk. is categorized as "Unsatisfactory." The low ROA indicates that PT Diamond Food Indonesia Tbk. has not yet achieved the expected efficiency in generating profits from its assets. Year-on-year analysis shows that ROA increased from 3.65% in 2020, peaked at 5.87% in 2021, but then declined to 5.80% in 2022. These findings are supported by research conducted by (Hanifah & Fatimah, 2022) on PT Siantar Top Tbk. for the period from 2016 to 2020.

From the analysis of the average ROE during the period from 2020 to 2022, it can be seen that the company recorded a figure of 6.59%. This indicates that PT Diamond Food Indonesia Tbk. was able to earn a profit of 6.59% from its equity during that period. According to (Kasmir, 2015), the industry standard average for ROE usually reaches 40%. Thus, based on ROE, the financial performance of PT Diamond Food Indonesia Tbk. is categorized as "Unsatisfactory," as it is far below the higher industry standard. An ROE figure of 6.59% is generally considered low because investors typically prefer high ROE as an indicator of good financial performance. The still-low ROE indicates that the company has not fully utilized its equity to generate profits. Table 3 shows an increase in ROE in 2021, reaching 7.27% from the previous 5.18%, then further increasing to 7.33% in 2022. These findings are supported by research conducted by (Hanifah & Fatimah, 2022) on PT Siantar Top Tbk. for the period from 2016 to 2020.

The average net profit margin is 4.30% during the period from 2020 to 2022. This indicates that PT Diamond Food Indonesia Tbk. managed to maintain an average net profit margin of around 4.30% of its total net sales during that period. According to (Kasmir, 2015), the industry standard average for net profit margin usually reaches 20%. From these calculations, it is evident that the company's performance is still not efficient. Therefore, from the perspective of net profit margin, the financial performance of PT Diamond Food Indonesia Tbk. is categorized as "Unsatisfactory." During the period from 2020 to 2022, there was fluctuation in the net profit margin. In 2020, the net profit margin reached 3.36%, then increased to 5.04% in 2021, but then decreased to 4.52% in 2022. These findings are supported by research conducted by (Hanifah & Fatimah, 2022) on PT Siantar Top Tbk. for the period from 2016 to 2020.
Table 4. Results of Activity Ratio Analysis

<table>
<thead>
<tr>
<th>Activity Ratio</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asset Turnover</td>
<td>1.07</td>
<td>1.10</td>
<td>1.23</td>
</tr>
<tr>
<td>Inventory Turnover</td>
<td>3.64</td>
<td>3.87</td>
<td>3.44</td>
</tr>
</tbody>
</table>

Source: Processed Data (2024)

Based on the data in Table 4, the average asset turnover during the period 2020-2022 is approximately 1.13 times. This indicates that each year during this period, PT Diamond Food Indonesia Tbk. was able to generate revenue about 1.13 times its total assets. Compared to the industry average for asset turnover, which is about 2 times (Kasmir, 2018), the financial performance of PT Diamond Food Indonesia Tbk. in terms of asset turnover is categorized as 'Unsatisfactory'. The company has not fully utilized its assets to the maximum extent. Table 4 also shows an increase in asset turnover each year. In 2020, the asset turnover was approximately 1.07, then increased to about 1.10 in 2021, and experienced another increase in 2022 to about 1.23. These findings are supported by research conducted by (Margaretha, Manoppo, & Pelleng, 2021) on PT Ace Hardware Indonesia Tbk.

The average inventory turnover during the period 2020 to 2022 is about 3.65. This indicates that overall, PT Diamond Food Indonesia Tbk. sold and replaced inventory about 3.65 times per year during that period. Compared to the industry average for inventory turnover, which is about 20 times (Kasmir, 2018), the financial performance of PT Diamond Food Indonesia Tbk. in terms of inventory turnover is categorized as 'Unsatisfactory'. During the period 2020 to 2022, there was fluctuation in the value of inventory turnover. In 2020, the inventory turnover was about 3.64, then increased in 2021 to about 3.87, but decreased to about 3.44 in 2022. These findings are supported by research conducted by (Margaretha et al., 2021) on PT Ace Hardware Indonesia Tbk.

CONCLUSION AND RECOMENDATION

After performing calculations and analysis on the financial statements of PT Diamond Food Indonesia Tbk. during the period from 2020 to 2022 using financial ratios, several conclusions can be drawn as follows:

1. The results of liquidity ratios, including current ratio, indicate very positive performance. Therefore, overall, the financial
performance of PT Diamond Food Indonesia Tbk. based on liquidity ratios can be classified as very good.

2. The results of solvency ratios, including debt to equity and debt ratio, show very satisfactory outcomes. Thus, the financial performance of PT Diamond Food Indonesia Tbk. based solvency ratios can also be considered as very good.

3. The results of profitability ratios, such as ROA, ROE, and net profit margin, indicate less satisfactory outcomes. This suggests that the financial performance of PT Diamond Food Indonesia Tbk. based on profitability ratios can be considered as less favourable.

4. The results of activity ratios, which include asset turnover and inventory turnover, also show less satisfactory outcomes. Therefore, the financial performance of PT Diamond Food Indonesia Tbk. based on activity ratios can be considered as less favourable.

**Recommendation**

1. For further research, it is hoped that research can be carried out in other similar industries to increase the accuracy of the research results.

2. For PT Diamond Food Indonesia Tbk. to improve financial performance in terms of profitability, so that the company can obtain maximum profits.

**REFERENCES**


