



**UNIVERSITAS INDONESIA**

**MINIMIZING BUSINESS RISK WITH BUSINESS CONTINUITY PLAN  
(BCP) AT PT. INDOFOOD SUKSES MAKMUR TBK**

**THESIS**

**EROS FIRDIAN  
0706169865**

**FACULTY OF ECONOMICS  
MAGISTER OF MANAGEMENT  
JAKARTA  
NOVEMBER 2010**



**UNIVERSITAS INDONESIA**

**MINIMIZING BUSINESS RISK WITH BUSINESS  
CONTINUITY PLAN (BCP) AT PT. INDOFOOD SUKSES  
MAKMUR TBK**

**THESIS**

**Submitted to fulfill one of the requirements to obtain degree of  
Magister Management**

**EROS FIRDIAN  
0706169865**

**FACULTY OF ECONOMICS  
MAGISTER OF MANAGEMENT  
MASTER OF BUSINESS ADMINISTRATION  
BUSINESS INTERNATIONAL  
JAKARTA  
NOVEMBER 2010**

## STATEMENT OF ORIGINALITY

**This final paper represents my own effort,  
any idea or excerpt from other writers in this final paper, either in form of  
publication or in other form of publication, if any, have been acknowledged  
in this paper in accordance to the academic standard or reference procedures**

**Name : Eros Firdian**

**Student Number : 0706169865**

**Signature :**



**Date : November 14, 2010**

## HALAMAN PENGESAHAN

Tesis ini diajukan oleh :  
Nama : Eros Firdian  
NPM : 0706169865  
Program Studi : MM-MBA  
Judul Tesis : Minimizing Business Risk With Business  
Continuity Plan (BCP) At PT. Indofood Sukses  
Makmur Sejahtera Tbk

Telah berhasil dipertahankan di hadapan Dewan Penguji dan diterima sebagai bagian persyaratan yang diperlukan untuk memperoleh gelar Magister Management pada Program Studi Magister Management – Master of Business Administration, Fakultas Ekonomi, Universitas Indonesia.

### DEWAN PENGUJI

Pembimbing : Dr. Setyo Hari Wijanto (Setyo Hari Wijanto)

Penguji : Dr. Tengku Ezni Balqiah (Tengku Ezni Balqiah)

Penguji : Rofikah Rokhim, Ph.D (Rofikah Rokhim, Ph.D)

Ditetapkan di: Jakarta

Tanggal : November 2010

## PREFACE

Alhamdulillah, many praise to Allah SWT for all the blessing that i have received and the opportunity to complete my study in this MM-MBA dual degree of University of Indonesia and Grenoble University France.

In finishing my final paper, I would like to say sincerest appreciation to all parties for his encouragement, advice, direction, support, availability and patience and greatness thanks to :

1. Rhenald Khasali, Ph.D. as Chief of MM Program of University of Indonesia.
2. Dr. Setyo Hari Wijanto, my lecturer advisor. I do respect his inspiration, motivation and his friendship. I will not forget for his high dedication in finalizing my final paper.
3. Dr. Tengku Ezni Balqiah as Coordinator of MM-MBA Program of University of Indonesia.
4. Tri Trisnarningsih SH., MM who have been guiding me from the beginning of the research until the end.
5. My parents who have support me all the time unconditionally, my brothers and sister who always have been there for me.
6. My thanks to all librarians, academic and administrative staff of the University of Indonesia Master of Management Program for providing the resources needed for the completion of this final paper.
7. All my college in MM-MBA 07 for friendship, support for me
8. Many thanks to all the people who have helped me with this research.

I realized that this research is not impeccable, so that critics and suggestions will be much appreciated and will be a great contribution for making this research to be more reliable and accurate.

Jakarta, 14 November 2010



Author

**HALAMAN PERNYATAAN PERSETUJUAN PUBLIKASI  
TUGAS AKHIR UNTUK KEPENTINGAN AKADEMIS**

---

Sebagai sivitas akademik Universitas Indonesia, saya yang bertanda tangan di bawah ini:

Nama : Eros Firdian  
NPM : 0706169865  
Program Studi : MM – MBA  
Fakultas : Ekonomi  
Jenis karya : Tesis

Demi pengembangan ilmu pengetahuan, menyetujui untuk memberikan kepada Universitas Indonesia **Hak Bebas Royalti Noneksklusif (*Non-exclusive Royalty-Free Right*)** atas karya ilmiah saya yang berjudul:

**Minimizing Business Risk With Business Continuity Plan  
(BCP) At PT. Indofood Sukses Makmur Sejahtera Tbk**

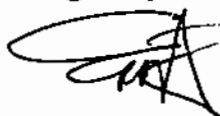
beserta perangkat yang ada (jika diperlukan). Dengan Hak Bebas Royalti Noneksklusif ini Universitas Indonesia berhak menyimpan, mengalihmedia / formatkan, mengelola dalam bentuk pangkalan data (*database*), merawat, dan memublikasikan tugas akhir saya tanpa meminta izin dari saya selama tetap mencantumkan nama saya sebagai penulis/pencipta dan sebagai pemilik Hak Cipta.

Demikian pernyataan ini saya buat dengan sebenarnya.

Dibuat di : Jakarta

Pada Tanggal : 14 November 2010

Yang menyatakan



( Eros Firdian )

## ABSTRACT

Name : Eros Firdian  
Concentration : MM-MBA  
Title : Minimizing Business Risk With Business Continuity Plan  
(BCP) At PT. Indofood Sukses Makmur Sejahtera Tbk

The purpose of this thesis is how to minimize business risks which come from unpredictable external conditions of the company. Gathering data from financial reports to identify the potential risks using Du Pont formula which consist of Return On Assets, Return On Equity and Equity Multiplier. Incorporate the results to the Business Continuity Plan (BCP) in order to prevent further damage and minimize loss at PT. Indofood Sukses Makmur Tbk.

## ABSTRAK

Tujuan penulisan tesis ini adalah bagaimana cara meminimalisasi resiko bisnis yang berasal dari keadaan eksternal yang tidak bisa diprediksi pada suatu perusahaan. Mengumpulkan data dari laporan keuangan untuk mengidentifikasi adanya resiko yang akan datang menggunakan Du Pont formula yang terdiri atas Return On Assets, Return On Equity dan Equity Multiplier. Hasilnya akan digunakan pada Rencana Kelangsungan Bisnis (BCP) agar dapat mencegah kerugian yang besar dan meminimalisasi kerugian pada PT. Indofood Sukses Makmur Tbk.

## TABLE OF CONTENTS

<b>Title</b>	<b>i</b>
<b>Statement of Originality</b>	<b>ii</b>
<b>Validation Statement</b>	<b>iii</b>
<b>Preface</b>	<b>iv</b>
<b>Publication Agreement Statement</b>	<b>v</b>
<b>Abstract</b>	<b>vi</b>
<b>Table of Contents</b>	<b>vii</b>
<b>Lists of Tables</b>	<b>xi</b>
<b>Lists of Figures</b>	<b>xii</b>
<b>List of Mathematical Equation</b>	<b>xiii</b>
<b>Lists of Appendix</b>	<b>xiv</b>
<b>CHAPTER 1 : INTRODUCTION</b>	
1.1. Background	1
1.2. Problem Formulation	4
1.3. Objective of Research	4
1.4. Advantages of Research	4
1.5. Scope of the Research	5
1.6. Chapter Layout	6
<b>CHAPTER 2 : THEORETICAL FRAMEWORK</b>	
2.1. Business Management	7
2.1.1. Basic Functions of Management	9
2.2. Risk Management	11
2.2.1. Method	12
2.2.2. Principles of Risk Management	12
2.2.3. Proses	13
2.2.4. Identification	13
2.2.4.1 Common Risk Identification Method	14
2.2.5. Assessment	15



2.3.	Financial Management	16
2.4.	Analysis of Financial Performance	17
2.4.1.	Balance Sheet	17
2.4.2.	Income Statement	17
2.4.3.	Financial Method	18
2.4.4.	Objective of Financial Analysis	18
2.4.5.	Financial Ratio	18
2.5.	Du Pont Formula	22
2.6.	Business Continuity Management	23
2.7.	Business Continuity Plan	25
2.8.	Method of Research	26

### **CHAPTER 3 : COMPANY OVERVIEWS**

3.1.	Strategic Business Unit of PT. Indofood	28
3.2.	Shareholding Structure	28
3.3.	The Management	29
3.4.	Brands and Products	31
3.4.1.	Consumer Branded Product	31
3.4.1.1.	Noodles	31
3.4.1.2.	Dairy	31
3.4.1.3.	Food Seasonings	32
3.4.1.4.	Snack Foods	32
3.4.1.5.	Nutrition	32
3.4.1.6.	Packaging	32
3.4.1.7.	International	33
3.4.2.	Bogasari	33
3.4.3.	Agribusiness	33
3.4.4.	Distribution	34
3.5.	Vision, Mission and Credo	34
3.6.	PT. Indofood History	35
3.7.	Noodles Industry	37
3.7.1.	Background	37
3.7.2.	Production Capacity and Producers	38

3.7.2.1 The Indofood Group	40
3.7.2.2 Nissin Mas	41
3.7.2.3 PT. ABC	42
3.7.2.4 Wings Group	42
3.7.2.5 PT. Olagafood	43
3.7.2.6 PT. Tiga Pilar Sejahtera Food	44

## CHAPTER 4 : ANALYSIS AND DISCUSSION

4.1. Analysis	45
4.1.1. Analysis Consolidated Balance Sheets	45
4.1.1.1 Total Assets	46
4.1.1.2 Total Liabilities	48
4.1.1.3 Good Will	49
4.1.1.4 Minority Interest	50
4.1.1.5 Equity	50
4.1.1.6 Total Liabilities and Equity	51
4.1.2 Analysis Statements of Income PT. Indofood	51
4.1.2.1 Gross Profit	51
4.1.2.2 Income from Operations	52
4.1.2.3 Income Before Income Tax Benefit/Expense	53
4.1.2.4 Income Before Minority Interest In Net Earnings of Subsidiaries and Pro Forma Adjustment	54
4.1.2.5 Net Income	55
4.2 Discussion	56
4.2.1. Return On Assets (ROA)	57
4.2.2. Equity Multiplier	58
4.2.3 Return On Equity (ROE)	59
4.2.4. Du Pont Formula	61
4.2.4.1 Net Income Factors	62
4.2.4.2 Marginal Net Income	63
4.2.4.3 Total Assets Turn Over (TATO)	64
4.2.4.4 Equity Multiplier (EM)	66

4.2.5	Business Continuity Planning (BCP)	67
4.2.5.1	Business Interference PT.Indofood	72
4.2.5.2	Potential Financial Loss Caused of Ineffective Account Receivable Collection	74
4.2.5.3	Potential Financial Loss Caused of Increasing Fixed Asset	77

## **CHAPTER 5 : CONCLUSION AND RECOMMENDATIO N**

5.1.	Conclusion	79
5.1.1	The Financial Condition of PT. Indofood Based On Its Financial Statement for Period Year 2005 up to 2009	79
5.1.2	The Financial Condition of PT. Indofood Based On Implementation Of Du Pont Formula	79
5.1.3	The Financial Condition of PT. Indofood Based on Analysis of BCP (Business Continuity Planning)	81
5.2.	Recommendation	84

