

Firm valuation : analyzing the value on heavy machinery company, pt komatsu indonesia tbk

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Abstrak

ABSTRACT

The main purpose of this study is to apply a valuation model of a heavy manufacturing company value and compare it with the market value. The discounted cash flow model is used to calculate the intrinsic value of the company. As a case study, I use PT Komatsu Indonesia Tbk (KI), a company that manufactures the heavy equipment machineries.

PT Komatsu Indonesia Tbk as a member of Komatsu Group all over the world is a heavy manufacturing company, which has activities in Indonesia as one of Asia country. This statement brings KI's business as the part of the global economic businesses which nowadays is much more affected by China as the new emerging force in Asia and the world. The issues of the great of economic growth, which enjoyed by China for the decades must be balanced by its policy to push the growth itself. Besides China, United States is still has its power in driving the world economic growth. It is a rumor which outcomes similarly to the rising of China, that United States tries to increase its interest rate using its Federal Reserve, connecting to the drop off the stock price in Wall Street.

Indonesia as a country actually has some internal issues to be solved regarding to its economic growth after the recession 1998. Indonesia has issues in its foreign debt payment (affected by the macroeconomic conditions), incoming election, domestic consumption, and the other assumptions, which affect Indonesia perpetual growth generally, and KI's intrinsic value regarding to this study.

In calculating the company's intrinsic value, I use different scenarios. The purpose of using different scenarios is to vary the information, which reflects different assumptions about economic environment nowadays. These scenarios also help us especially investors to decide whether they want to invest in KI' s stocks or not.

The final phase of the valuation process involves comparing the company's value to the market value. These

efforts are conducted in order to justify the assumptions used in the discounted cash flow model. The final step is to interpret the results.

The results of the valuation process show that intrinsic value of the company range between Rp 896 per share and Rp 1,278 per share. The range is below the actual market price at December 30, 2003, which is Rp 1,375 per share. Therefore, the company's market value is overvalued. Even though different scenarios are used to reflect different possible economic environment, the range of the intrinsic value of the company is still below its market price.