SUMMARY

SAPRARIYANTI ANJASARI KUSDIARNA PUTERI. Analysis of Finance Restructurisation through Debt to Equity Conversion at PT Mitra Rajawali Banjaran. Supervised by NOER AZAM ACHSANI and TRIAS ANDATI.

Debt to Equity Conversion (DEC) is understood as one of financial strategies to recover the company’s financial problem from its debt. PT Mitra Rajawali Banjaran (PT MRB) as a subsidiary company of one of the state owned enterprises (SOE) experiences a financial failure at least since 2009, thus the shareholders decided to restruct it through DEC mechanism in the end of 2011 to secure the company from bankruptcy. DEC mechanism aims to make healthy financial performance for MRB. Even if shareholders lose the interest gain from the converted debt, restructuring the company’s performance is expected to provide income to shareholders in the form of dividends. So, the indicator of the effectiveness of the financial restructuring is profitability.

The purpose of this paper is (1) to attempt an assessment of the company financial ratios performance after implementation of DEC, (2) to study the prediction of the company’s bankruptcy before and after DEC and (3) to analyse factors that has influence the level of profitability of the company. The approach of this study is a quantitative method using PT MRB’s audited annual reports for the year 2009 to 2013. Financial data from the period 2009 to 2011 describes the financial condition prior to the implementation of DEC, and the data for 2012 to 2013 describes the financial condition after the implementation of DEC.

Analysis of financial data used in this research is the analysis of financial ratios, bankruptcy indicator analysis and statistical analysis. Analysis of financial ratios consisted of activity, liquidity, solvency and profitability ratios are used in this research. Altman Z’-scores is also used to measure the company’s financial performance and prediction of bankruptcy. Statistical analysis tools used were Mann-Whitney test and linear regressions. Statistical analysis by Mann-Whitney test was used to compare the financial performance before the DEC and financial performance after the DEC. Multiple linear regression analysis is used to look at the factors that affect the level of profitability of the company.

The result of this study showed that (1) DEC has impacted the financial ratios performance of the company, especially in activity measured by Fixed Assets Turnover and solvability measured by Debt to Total Assets Ratio. Restructuring debt to equity clearly has a direct impact, i.e. decreasing Interest, (2) DEC has also impacted the bankruptcy indicator calculated by Altman Z’-scores, (3) Factors of profitability that significantly influence ROA are debt to total assets ratio (DAR), fixed assets turn over (FATO), gross profit margin (GPM), and sales growth (SG). FATO, GPM and SG had a positive effect on ROA, while DAR had negative influence on ROA.

Implementation of DEC at PT MRB should immediately be followed by restructuring measures of financial performance further, because the bankruptcy indicator (Z’-score) shows the forthcoming of a business failure in the near future. Managerial implications of this research is that in order to meet the expectations of shareholders for the increased profitability due to the actions of financial restructuring through the DEC, the management of PT MRB has to prudently
control financial factors that affect profitability, which is to increase asset utilization, to increase sales growth and to improve cost efficiency. Solvability of the company can be improved by effectively apply a new debt only for new investment, which can further improve profitability.

Keywords: Debt to Equity Conversion, Bankruptcy, Financial Performance, Profitability, Restructurisation.