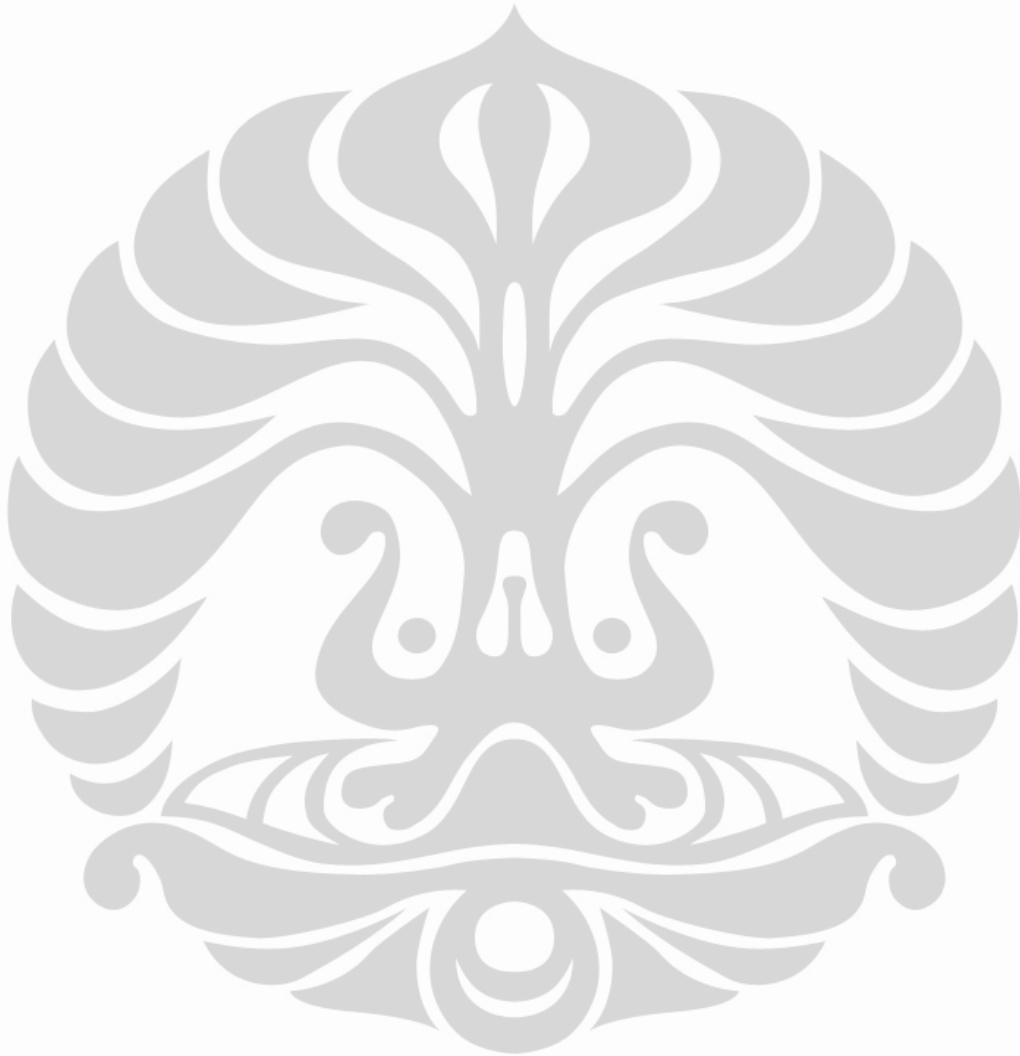
## **BIBLIOGRAPHY**

## LIST OF TABLES

Table 3.1.	Shareholding Structure as of December 2009	29
Table 3.2	Management Structure PT. Indofood	29
Table 4.1.	Performance of Current Assets at PT.Indofood	46
Table 4.2.	Performance of Non-Current Assets at PT. Indofood	47
Table 4.3	Performance of Total Assets at PT.Indofood	47
Table 4.4.	Performance of Current Liabilities at PT.Indofood	48
Table 4.5.	Performance of Non-Current Liabilities at PT.Indofood	49
Table 4.6.	Performance of Good Will at PT.Indofood	49
Table 4.7.	Performance of Minority Interest at PT.Indofood	50
Table 4.8.	Performance of Net Equity at PT.Indofood	50
Table 4.9.	Performance of Total liabilities and Equity at PT.Indofood	51
Table 4.10.	Performance of Gross Profit at PT.Indofood	52
Table 4.11.	Performance Operations Income at PT.Indofood	53
Table 4.12.	Performance of Income Before Income Tax Benefit/ Expense at PT.Indofood	54
Table 4.13.	Performance Income Before Minority Interest In Net Earnings of Subsidiaries and Proforma Adjustment at PT.Indofood	55
Table 4.14.	Performance Net Sales at PT. Indofood	56
Table 4.15.	Return On Assets (ROA) at PT. Indofood	57
Table 4.16.	Equity Multiplier (EM) at PT. Indofood	59
Table 4.17.	ROE at PT. Indofood	60
Table 4.18.	Result from Formula Dupont at PT. Indofood	62
Table 4.19.	Percentage of Operating Cost at PT. Indofood	63
Table 4.20.	Fixed Assets at PT. Indofood	65
Table 4.21.	Ratio Equity Multiplier at PT. Indofood Sukses Makmur	66
Table 4.22.	Du Pont Formula	72
Table 4.22.	Net Sales of PT Indofood Sukses Makmur Tbk	72
Table 4.24.	Business Continuity Plan For Sale Activities of PT. Indofood	73
Table 4.25.	Target Simulation of Sales Performance After BCP Implementation	74
Table 4.26,	Du Pont Formula	75
Table 4.27.	Account Receivable Collection Data of PT Indofood	75
Table 4.28.	Business Continuity Plan For Account Receivable Collection	76
Table 4.29.	Target Simulation of AR Performance After BCP Implementation	77
Table 4.30	Du Pont Formula	77
Table 4.29.	Fixed Asset Performance of PT Indofood	78
Table 4.29.	Business Continuity Plan For Account Receivable Collection	78
Table 4.30.	Target Simulation of Sales Performance After BCP Implementation	79

## LIST OF FIGURES

Figure 2.1. Du Pont Components	22
Figure 2.2 Framework of Thinking	27
Figure 3.1. The Management of PT. Indofood Sukses Makmur	30



## LIST OF MATHEMATICAL EQUATION

Equation 4.1	Balance sheet	45
Equation 4.2	Gross Profit	51
Equation 4.3	Income From operations	52
Equation 4.4	Income Before Income Tax Benefit	53
Equation 4.5	Income Before Minority Interest In Net Earnings of Subsidiaries and Pro Forma Adjustment	54
Equation 4.6	Net Income	55



## LIST OF APPENDIX

Appendix 1a	: Current Assets	A 1
Appendix 1b	: Non-current Assets	A 1
Appendix 2a	: Current Liabilities	A 2
Appendix 2b	: Non-current Liabilities	A 2
Appendix 3	: Shareholders' Equity	A 3
Appendix 4	: Consolidated Statements of Income	A 4
Appendix 5	: Standardized Income Statement Format	A 5
Appendix 6A	: Chart of Current Assets Performances	A 6
Appendix 6b	: Chart of Non-Current Assets Performances	A 6
Appendix 6c	: Chart of Total Assets Performance and Trend	A 7
Appendix 7a	: Chart of Current Liabilities Performance	A 7
Appendix 7b	: Chart of Non-current Liabilities Performance	A 8
Appendix 8	: Chart Minority Interest In Net Assets Of Subsidiaries Performance	A 9
Appendix 9	: Chart of Net-Shareholders' Equity Performance	A 9
Appendix 10	: Chart of Total Liabilities & Shareholders' Equity Performance	A 9
Appendix 11	: Chart of Marginal Net-Income Performance	A 10
Appendix 12	: Chart of Total Assets Turn Over Performance Chart	A 10
Appendix 13	: Chart of Return On Asset (ROA) Performance	A 11
Appendix 14	: Chart of Equity Multiplier Performance Chart	A 11
Appendix 16	: Chart of Return On Equity (ROE) Performance	A 12
Appendix 17	: Noodles Products	A 13
Appendix 18	: Dairy Products	A 14
Appendix 19	: Food Seasonings Products	A 15
Appendix 20	: Snack Food Products	A 16
Appendix 21	: Nutrition Products	A 17
Appendix 22	: Packaging	A 17
Appendix 23	: Bogasari	A 18
Appendix 24	: Credo of PT. Indofood	A 19

# CHAPTER 1

## INTRODUCTION

### 1.1 Background

According to Hiles (2008) there are many changes have been occurred from time to time whether consciously or unconsciously and unavoidable when it happen because it is difficult to predict. The change occurs almost in all fields. The greatest changes at this time are in the field of communication and technology. With advances in communication, allowing us to conduct business transactions in real time, faster, more accurate and it is not limited by distance. While technological advances to help simplify and streamline the existing problems and to improve capabilities in solving complex problems. Entrepreneur also should prepare themselves with this uncertainty by predicting the business risks. Ford, Bornstein and Pruitt (2007) maintain that the kind of risks that must be anticipated include :

- (a) Financial risk (market risk, credit risk, liquidity, deviations, taxes, a strategy to exit from existing businesses)
- (b) Operational risks (risks of products, distribution channels, information security and business continuity)
- (c) Business risks (interruption of technology, changes in forms of competition, intellectual property, risk governance and human resources, CEO succession, employee relations, compliance with laws, regulations and document management company in running the business and business ethics, environmental)
- (d) The risk of the transaction (the transaction structure, tax considerations and financial accounting, comparative assessment of the competitor / industry leader)

With the increasing of competition and availability of information and also technology become more advanced, that will create more alternatives for the customers. And as well it will impact the customer high expectations on time to market (time from design stage to marketing stage) to be very short, high



competitive product pricing, product capacity increases, and its design and also services are getting better (Hiles, 2008).

Changes that have been mentioned can be categorized as a positive change. Where changes are a positive impact on all parties. Another category of change is a negative change. In this change could lead to a negative situation or condition. For example, extreme weather changes where these changes can cause an abnormal condition (Hiles, 2008).

The effect of abnormal conditions can be differentiated into two types. The first type is an abnormal condition that can be predicted, while the second type is the abnormal effects that can not be predicted. Abnormal effects that can be predicted for example if the raw material has a quality that does not comply with quality standards it will affect the results of sub-standard products as well. While the abnormal effects that can not be predicted, such as the effects of extreme weather changes do not necessarily affect the quality of the product but can affect the supply of raw materials and cause problems of distribution (Hiles, 2008).

As a result of abnormal events will culminate in the breach of contract agreed upon with the parties concerned. Breach of contract performance can be differentiated two categories. The first is a breach that could be a lawsuit and / or any compensation because one party suffers losses. While the second type of breach of contract is one of the parties can not be prosecuted and any compensation or loss. Because in principle the abnormal event is not expected to occur by both sides and also both sides suffered losses. Such conditions are exceptions or condition referred to as force majeure (an emergency, such as natural disaster, riots, national / regional / international financial crisis, war, great fires, there was a contagious and dangerous disease and others) . In this case each party equally suffer losses (Hiles, 2008).

In the first type of breach, even if either party suffered a loss but he will get a refund / recovery for the losses. Although the replacement of these losses depends on the conditions, the basic law and an agreement the two sides. So the loss has little impact on business continuity. While the default is exempt by law the parties can not obtain or perform a lawsuit against the other party so that when it is not anticipated it could be a loss incurred quite an impact on its survival. For example

since suffered major flooding in early 2010, many companies in Karawang had to close and did not continue his business.

PT Indofood Sukses Makmur which stood since 1990 and has been widely known as producers of food, considered to have succeeded in maintaining the existence of its business during the period of two decades. By having ten business sectors and the number of employees over 100,000 people, is not something easy and simple in its management. For that directors and management of PT. Indofood to constantly monitor and control any business issues or problem that arise at early as possible.

According to Indonesian Commercial Newsletter (ICN) in mid-October 2010, PT Indofood buffeted by rumors that the product instant noodles in Taiwan country suspected contain cosmetic chemicals that are prohibited by the local government. The issue is, of course, will have an impact on corporate reputation, brand marketed products, customer loyalty, the possibility of declining sales which in turn will impact on its financial performance.

For that we should bear in analyzing a company's business by using a financial approach. This financial approach needs to be done to minimize losses and to seek the company can handle or continue the business. Just because the issue of unfair business competition, the company do not have to close the business (Hiles, 2008).

According to Palepu (2004) one of the financial approach that can be used is the formula of Du Pont. By using the integration of Du Pont formula, the company will evaluate the effectiveness of Return On Assets (ROA) and Return On Equity (ROE). Where the two ratios is to measure the effectiveness of the use of assets in the company's operations and equity in the use of company capital. By applying the Du Pont, the company will expected to know the performance of its team / division in one power of organization structure

Considering that the writer wishes to conduct research and analysis at PT. Indofood's with thesis titled "**Minimizing Business Risk With Business Continuity Plan (BCP) At PT. Indofood Sukses Makmur Tbk**"

## 1.2 Problem Formulation

As we knew that every company should anticipate of business' uncertainty and risks. Existence of PT. Indofood during two decades can not guarantee that PT. Indofood has been able to prove itself has succeeded to face any kind of challenges and difficulties in the similar industries. At this research , the writer will analyze problems :

1. How is the financial condition of PT. Indofood based on its financial statement for period year 2005 up to 2009 ?
2. How is the financial condition of PT. Indofood based on implementation of Du Pont Formula ?
3. How is the financial condition of PT. Indofood based on analysis of BCP (Business Continuity Planning) ?

The research is based on PT. Indofood 's performance for period year 2005 up to year 2009. Even PT Indofood has 10 strategic business units but the writer makes in a total performance analysis.

## 1.3 Objective of Research

To minimize business risk of the company, the data from the financial reports of PT. Indofood Sukses Makmur Tbk will be analyze using Du Pont formula to identify potential risk which can effect the company and minimize the loss of the company using Business Continuity Plan (BCP) with results to stable the company conditions in the future.

## 1.4 Advantages of Research

- a. Understands the meaning and the need for corporate financial analysis and the parties concerned (researcher,academic)
- b. Knowing the actual application of the formula of Du Pont at a public company (PT Indofood Sukses Makmur tbk) (business)
- c. Understand the meaning and necessity of applying the concept of BCP (Business Continuity Plan) for a company. (business owner)

- d. Companies and practitioners to make the results of this study as a reference for implementation (corporate)
- e. Company and business practitioners may find that by applying good planning can prevent a major loss in business processes.

### **1.5 Scope of The Research**

The writer did a research with below stages :

First, the writer conducted data compilation of financial statements of PT Indofood Sukses Makmur from 2005 until 2009 by downloading through the website of the Indonesian Stock Exchange (formerly Jakarta Stock Exchange).

Second, after downloading the data, the writer conducted an analysis on the financial statements using ratio analysis approach to ROA (Return On Assets) and ROE (Return On Equity).

The third stage, the writer conducted a financial analysis based on the formula of Du Pont. At this stage, the authors analyze the performance of department / team / relevant divisions in order to see its effectiveness.

Stages four, writer conduct the analysis based on the approach to BCP (Business Continuity Plan) to examine:

- Identifying Business Risk at PT. Indofood
- Vision, mission, credo and its organization structure
- Business continuity planning based on financial analysis

The fifth stage, writer makes a conclusion and suggestion following the research result. For the usage data, it shall meet with the requirements, such as valid data (degree of accuracy), reliable / reliability (the degree of consistency / constancy) and objective (interpersonal agreement).

The research data is collected through :

- Primary data is data obtained on the writer's own efforts in the form of field observation result.
- Secondary data is data obtained has the form of data or documents.

For the financial data, writer collect and analyze by time series and make a comparison based on five years data.

## 1.6 Chapter Layout

This thesis will be divided into five chapters, namely:

- Chapter 1 : Introduction

The introduction is consisted of the related background of thesis subject, problem formulation, objective of research, advantages of research, scope and method of research and systematical of writing

- Chapter 2 : T

To analyze, the writer uses the theories relating to business management, risk management, financial management, financial statement analysis, Du Pont formula, the Business Continuity Management, Business Continuity Plan (Planning)

- Chapter 3 : Company Overviews

In this chapter, writer explain about the company ( PT. Indofood Sukses Makmur ) establishment, company's vision, mission, credo , company's strategic business units and related products, organization structure, and others

- Chapter 4 : Discussion and Analysis

Through this chapter, writer deliver the research result, relating to the five years of financial condition, condition based on formula Du Pont result and based on BCP ( Business Continuity Plan ) analysis

- Chapter 5 : Conclusion and Recommendation

Writer makes a conclusion and suggestion following the research result.

## CHAPTER 2

### THEORETICAL FRAMEWORK

In this chapter will be submitted on the foundation of the theories used as a basis to analyze the problem. The basic theory are Business Management, Risk Management, Finance Management, Financial Statement Analysis, Du Pont Formula, Business Continuity Management, Business Continuity Planning (Plan)

#### **2.1 Business Management**

According to Koontz (1990) management in all business areas and organizational activities are the acts of getting people together to accomplish desired goals and objectives efficiently and effectively. Management comprises planning, organizing, staffing, leading or directing, and controlling an organization (a group of one or more people or entities) or effort for the purpose of accomplishing a goal. Resourcing encompasses the deployment and manipulation of human resources, financial resources, technological resources, and natural resources

Because organizations can be viewed as systems, management can also be defined as human action, including design, to facilitate the production of useful outcomes from a system. This view opens the opportunity to 'manage' oneself, a pre-requisite to attempting to manage others. Management can also refer to the person or people who perform the act(s) of management.

Some definitions of management are:

- Organization and coordination of the activities of an enterprise in accordance with certain policies and in achievement of clearly defined objectives. Management is often included as a factor of production along with machines, materials, and money. According to the management guru Peter Drucker, the basic task of a management is twofold: marketing and innovation.
- Directors and managers have the power and responsibility to make decisions to manage an enterprise. As a discipline, management comprises the interlocking functions of formulating corporate policy and organizing, planning, controlling, and directing the firm's resources to achieve the policy's

objectives. The size of management can range from one person in a small firm to hundreds or thousands of managers in multinational companies. In large firms the board of directors formulates the policy which is implemented by the chief executive officer.

Towards the end of the 20th century, business management came to consist of six separate branches, which are *Human Resource Management, Operations Management or Production Management, Strategic Management, Marketing Management, Financial Management, Information Technology Management Responsible for Management Information Systems*

- *Human Resource Management*

Human resources is a term used to describe the individuals who comprise the workforce of an organization, although it is also applied in labor economics to, for example, business sectors or even whole nations. Human resources is also the name of the function within an organization charged with the overall responsibility for implementing strategies and policies relating to the management of individuals (i.e. the human resources). This function title is often abbreviated to the initials 'HR'. (Bartol, 1991)

- *Operations Management or Production Management*

Operations management is an area of business concerned with the production of goods and services, and involves the responsibility of ensuring that business operations are efficient in terms of using as little resource as needed, and effective in terms of meeting customer requirements. It is concerned with managing the process that converts inputs (in the forms of materials, labor and energy) into outputs (in the form of goods and services). (Koontz, 1990)

- *Strategic Management*

Strategic management is a field that deals with the major intended and emergent initiatives taken by general managers on behalf of owners, involving utilization of resources, to enhance the performance of firms in their external environments. It entails specifying the organization's mission, vision and objectives, developing policies and plans, often in terms of projects and programs,

which are designed to achieve these objectives, and then allocating resources to implement the policies and plans, projects and programs (Bartol, 1991)

- *Marketing Management*

Marketing Management is a business discipline which is focused on the practical application of marketing techniques and the management of a firm's marketing resources and activities. Rapidly emerging forces of globalization have compelled firms to market beyond the borders of their home country making International marketing highly significant and an integral part of a firm's marketing strategy.

- *Financial Management*

Finance is the science of funds management. The general areas of finance are business finance, personal finance, and public finance. Finance includes saving money and often includes lending money. The field of finance deals with the concepts of time, money, risk and how they are interrelated. It also deals with how money is spent and budgeted (Keown, 2005)

- *Information Technology Management Responsible for Management Information Systems*

Information Technology Management is concerned with exploring and understanding Information Technology as a corporate resource that determines both the strategic and operational capabilities of the firm in designing and developing products and services for maximum customer satisfaction, corporate productivity, profitability and competitiveness

### 2.1.1 Basic Functions of Management

According to Koontz and Weihrich (1990) management operates through various functions. **Planning**, deciding what needs to happen in the future (today, next week, next month, next year, over the next 5 years, etc.) and generating plans for action. **Organizing**, (Implementation) making optimum use of the resources required to enable the successful carrying out of plans. **Staffing**, job analyzing, recruitment, and hiring individuals for appropriate jobs. **Leading (Directing)**, determining what needs to be done in a situation and getting people to do it. **Controlling (Monitoring)**, Checking progress against plans. **Motivation**, is also



a kind of basic function of management, because without motivation, employees cannot work effectively. If motivation doesn't take place in an organization, then employees may not contribute to the other functions (which are usually set by top level management).

- *Formation of the Business Policy*

The **mission** of the business is the most obvious purpose—which may be, for example, to make soap. The **vision** of the business reflects its aspirations and specifies its intended direction or future destination. The **objectives** of the business refers to the ends or activity at which a certain task is aimed. The business's **policy** is a guide that stipulates rules, regulations and objectives, and may be used in the managers' decision-making. It must be flexible and easily interpreted and understood by all employees. The business's **strategy** refers to the coordinated plan of action that it is going to take, as well as the resources that it will use, to realize its vision and long-term objectives. It is a guideline to managers, stipulating how they ought to allocate and utilize the factors of production to the business's advantage. Initially, it could help the managers decide on what type of business they want to form. (Koontz, 1990)

- *How to Implement Policies and Strategies*

*All policies and strategies must be discussed with all managerial personnel and staff. Managers must understand where and how they can implement their policies and strategies. A plan of action must be devised for each department. Policies and strategies must be reviewed regularly. Contingency plans must be devised in case the environment changes. Assessments of progress ought to be carried out regularly by top-level managers. A good environment and team spirit is required within the business. The missions, objectives, strengths and weaknesses of each department must be analyzed to determine their roles in achieving the business's mission. The forecasting method develops a reliable picture of the business's future environment. A planning unit must be created to ensure that all plans are consistent and that policies and strategies are aimed at achieving the same mission and objectives. All policies must be discussed with all*

managerial personnel and staff that is required in the execution of any departmental policy. *Organizational change* is strategically achieved through the implementation of the eight-step plan of action established by John P. Kotter: Increase urgency, get the vision right, communicate the buy-in, empower action, create short-term wins, don't let up, and make change stick

## 2.2 Risk Management

According to Crouchy (2001) risk management is the identification, assessment, and prioritization of risks (defined in ISO 31000) as *the effect of uncertainty on objectives*, whether positive or negative) followed by coordinated and economical application of resources to minimize, monitor, and control the probability and/or impact of unfortunate events or to maximize the realization of opportunities. Risks can come from uncertainty in financial markets, project failures, legal liabilities, credit risk, accidents, natural causes and disasters as well as deliberate attacks from an adversary.

The strategies to manage risk include transferring the risk to another party, avoiding the risk, reducing the negative effect of the risk, and accepting some or all of the consequences of a particular risk. Certain aspects of many of the risk management standards have come under criticism for having no measurable improvement on risk even though the confidence in estimates and decisions increase.

In ideal risk management, a prioritization process is followed whereby the risks with the greatest loss and the greatest probability of occurring are handled first, and risks with lower probability of occurrence and lower loss are handled in descending order. In practice the process can be very difficult, and balancing between risks with a high probability of occurrence but lower loss versus a risk with high loss but lower probability of occurrence can often be mishandled.

Intangible risk management identifies a new type of a risk that has a 100% probability of occurring but is ignored by the organization due to a lack of identification ability. For example, when deficient knowledge is applied to a situation, a knowledge risk materializes. Relationship risk appears when ineffective collaboration occurs. Process-engagement risk may be an issue when

ineffective operational procedures are applied. These risks directly reduce the productivity of knowledge workers, decrease cost effectiveness, profitability, service, quality, reputation, brand value, and earnings quality. Intangible risk management allows risk management to create immediate value from the identification and reduction of risks that reduce productivity.

Risk management also faces difficulties in allocating resources. This is the idea of opportunity cost. Resources spent on risk management could have been spent on more profitable activities. Again, ideal risk management minimizes spending and minimizes the negative effects of risks.

### **2.2.1 Method**

For the most part, these methods consist of the following elements, performed, more or less, in the following order (Warburg, 2004)

- a. identify, characterize, and assess threats
- b. assess the vulnerability of critical assets to specific threats
- c. determine the risk (i.e. the expected consequences of specific types of attacks on specific assets)
- d. identify ways to reduce those risks
- e. prioritize risk reduction measures based on a strategy

### **2.2.2 Principles of Risk Management**

The International Organization for Standardization (ISO 90012008) identifies the following principles of risk management :

Risk management should create value, be an integral part of organizational processes, be part of decision making, explicitly address uncertainty, be systematic and structured, be based on the best available information, be tailored, take into account human factors, be transparent and inclusive, be dynamic, iterative and responsive to change, be capable of continual improvement and enhancement

### 2.2.3 Process

According to the standard ISO 31000 "Risk management -- Principles and guidelines on implementation," the process of risk management consists of several steps as follows:

Establishing the context involves:

- Identification of risk in a selected domain of interest
- Planning the remainder of the process.
- Mapping out the following:
  - the social scope of risk management
  - the identity and objectives of stakeholders
  - the basis upon which risks will be evaluated, constraints.
- Defining a framework for the activity and an agenda for identification.
- Developing an analysis of risks involved in the process.
- Mitigation or Solution of risks using available technological, human and organizational resources

### 2.2.4 Identification

According to Crouchy (2001), after establishing the context, the next step in the process of managing risk is to identify potential risks. Risks are about events that, when triggered, cause problems. Hence, risk identification can start with the source of problems, or with the problem itself.

**Source analysis.** Risk sources may be internal or external to the system that is the target of risk management. Examples of risk sources are: stakeholders of a project, employees of a company or the weather over an airport.

**Problem analysis.** Risks are related to identified threats. For example: the threat of losing money, the threat of abuse of privacy information or the threat of accidents and casualties. The threats may exist with various entities, most important with shareholders, customers and legislative bodies such as the government.

When either source or problem is known, the events that a source may trigger or the events that can lead to a problem can be investigated. For example: stakeholders withdrawing during a project may endanger funding of the project;

privacy information may be stolen by employees even within a closed network; lightning striking an aircraft during takeoff may make all people onboard immediate casualties. The chosen method of identifying risks may depend on culture, industry practice and compliance. The identification methods are formed by templates or the development of templates for identifying source, problem or event.

#### 2.2.4.1 Common Risk Identification Methods

**Objectives-based risk identification.** Organizations and project teams have objectives. Any event that may endanger achieving an objective partly or completely is identified as risk (Hanafi, 2006).

**Scenario-based risk identification.** In scenario analysis different scenarios are created. The scenarios may be the alternative ways to achieve an objective, or an analysis of the interaction of forces in, for example, a market or battle. Any event that triggers an undesired scenario alternative is identified as risk - see Futures Studies for methodology used by Futurists (Hanafi, 2006).

**Taxonomy-based risk identification.** The taxonomy in taxonomy-based risk identification is a breakdown of possible risk sources. Based on the taxonomy and knowledge of best practices, a questionnaire is compiled. The answers to the questions reveal risks (Hanafi, 2006).

**Common-risk checking.** In several industries, lists with known risks are available. Each risk in the list can be checked for application to a particular situation (Hanafi, 2006).

**Risk charting.** This method combines the above approaches by listing resources at risk, Threats to those resources Modifying Factors which may increase or decrease the risk and Consequences it is wished to avoid. Creating a matrix under these headings enables a variety of approaches. One can begin with resources and consider the threats they are exposed to and the consequences of each. Alternatively one can start with the threats and examine which resources they would affect, or one can begin with the consequences and determine which combination of threats and resources would be involved to bring them about (Hanafi, 2006).

### 2.2.5 Assessment

According to Hanafi (2006), once risks have been identified, they must then be assessed as to their potential severity of loss and to the probability of occurrence. These quantities can be either simple to measure, in the case of the value of a lost building, or impossible to know for sure in the case of the probability of an unlikely event occurring. Therefore, in the assessment process it is critical to make the best educated guesses possible in order to properly prioritize the implementation of the risk management plan.

The fundamental difficulty in risk assessment is determining the rate of occurrence since statistical information is not available on all kinds of past incidents. Furthermore, evaluating the severity of the consequences (impact) is often quite difficult for immaterial assets. Asset valuation is another question that needs to be addressed. Thus, best educated opinions and available statistics are the primary sources of information. Nevertheless, risk assessment should produce such information for the management of the organization that the primary risks are easy to understand and that the risk management decisions may be prioritized. Thus, there have been several theories and attempts to quantify risks. Numerous different risk formula exist, but perhaps the most widely accepted formula for risk quantification is:

$$\text{Rate of occurrence} \times \text{the impact of the event} = \text{risk}$$

- **Composite Risk Index**

$$\text{Composite Risk Index} = \text{Impact of Risk event} \times \text{Probability of Occurrence}$$

The impact of the risk event is assessed on a scale of 0 to 5, where 0 and 5 represent the minimum and maximum possible impact of an occurrence of a risk (usually in terms of financial losses).

The probability of occurrence is likewise assessed on a scale from 0 to 5, where 0 represents a zero probability of the risk event actually occurring while 5 represents a 100% probability of occurrence.

The Composite Index thus can take values ranging from 0 through 25, and this range is usually arbitrarily divided into three sub-ranges. The overall risk assessment is then Low, Medium or High, depending on the sub-range containing the calculated value of the Composite Index. For instance, the three sub-ranges could be defined as 0 to 8, 9 to 16 and 17 to 25.

Note that the probability of risk occurrence is difficult to estimate since the past data on frequencies are not readily available, as mentioned above.

Likewise, the impact of the risk is not easy to estimate since it is often difficult to estimate the potential financial loss in the event of risk occurrence.

Further, both the above factors can change in magnitude depending on the adequacy of risk avoidance and prevention measures taken and due to changes in the external business environment. Hence it is absolutely necessary to periodically re-assess risks and intensify/relax mitigation measures as necessary.

### **2.3 Financial Management**

According to Husnan and Pudjiastuti (2004), the finance management is an activity of planning, budgeting, audit, management, control, search and storage of funds owned by an organization or company.

#### *a. Financial Planning*

Make a plan for revenue and expense and other activities for a certain period.

#### *b. Financial Budgeting*

Follow-up of financial planning with a detailed expenditure and income.

#### *c. Financial Management*

Using the fund companies to maximize existing funds in various ways.

#### *d. Finance Search*

Finding and exploiting existing funding sources for operational activities of the company

#### *e. Finance Storage*

Collect funds and keep the fund company safely.

f. *Financial Control*

Evaluating and improving finances and financial systems in company

g. *Audit*

Conducting internal audits of the financial companies that exist to prevent irregularities

Basic tasks performed by a finance manager in general are getting funds of the company, using the company funds, dividing profit (companies profit). Objective of Financial Management is to manage the company's fund and try to maximize corporate value. Thus if company sold when the price can be set as high as possible.

## 2.4 Analysis of Financial Performance

According to Keown (2005) before a person is going to make a financial decision, s/he shall know the actual company's financial condition first. To understand the company' financial condition is needed an analysis to company financial performance report. There are two types of financial reports which are balance sheet and income statement.

### 2.4.1 Balance Sheet

According to Bornstein (1998) balance sheet shows the company's assets, company's liabilities and equity at the certainty period. The assets will be explained at assets side and liabilities and equity at the liability side.

$$\text{Assets} = \text{Liabilities} + \text{Equities}$$

### 2.4.2 Income Statement

Income statement shows the loss or profit derived by a company within a specified time period. The type of profits ( losses ) are gross profit / loss, income from operation , income before income tax, income before minority interest, and net income.



### 2.4.3 Financial Method

According to Palepu (2004), there are two types of financial method, namely vertical and horizontal method. Vertical method is to make the comparison of financial statements in recent periods. While the horizontal method is to analyze financial statements through percentage rate.

### 2.4.4 Objectives of Financial Analysis

According to Keown (2004) the objective is to determine :

- a. Profitability is the ability of the company to generate a profit and sustain growth for both short and long term. Company's profitability usually seen from the company income statement (income statement), which shows the consolidated results of company performance.
- b. Solvency is the ability of the company to meet all its obligations, as measured by a comparison of all liabilities of all assets and all liabilities to equity ratio.
- c. Liquidity is the ability of the company to meet its current liabilities are measured using the ratio of current assets to current liabilities
- d. Stability is the ability of the company in maintaining its business in the long term without having to suffer losses. To assess the stability of the company to use the income statement and balance sheet (balance sheet) the company and various financial and non financial indicators other.

### 2.4.5 Financial Ratio

According to Munawir (2010), financial ratio is a tool for analyzing the company financial report to evaluate their performance based on ratio from the financial data which can be break down into layers of financial statement (balance sheets, income statements, cash flow). The ratio describe a correlation (mathematical relationship) between a certain amount with other certain amount.

Calculating the company's usually done by using financial ratios. The ratio of the outline on to the 5 (five) main categories, among others, namely: *profitability*, *price earning ratio*, *liquidity*, *leverage*, and *efficiency*.

- *Profitability Ratio*

Use to measure the ability of the company in making their own profit. These ratios include:

- GPM (*Gross Profit Margin*), measure margin between selling price and cost of good sold
- OPM (*Operating Profit Margin*), measure the profit of each dollar of sales
- NPM (*Net Profit Margin*), provides the bottom line return on sales and also measures the efficiency with which operating costs are controlled.
- ROA (*Return On Assets*), measure the effectiveness and efficiency of operating performance
- ROE (*Return On Equity*), measure the effectiveness and efficiency of investment performance

Profitability ratio is come from

$$\text{Operating Income} = \text{EBIT} / \text{Net Sales}$$

Example calculation

Net Sales are \$ 460,000 and Earnings Before Interest and Taxes is Rp 100,000.

This gives us a return of 22% on sales,  $\text{Rp } 100,000 / \text{Rp } 460,000 = 0.22$ .

Meaning : every Rp. 1 will produce (result) Rp 0,22

- *Market Ratio*

Use to measure relative market price towards company's book value. These ratio include: PER (*Price Earning Ratio*), Dividend Yield, Dividend Pay Out Ratio, PBV (*Price to Book Value*)

PE is defined as :

$$\text{P/E ratio} = \frac{\text{Price per Share}}{\text{Annual Earnings per Share}}$$

Example calculation

Earnings per share is Rp. 3.00 and the stock is selling for Rp. 36.00 per share.

The P / E Ratio is Rp. 36 / Rp. 3 = 12.

The company is selling for 12 times earnings.

- *Liquidity Ratio*

Use to measure company's capability to guarantee their current liabilities. Which are : cash ratio, quick ratio, smooth ratio.

Liquidity is the ability of the company to meet its short term obligations. Another notion is the ability of a person or company to meet the obligation or debt that must be paid immediately with the current assets. Liquidity formula could be from acid ratio.

Acid ratio or sometimes called the Quick Ratio (Quick Ratio) is a ratio used to measure a company's ability to use current assets to cover debts smooth. Which belong to the current ratio is current assets that can be quickly modified in the form of cash, including cash accounts, securities (stocks), accounts receivable, prepaid expenses and accrued income. Inventories of goods trade is not counted, although included in current assets, because inventories are considered as current assets are difficult to convert into cash. The formula for calculating the ratio of Liquid (Acid Ratio) is as follows:

$$\text{Quick Ratio/Liquid Ratio} = \frac{\text{Current Assets} - \text{Inventory}}{\text{Current Liabilities}}$$

- *Leverage Ratio*

A ratio used to measure a company's mix of operating costs, giving an idea of how changes in output will affect operating income. Fixed and variable costs are the two types of operating costs; depending on the company and the industry, the mix will differ. These ratio include: ratio of total debt with own capital, ratio total liabilities toward total assets, Time Interest Earned (TIE)

Leverage ration can be seen through debt ratio , debt to equity ratio and net profit margin.

**Debt ratio formula :**

$$\text{Debt ratio} = \frac{\text{Total Debt}}{\text{Total Assets}}$$

This ratio measures how much the assets financed by debt. For example, a debt ratio of 30% means that 30% of assets financed by debt. The ratio of bad debt could mean the difficult economic situation and high interest rates, which the company has high debt ratios may experience financial problems, but during a good economy and low interest rates, it can increase profits.

**Debt to Equity Ratio**

Describing the structure of capital owned by the company, thus can be seen the structure of the risk of uncollectible debt. The smaller of the number means the better ratio.

Debt to Equity Ratio is calculated as follows:

$$\text{DER} = \frac{\text{Total Liabilities}}{\text{Shareholders Equity}}$$

Example calculation:

We have total liabilities of Rp.75,000 and total shareholders equity of Rp 200,000. The Debt to Equity Ratio is 37.5%,  $\text{Rp } 75,000 / \text{Rp } 200,000 = 0.375$ . When compared to our equity resources, 37.5% of our resources are in the form of debt.

**Net Profit Margin**

The formula of net profit margin is

$$\text{Net Profit Margin} = \frac{\text{Net Profit}}{\text{Total Sales}}$$

Net profit margin is the ratio of profitability calculated by dividing net profit by total sales ratio indicates a net gain in total sales was obtained from each sale.

- *Efficiency Ratio*

Ratios that are typically used to analyze how well a company uses its assets and liabilities internally. Efficiency Ratios can calculate the turnover of receivables, the repayment of liabilities, the quantity and usage of equity and the general use of inventory and machinery. Use to measure the company ability in managing their assets to give a cash flow for the company. These ratios include: ratio of inventory rotation, efficiency fixed assets, and total asset turn over.

Measurement can be measure with the following of these method :

- a. Cross Sectional Approach**

Evaluating tool to compare ratios between similar company. In this way will be discovered if the companies are in the average range or below average.

- b. Time Series Analysis**

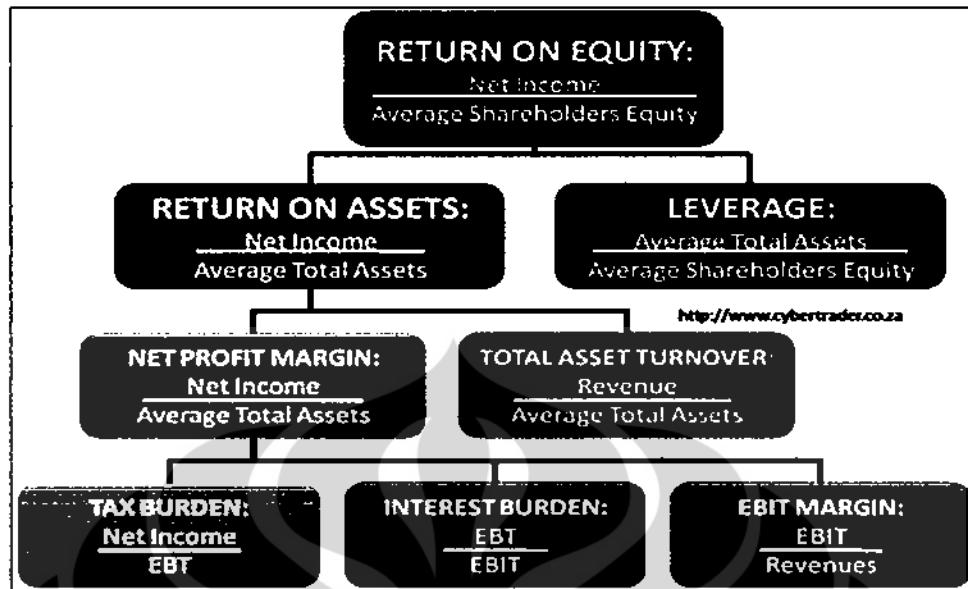
Evaluate to compare financial ratios of a company from one period to another. Thus will see a trend performance of the company from each period. And the trend will be set as a future reference for planning the next step.

## 2.5 Du Pont Formula

Du Pont formula based on Keown (2005), who discuss about Return On Assets and Return On Equity. Practically Du Pont formula is the same with ROE formula, but with more details multiplying factor and integrated.

Referring to the theory of Du Pont formula, there are two version. The first version is calculate the ROA (Return On Assets) where in this formula there will be multiplication between ratio of percentage marginal net-income with ratio of TATO. The first version, Du Pont analyze performance of sales and factors of marginal net-income with efficiency from assets. On the second version, Du Pont multiplying ROA with EM (Equity Multiplier). In this version, Du Pont want to analyze further on performance of ROA towards ROE (Return On Equity).

The components of Du Pont Formula as below figure :



**Figure 2.1 Du Pont Components**

Source: Financial Management (Keown, 2005)

## 2.6 Business Continuity Management ( BCM )

The formal definition by BS (British Standard) 25999-1 of business continuity management (BCM) is as follows (Hiles, 2008, p. 105).

*A holistic management process that identifies potential threats to an organization and the impacts to business operations that those threats, if realized, might caused, and which provides a framework for building organizational resilience with the capability for an effective response that safeguards the interests of its key stakeholders, reputation, brand and value activities.*

This definition recognizes that business continuity management is more than just writing a business continuity plan.

To establish the Business Continuity Management , there are some steps as follows:

- Understanding the organization
- Identify:
  - Objectives
  - Stakeholder obligations
  - Activities
  - Assets and resources
- Assess impacts of stopping activities

- Evaluate threats to critical activities
- Consider internal and external dependencies

According to Hiles (2008), for the majority of organization seeking to implement BCM for the first time , practical approach is to create a business continuity plan for a single location and use that as a springboard for all the other work that needs to be undertaken. The main elements of business continuity plan can be developed relatively quickly within a few weeks. To implement the BCM conduct as follows :

- *Program Initiation*

From the outset, the organization must be clear on the scope, objective, method, timing and schedule of work. As the BCM program , we shall know the key activities to be performed and the persons responsible and get agreed milestones and deliverables. At this stage, we must define the scope of BCM to be established within the organization , identify BCM resourcing requirements, setting out the BCM principles, guidelines and minimum standards for the organization, references any relevant standards, regulations or policies that have to be included or can be used as a benchmark.

- *Awareness Workshop*

It is also advisable to get everyone to be involved in developing the business continuity plan to a minimum level of understanding of BCM concepts. The workshop should explain the background, including the needs and drivers, and the methodology, approach, requirements and timescales.

- *Business Impact Analysis*

Based on BIA ( Business Impact Analysis ) states that the organization should for each activity:

- assess over time the impacts that would occur if an activity were to be disrupt
- establish the maximum tolerable period of disruption of each activity

- identify any interdependent activities, assets, supporting infrastructure or resources that have also to be maintained continuously or recovered over time.

- *Risk Assessment*

Threats to business-critical activities should also be evaluated. This requires a risk assessment that identifies threats and vulnerabilities and the impacts that might result from their explanation. The company should be able to identify mitigation and risk treatment measures that reduce the likelihood of a disruption, shorten the period of disruption and limit the impact of a disruption.

- *Strategy Development*

The strategies for recovering the business-critical activities and the support services (IT and communications infrastructure, logistic, legal services, financial matters, etc).

- *Plan Writing*

The business continuity plan is made up of three components . There are emergency response, incident management, and business recovery

- *Plan Walkthrough*

Conducts a plan walkthrough to validate the business continuity plan and provide a related necessary training.

- *BCM Program Completion*

The BCM program should be in lined with corporate culture, self awareness, regular training and promoting in a whole organization's members.

## 2.7 Business Continuity Planning

The new standard BSI 25999 (Hiles, 2008) defines business continuity as a:

Strategic and tactical capability of the organization to plan for and respond to incidents and business disruptions in order to continue business operations at an acceptable and pre-defined level.

The definition is more restrictive than the earlier definition supported by the Business Continuity Institute and British Standards Institution in Publicly Available Specification 56 (PAS 56), as a:



Holistic management process that identifies potential impacts that threaten an organization and provides a framework for building resilience and the capability for an effective response that safeguards the interests of its key stakeholders, reputation, brand and value-creating activities.

From the definition, business continuity plan should be based on the type of risks which preliminary identified.

## 2.8 Method of Research

The research method is a scientific way to collect data with a specific purpose and usefulness (Suharsimi, 2006).

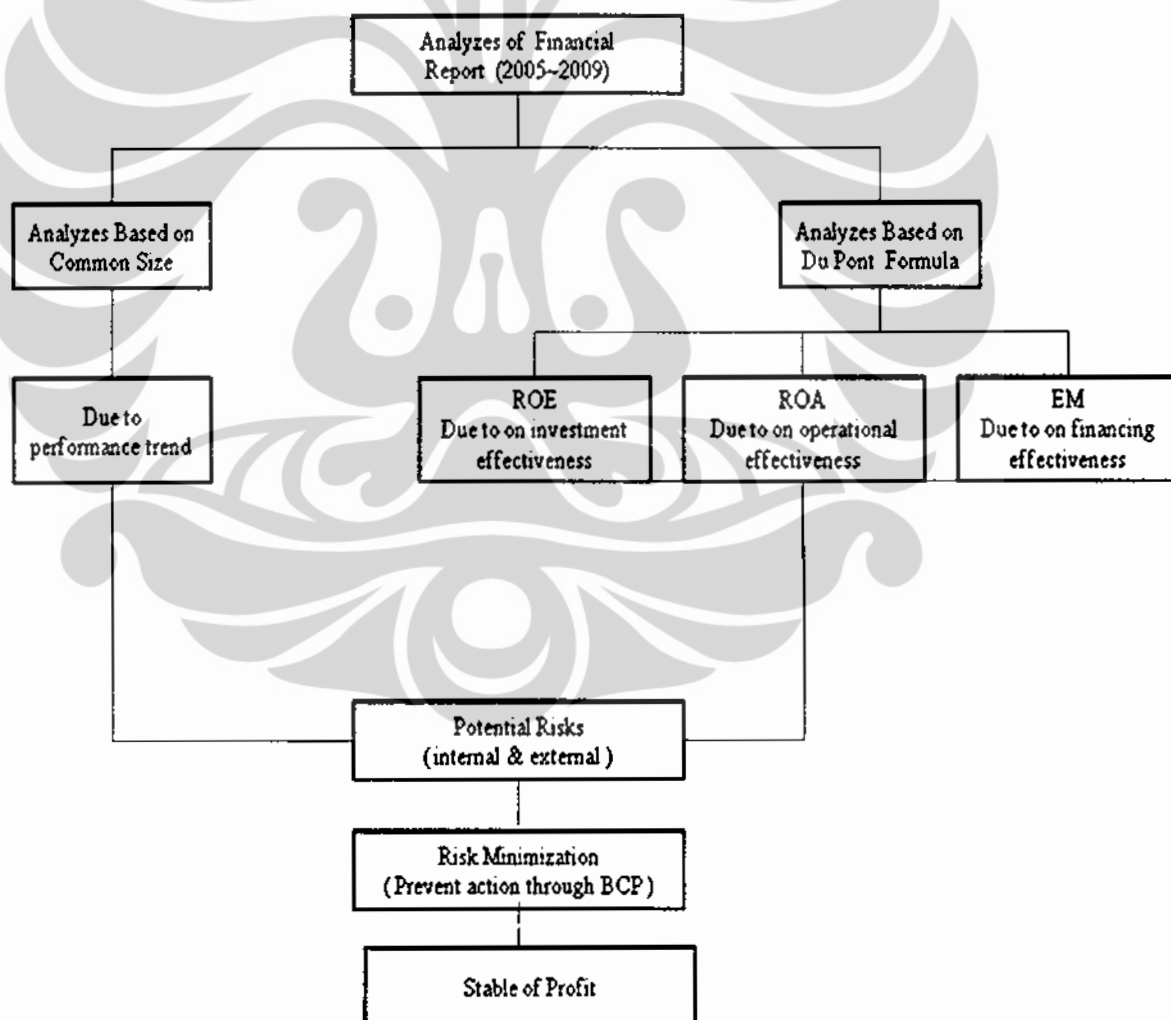
Scientific way is meant to use a rational approach, empirical and systematic. Rational approach, according to Indonesian dictionary is defined as something which logical thought and consideration, or according to a healthy mind or intellect matches. Empirical approach means a state that relies on evidence or consequences that observed by the senses. Empirical data means data generated from experiments or observation . In statistics, the quantity of "empirical" means the values derived from observation or experiment. While the definition of systematic is systematically organized according to the system, using the system; and well regulated. So a research should be based on logical thought, states through observation or experiment and should be well organized.

It should have a logical, empirical and systematic are the object of research data. In this study, the writer use logically approach, which conducted by analyzing the financial report of PT. Indofood Sukses Makmur Tbk, also by conducting field observations (empirical) and carried out systematically, both within the framework of thinking, conducting research or writing about research results. Framework of thinking for this research are:

- (a) Begins with analyzing the financial statements Indofood Sukses Makmur Tbk for five years consecutively (from year 2005 up to 2009), for knowing the general financial performance of the company.
- (b) Perform analysis of financial ratios on the income statement and balance sheet conditions to examine the effectiveness of the company's performance during the period of five years.

- (c) The next step is to analyze the financial performance of PT. Indofood Sukses Makmur by calculating into the formula of Du Pont. At this stage the writer wanted to know the effectiveness of operations, assets and equity are done by the company management.
- (d) After knowing the results of Du Pont analysis, the writer incorporates these results to the concept of BCP (Business Continuity Planning). Where in the concept, the author wants to know the minimum performance limits that must be done by the company management in order to remain viable in the business world.

For details flowchart of the framework of thinking, could be seen at figure 2.2



**Figure 2.2 Framework of Thinking**

## CHAPTER 3

### COMPANY OVERVIEWS

From simple beginnings as an instant noodle producer, Indofood has been progressively transformed to become a Total Food Solutions company with operations in all stages of food manufacturing from the production of raw materials and their processing through to consumer products on the retailer's shelf. A leader within its industry in Indonesia, an extensive distribution system supports the position of the company's products as household names in every part of the country.

#### **3.1 Strategic Business Unit of PT. Indofood Sukses Makmur Tbk**

The Company operates Strategic Business Groups :

*Consumer Branded Products (CBP)*, the producer of a range of packaged foods under a number of divisions including Noodles, Food Seasonings, Snack Foods, Nutrition & Special Foods and Biscuit. With the acquisition of PT Indolakto (Indolakto) during 2008, the Dairy Division becomes the latest addition to the group, providing a strong presence in this strongly growing market. CBP Group is supported by the Food Ingredients and Packaging Divisions.

*Bogasari*, primarily a producer of flour as well as pasta. The group is supported by a shipping unit.

*Agribusiness*, principal activities range from research and development, oil palm seed breeding and cultivation as well as refining, branding and marketing of cooking oils, margarine and shortening. In addition, the group is also involve in the cultivation and processing of rubber, sugar cane, cocoa and tea.

*Distribution*, boasts the most extensive distribution network in Indonesia. It distributes the majority of the Company's consumer products as well as third party products.

#### **3.2 Shareholding Structure**

Based on Y2009 Financial Report, the shareholding structure of PT. Indofood Sukses Makmur as explained at table 3.1.

**Table 3.1 Shareholding Structure of PT. Indofood Sukses Makmur Tbk as of December 2009**

Name of Shareholders	2009	
	Total Shares Issued and Fully Paid	Percentage of Ownership
<b>CAB Holdings Limited</b>	4,394,603,450	50.05%
<b>Directors &amp; Commissioners</b>	3,898,300	0.05%
<b>Public (with ownership interest below 5%)</b>	4,381,924,750	49.9%
<b>Total</b>	<b>8,780,426,500</b>	<b>100.00%</b>

Source : Y2009 Financial Statement of PT. Indofood Sukses Makmur Tbk

### 3.3 The Management

PT. Indofood Management is consisted of Board of Directors and Board of Commissioners as seen at figure 3.1.

**Table 3.2 Management Structure of PT. Indofood Sukses Makmur Tbk**

Name	Division	Name	Division
Taufik Wiraatmadja	Noodles	Thomas Tjhie	Treasury
Aswan Tukiaty	Packaging	Rusmin Kasim	
Abraham George		Hendra Widjaja	Controller
Axton Salim	Dairy	Axton Salim	Central Marketing
Sulianto Pratama	Food Seasonings	Stefanus Indrayana	
Suaimi Suriady	Snack Foods	Jonathan A. Rahardjo	Corporate Purchasing
Robert Arifin	Nutrition & Special Foods	Alexander A. Aditio	
Franciscus Welirang	Bogasari	Werianty Setiawan	Investor Relations & Corporate Secretary
Peter Kradolfer		Eri Pramono	Human Resources & Public Relations
Mark Julian Wakeford	Agribusiness	Aydawati Wijaya	Legal
Paulus Moleonoto		Arnin W. Tunggal	Corporate Internal Audit
Joedianto SP	Distribution	Suaimi Suriady	Research and Development
Taufik Wiraatmadja	International	Daniel Yahya	Information Technology
Kevin Sietho			

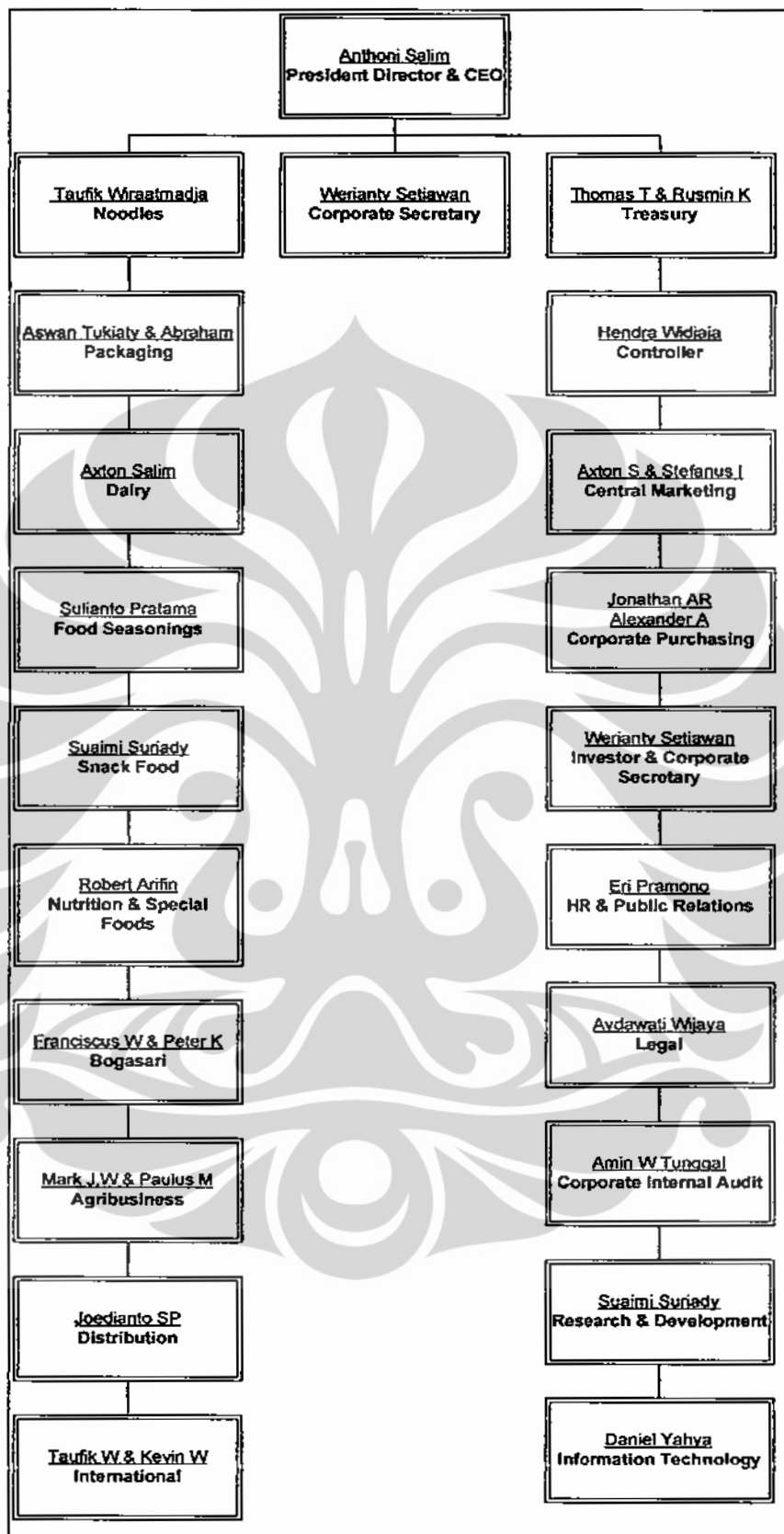


Figure 3.1 Management Structure of PT. Indofood Sukses Makmur Tbk

### 3.4 Brands and Products

#### 3.4.1 Consumer Branded Product

Consumer Branded Products Group now comprises of five divisions, namely Noodles, Food Seasonings, Snack Foods, Nutrition & Special Foods and Biscuit. In its operation, the Group is supported by the Food Ingredients, Packaging and International divisions.

The group produces high quality and innovative products, which are preferred by, and affordable to consumer across the archipelago. Indofood brands are among leaders in the marketplace, trusted by millions of consumer for high quality, good taste and great value.

##### 3.4.1.1 Noodles

As one of the world's largest instant noodle producers, Indofood's Noodles Division continues to be in the forefront in the instant noodle industry in Indonesia, renowned for producing high quality, good tasting and value for money products. Our established brands - **Indomie, Supermi, Sarimi, Sakura, Pop Mie** and **Mi Telur Cap 3 Ayam** cater to consumers from all walks of life and command a high degree of customer trust and loyalty

##### 3.4.1.2 Dairy

The Dairy Division is the latest addition to the Consumer Branded Products Group through the acquisition of PT Indolakto (Indolakto) in late December 2008. Indolakto is one of the largest producers of dairy products in Indonesia, including sweetened condensed, liquid (Ultra High Temperature or UHT, sterilized bottled, pasteurized) and powder milk. In addition, Indolakto also produces ice cream, yoghurt drinks and butter. Indolakto brands include Indomilk, Cap Enaak, Tiga Sapi, Orchid Butter and Indoeskrim, all leading brands in the market with significant market shares. Consumers recognize Indolakto brands for their excellent taste and quality. Indomilk, the flagship brand, has been present in Indonesia for more than four decades. Indolakto has three milk processing facilities and one ice cream processing facility, located in Jakarta, West and East Java (Figure 3.3)

Universitas Indonesia

### **3.4.1.3 Food Seasonings**

The Food Seasonings Division now operates under PT Indofood CBP Sukses Makmur. The division manufactures a wide range of culinary products under Indofood brands. The marketing for the culinary products is handled by PT Nestlé Indofood Citarasa Indonesia (NICI), a joint venture company with Nestlé. The division also produces and markets syrup under Indofood brand, renowned for its freshness, aroma and excellent taste.

### **3.4.1.4 Snack Foods**

Snack Foods division operates under PT Indofood Fritolay Makmur, a joint venture company with Pepsico. This division produces and markets western-style snack foods under leading brands, such as Chitato, Lays, Cheetos, Chiki and JetZ. In 2007 the division made a successful breakthrough into the traditional snack market through the launch of Qtela, flavored cassava chips packaged in a modern packaging ensuring product freshness and hygiene.

### **3.4.1.5 Nutrition**

The Nutrition & Special Foods Division now operates under PT Indofood CBP Sukses Makmur. This division produces foods for babies, children and expectant mothers under two major brands, Promina and SUN. In 2006 the division introduced SUN MP ASI in sachets to address the needs of the low-end segment for quality baby foods at affordable price.

### **3.4.1.6 Packaging**

The Packaging Division now operates under PT Indofood CBP Sukses Makmur for flexible packaging and PT Surya Rengo Containers for corrugated packaging. The division supplies the requirements of Indofood's operating division and ensures quality and timeliness and thereby a stable supply chain. In addition, the division also caters to third-party customers domestically and internationally.

### **3.4.1.7 International**

International Operations Division is the export arm of Indofood's branded products that covers sales and marketing activities to international markets.

This division exports instant noodles, baby foods, sauce and instant seasonings, pasta and flour to many countries such as Australia, Hongkong, Netherlands, USA and New Zealand.

### **3.4.2 Bogasari**

Bogasari has been a major force in the Indonesian food industry for more than three decades. It is not only the largest integrated flour miller in Indonesia but is also the largest installation of its type in a single location anywhere in the world. Bogasari's two flour mills are in Jakarta and Surabaya.

In its operation, the group is supported by shipping operation with five vessels - 2 of the panamax type and 3 of the handymax type. These are used partly to transport wheat from both the southern and northern hemispheres. In addition, the group also operates a textile facility, producing polypropylene bags for our flour.

Bogasari produced variety of wheat flour for different purposes under prominent brands, among others Segitiga Biru, Kunci Biru, and Cakra Kembar. Bogasari brands symbolized quality and are the preferred brands for both industrial customers and consumer.

Bogasari is also the largest pasta producer, not only in Indonesia but also in South East Asia. In Indonesia, Bogasari's pasta is marketed under La Fonte brand, the market leader for pasta, renowned for its quality and excellent taste. Bogasari also exports its pasta products to various countries, including the Philippines, Korea and Japan.

### **3.4.3 Agribusiness**

The Agribusiness Group operates under PT Salim Ivomas Pratama, a private company and PT PP London Sumatra Indonesia Tbk, a public listed company in Indonesia Stock Exchange. Both companies are subsidiaries of Indofood Agri Resources Ltd., a public listed company on the Singapore Stock Exchange.



Agribusiness Group is a vertically integrated operation possessing a number of leading brands derived from palm oil. Its operations cover the whole value chain from research and development, oil palm seed breeding and cultivation to milling, refining, branding and marketing of cooking oil, margarine, shortening and other palm oil derivative products. In addition, the group also engages in rubber, cocoa and tea plantations. Within the Agribusiness Group there are three operational divisions namely Plantations, Cooking Oils ( Bimoli, Simas, Palmia and Happy Salad Oil ) & Fats and Commodities (coconut oils).

#### **3.4.4 Distribution**

Indofood's Distribution Group has the most extensive distribution network in Indonesia, penetrating to virtually every corner of the archipelago. In addition to Indofood's own products, the group also distributes third-party products as well. The number of stock points has been expanded aggressively since 2005, providing wider and deeper penetration through efficient supply and delivery chains. Stock points are located in areas with a high density of retail outlets, including traditional markets, allowing each stock point to serve a closely defined geographical area in the shortest time possible.

#### **3.5 Vision, Mission and Credo**

PT. Indofood Sukses Makmur Tbk **vision** :

*"To Become a Total Food Solutions Company"*

PT. Indofood Sukses Makmur Tbk **mission** :

- To continuously improve our people, our processes and our technology
- To produce high quality, innovative, and affordable products which are preferred by customers
- To ensure availability of our products to customers domestically and internationally
- To contribute to the improvement of the quality of life of Indonesians with emphasis on nutrition
- To continuously improve stakeholders' value

### 3.6 PT. Indofood Sukses Makmur Tbk History

2010	Completed the internal restructuring of Consumer Branded Product (CBP) Group with the transfer of shares of subsidiaries within CBP Group with ownership less than 100% including PT Surya Rengo Containers (Corrugated Packaging), PT Nestlé Indofood Citarasa Indonesia (Marketing Culinary Products), Indofood (M) Food Industries Sdn Bhd (Noodle Operation in Malaysia), PT Indofood Fritolay Makmur (Snack Foods) and Drayton Pte. Ltd. (Dairy), to PT Indofood CBP Sukses Makmur (ICBP).
2009	<ul style="list-style-type: none"> <li>• Issued Rp1.6 trillion Bond Series V.</li> <li>• Spun off noodle and food ingredient business to become ICBP.</li> <li>• Agribusiness Group issued Rp452 billion Bond Series I and Rp278 billion Islamic Bond I.</li> <li>• Merged all wholly owned subsidiaries within the CBP Group including PT Gizindo Prima Nusantara (Nutrition &amp; Special Foods), PT Indosentra Pelangi (Food Seasonings), PT Cipta Kemas Abadi (Flexible Packaging) and PT Indobiskuit Mandiri Makmur (Biscuit) into ICBP.</li> </ul>
2008	<ul style="list-style-type: none"> <li>• Participated in the issuance of new PT Lajuperdana Indah shares and held 60% ownership.</li> <li>• Reissued 251,837,500 shares of treasury stock and cancelled the remaining 663,762,500 shares of treasury stock.</li> <li>• Acquired 100% shares in Drayton Pte. Ltd. which effectively owns 68.57% of shares in PT Indolakto, a leading dairy company.</li> <li>• Acquired 100% shares of plantation companies with bulking</li> </ul>

	facility.
2007	<ul style="list-style-type: none"> <li>• Listed the Agribusiness Group in the Singapore Stock Exchange and placed new shares.</li> <li>• Issued Rp2 trillion Bond Series IV.</li> <li>• Acquired 60% stake in plantation companies of Rascal Holding Limited.</li> <li>• Participated in the issuance of new PT Mitra Inti Sejati Plantation shares and held 70% ownership.</li> <li>• Acquired 64.41% equity stake in PT PP London Sumatra Indonesia Tbk.</li> </ul>
2006	<ul style="list-style-type: none"> <li><input type="checkbox"/> Early redemption of Eurobonds of US\$143.7 million.</li> <li><input type="checkbox"/> Acquired 55.0% equity in shipping company Pacsari Pte. Ltd.</li> <li><input type="checkbox"/> Acquired additional plantation companies in West Kalimantan.</li> </ul>
2005	<ul style="list-style-type: none"> <li>• Established a joint venture company with Nestlé.</li> <li>• Acquired plantation companies in West Kalimantan.</li> <li>• Acquired Convertible Bonds issued by a shipping company, equivalent to 90.9% of equity.</li> </ul>
2004	<ul style="list-style-type: none"> <li><input type="checkbox"/> Implemented ESOP stage III, involving 919.5 thousand shares.</li> <li><input type="checkbox"/> Issued Rp1 trillion Bond Series III.</li> <li>• Acquired 60% holding in a corrugated cardboard company.</li> </ul>
2003	<ul style="list-style-type: none"> <li><input type="checkbox"/> Implemented the second stage of ESOP, involving 58.4 million shares.</li> <li><input type="checkbox"/> Issued Rp1.5 trillion Bond Series II.</li> </ul>
2002	<ul style="list-style-type: none"> <li>• Implemented the first stage of ESOP, involving 228.9 million shares.</li> <li>• Bought back 915.6 million shares.</li> <li>• Issued US\$280 million Eurobonds</li> </ul>

2001	Obtained approval for a share buy-back scheme and the launch of an Employee Stock Ownership Plan (ESOP).
2000	<ul style="list-style-type: none"> <li>• Performed a 1:5 stock split.</li> <li>• Issued Rp1 trillion Bond Series I.</li> </ul>
1997	<ul style="list-style-type: none"> <li>□ Acquired 80% equity stake in plantations, agribusiness and distribution companies.</li> <li>□ Conducted a 1:5 rights issue with additional total shares of 305.2 million shares</li> </ul>
1996	Performed a 1:2 stock split
1995	Acquired Bogasari flour mill.
1994	<ul style="list-style-type: none"> <li>• Changed its name to PT Indofood Sukses Makmur.</li> <li>• Initial Public Offering of 763 million shares at Rp1,000 par value per share, listing on the Indonesia Stock Exchange.</li> </ul>
1990	Incorporated as PT Panganjaya Intikusuma.

Source : Annual report Y2009 PT. Indofood Sukses Makmur Tbk

### 3.7 Noodles Industry

#### 3.7.1 Background

According to the Indonesia Commercial Newsletter (ICN) in 2009, the impact of the global financial crisis served a big blow to the country's manufacturing sector including instant noodles industry. The condition was worse for instant noodles industry with the soaring price of the basic material, wheat flour, in 2008 to follow the fuel price hike.

In addition, the soaring prices of commodities in international market pushed up the inflation rate weakening the purchasing power of the general consumers. As a result demand for food products including instant noodles declined notably in the lower segment of the market. A number of producers of instant noodles for lower market segment were forced to suspend or stop operation with the rising price of wheat flour the main basic material of instant noodles (ICN).

Demands for instant noodles from the middle and higher market segments also scarcely grew resulting in sharp competition. The competition, however, has remained fair and healthy. There is no more price war between the country's

**Universitas Indonesia**

largest instant noodles producers – the Indofood Group and the Wings Group like in previous three years. All producers decided to raise their selling prices to follow the rise in production cost.

The sharp market competition in the market of instant noodles, has resulted in cut in the market share of the Indofood Group through PT. Indofood Sukses Makmur with the market control by the brand of Indomie slashing to 77% from 90% earlier. This followed the appearance of a major competitor PT. Prakarsa Alam Segar (Group Wingsfood) with product of Mie Sedaap that has grabbed a substantial share at the expense of the Indofood Group. Currently Wingsfood has a market share of 12% (ICN).

In the past five years the market of instant noodles in the country has been virtually a battle ground for Indomie (Indofood Group) and Mie Sedaap (Wings Group), both controlling 89% of the market in Indonesia. A number of other players split the remaining 11%.

Despite the global crisis, the country's instant noodles production grew 6.9% to 1,544,072 tons in 2008 from 1,443,686 tons in the previous year. Instant noodles industry has a large market value in Indonesia, estimated at Rp15 trillion in 2008. The market value could still increase as the country with a 225 million population provide a highly potential market with a per capita consumption of only 63 packets a year – still below South Korea's per capital consumption of 70 packets a year (ICN)

The potential market in the country has attracted investors other than the Indofood Group and Wings Group. Other brands like Mie Gaga, Mie 100 (Mie Cepek) produced by PT. JakaranaTama, have begun to gain market foothold (ICN 2009)

### **3.7.2. Production Capacity and Producers**

According to Indonesian Commercial Newsletter (ICN) in 2009 production capacity up. In general, the country's production capacity for instant noodles in the past five years has recorded an average growth of 18.6% per year. A sharp growth of 72.6% was recorded in the production capacity to 1,691,588 tons in

2006 from only 979,628 tons in 2004, boosted by a surge in demand for instant noodles in 2005.

The increase in capacity came with capacity expansion made by a number of producers such as the producers of ABC, Mie Gaga, Salam Mi, Alhami and the Indofood Group with its brands of Indomie, Supermie and Sarimi. In 2006, there was no capacity expansion as the existing production capacity was considered enough to meet the market demand (ICN).

In 2007, the production capacity grew 1% only to around 1,708,504 tons per year. The increase followed the expansion by PT. Indofood Sukses Makmur. Around Rp 400 billion of the capital spending of the company in 2007 was for expansion of production capacity by 1 billion packets of instant noodles. Until end of 2006, the company had an installed production capacity of 13.5 billion and it was raised to 14.5 billion packets in 2007 (ICN).

After the global economic slow down in mid 2008, a number of producers stopped production especially among the producers for instant noodles for the plower segment of the market. The setback suffered by the small producers , however, had only minor affect on the country's production of instant noodles. The country's production capacity for instant noodles still grew though slightly by 0.9% to 1,725,589 tons per year (ICN).

The production capacity of instant noodles is expected to increase in 2009 with the improving trend of the economic condition. The capacity is forecast to rise to 1,880,892 tons in 2009 or an increase of 8.9% from last year. The Indofood Group as the largest producer of instant noodles plans to expand its production capacity for which it plans to issue bonds.

### **Producers and Their Production Capacities**

According to Indonesian Commercial Newsletter (ICN) in 2009, the country has 20 large and small producers of instant noodles, packed dry noodles already mixed with spices. Instant noodles industry has expanded in the country since 1969 with the pioneer PT Supermie Indonesia which started operation that year.

### 3.7.2.1 The Indofood Group

In 1979, PT Sarimi Asli Jaya was established as a food and consumer product division of the Salim Group in the wheat flour manufacturing sector. The company which produced instant noodles with the brand of Sarimi made no much headway in the market in the first years of its operations.

Instant noodles industry began rapid growth after the Salim Group, with its subsidiary PT Sanmaru Food Manufacturers Co. Ltd. agreed on a swap share with the the Jangkar Sakti Group, the producer of Indomie instant noodles brand. The brand began to attract the market and gain popularity. After the take over of PT Supermi Indonesia in 1986, the Salim Group became to dominate the market of instant noodles in the country.

A subsidiary of the Salim Group established in 1990, PT Panganjaya Inti Kusuma, was renamed PT Indofood Sukses Makmur (ISM) early February 1994. This company became the embryo of the Indofood Group, which is a sub-group of the Salim Group. ISM was a merger of 18 companies including those of the division of food manufacturing sector of the Salim Group and the subsidiaries of ISM. The 18 companies included six which produced instant noodles PT Sanmaru, PT Pangan Jaya Abadi, PT Karyapangan Inti Sejati, PT Lambang Insan Makmur and PT Sari-mie Asli Jaya. A number of instant noodles products of Indofood in the market include the brands Indomie, Supermie, Sarimie and Pop Mie.

In 1994, ISM launched initial public offering (IPO) offering 21 million units of share valued at Rp 21 billion that its issued capital grew from Rp742 billion to Rp 763 billion. The shareholders of ISM included Cab Holding Ltd (46.53%), other (9.6%) and the public (43.78%)

Its installed production capacity was 15 billion packets per year in 2008 , up from 14.5 billion packets per year in the previous year. Its capacity utilization was 80% in 2008. ISM is the largest producer of instant noodlest in Indonesia , even in Southeast Asia.

Currently ISM has 16 factories up from 14 units earlier located in Java, Sumatra, Kalimantan and Sulawesi. The company also has production facilities for spices to support its instant noodles industry. The factories, all located in Java

are run by PT. Indosentra Pelangi. In addition, ISM also has two wheat processing factories in Jakarta and Surabaya - under PT ISM Bogasari and 1 factory to produce wheat flour sacks in Citereup. Currently, the production capacity of Indofood with 8 units of installed production machines is 3,500 carton boxes of 40 packets per machine per shift. A day is made in three shifts that its daily production averages 3,360,000 packets.

ISM's net sales of instant noodles in 2008 grew 29% to Rp 10.90 trillion from Rp 8.44 trillion in the previous year. Its sales volume grew 7.3% from 21.10 billion packets in 2007 to 22.98 billion packets in 2008. The company exports around 2% of its instant noodles production to more than 50 countries in the world.

### 3.7.2.2 Nissin Mas

PT. Nissin Mas is a foreign investment (PMA) company established by Roda Mas and Nissin Food Product Co. Ltd. of Japan in 1992 with a capacity 16,000 tons per year and an investment of US\$ 10 million. Nissin is one of the largest producers of instant noodles in Japan. Nissin Food of Japan is the first in the world producing instant noodles product of cup noodles in 1971. Roda Mas is known more as a producer of sheet glass.

PT. Nissin Mas made a new big step by producing instant noodles in bowl or bowl noodles with the brand of "Noodles". Noodles is also served as one touch cooking, that consumers do not need to open the sack of spices as the spices are already mixed ready for consumption. In cup noodles market, Nissin Mas competed against ISM with its product of Pop Mie (ICN 2009).

In July, 1996, ISM formed a strategic alliance with Nissin Food Product Co. Ltd., the largest producer of instant noodles in Japan and Nissho Iwai Corporation, a leading trading company in Japan.

The three companies strengthened PT Nissin Mas in capital with Indofood to have 49% stake and Nissin 49% and Nissho Iwai 2% (ICN 2009).



### 3.7.2.3 PT ABC

PT ABC President, a PMA company, previously known as a producer of food and beverage products (sauce, ketchup, etc.). This company is a joint venture between PT Aneka Bina Cipta (62%), with Nan Gai Investment Co. Ltd. from Hong Kong (35%) and Yeuan Yeou Enterprises Co. Ltd. from Taiwan (3%).

In 1993, ABC President produced instant noodles with a production capacity of 48,000 tons per year. Its product for the middle segment of the market uses the brands of ABC and President, and one for lower market segment is Top Rame (ICN 2009).

PT Jakarana Tama, which is located in Bogor produces instant noodles with the brand of Michiyo. This product succeeded in grabbing a share in the higher segment of the market not yet covered by Indomie. Later, however, the market segment was also entered by products in various brands of Indofood. Its marketing is helped by a distributor PT Wicaksana Overseas Internasional. This company is quite successful in launching Gaga 100 (ICN 2009).

PT.Dellifood Sentosa Corporation produces Miduo in larger packet containing two packages of 102 grams compared with the normal packet of 75 grams. PT Nestle, which is known as a producer of powdered milk cooperates with PT Supmi Sakti to produce instant noodles with the brand of Maggi Mi. PT Barokah Inkopontren in Bekasi, West Java produces instant noodlest with the brand of Barokah. The company started producing instant noodles in 1999, with an investment of Rp 24.9 billion and a capacity of 7,200 tons per year (ICN 2009).

### 3.7.2.4 Wings Group

According to Indonesian Commercial Newsletter in 2009, the Group Wings which is based in the East Java capital of Surabaya, is better known as a producer of laundry soap with the brand of Wings Biru. The company group expand operaiton to the instant noodles industry as it wants to have a shar in the growing business.

The group started business in instant noodles industry early 2003 through its subsidiary Wingsfood. It entered the market with a big bang launching its product of Mie Sedaap. It was a successful start.

Wingsfood has two subsidiaries PT Karunia Alam Segar (KAS) and PT. Prakarsa Alam Segar (PAS) – with a total production capacity of around 202,000 tons per year. KAS, which is located in Gresik, East Java, serves as the production base for eastern Indonesian market and PAS in Bekasi, West Java, for the western Indonesian market.

Wingsfood has succeeded in challenging the domination of Indofood in instant noodles market in the country. The distribution of Mie Sedaap is handled by PT. Sayap Mas Utama,

#### **3.7.2.5 PT Olagafood**

According to Indonesian Commercial Newsletter in 2009, PT Olagafood food and beverage producer was established in 1997 in Medan, North Sumatra. In the beginning the company operated in the production of canned coconut milk which is exported to mainly to Taiwan. The company started expansion to instant noodles industry using the brand of Alhami in 12 taste variants, Alhami products are sold in two types Alhami regular and Alhami 100.

In 2001, Olagafood expanded by producing new variant with the brand of Santremie, Later it produced instant noodles especially for vegetarians with the brand of Hola Hole and Mikka. In 2006, it also produced another brand of Alimi. Olagafood diversified products by producing soybean ketchup to flavor its instant noodles products. Its ketchup product entered the market with the brand of Gurumasak (ICN 2009).

Olagafood has increased its production capacity to reach 57,600 tons per year in 2009 from 36,000 tons per year earlier. The expansion of the capacity is to meet growing market demand mainly in North Sumatra and Nanggroe Aceh Darussalam. The company continued innovation by improving the quality of its products to expand its market beyond the northern part of Sumatra (ICN 2009).

### 3.7.2.6 PT Tiga Pilar Sejahtera Food Tbk

According to Indonesian Commercial Newsletter (ICN) in 2009 PT. Tiga Pilar Sejahtera (TPS) was established in 1992 by the family of Tan Pia Sioe. This company operated in noodles processing industry. In the beginning in 1959, the late Tan Pia Sioe established a family business producing corn noodles under a company named Bihun Cap Cangak Ular in Sukoharjo, Central Java.

In 2002, TPS acquired PT. Asia Inti Selera which had operated in the production of instant noodles since 1985. The company has factories located in Sragen of Central Java, Jakarta and Lampung, TPS produces various types of food products including Mie Telor which is noodles mixed with eggs, instant noodles, Mie Snack, rice noodles, instant rice noodles, corn noodles, biscuit, candy, flavors, etc. In 2003, went public selling part of its shares on the Jakarta Stock Exchange now Indonesian Stock Exchange. Currently PT TPS has a production capacity of around 72,000 tons of instant noodles per year (ICN 2009).

TPS also plans to launch rights issue hoping to raise Rp327.29 billion in fresh fund. The fund is needed to acquire three companies in a bid to expand operation to food sector other than dry noodles (ICN 2009).

TPS acquired PT Poly Meditra Indonesia, a producer biscuit, wafer and candies. The company acquired the company at a cost of Rp 145 billion. It also has acquired 99.9% of PT Bumi Raya Investindo valued at Rp 139 billion. PT. Bumi Raya Investindo operates in oil palm plantation and palm oil production in South Kalimantan Selatan, In 2010, TPS hopes to increase the processing capacity of its palm oil factory to 60 tons of fresh fruit bunches an hour (ICN 2009).

## CHAPTER 4

### ANALYSIS AND DISCUSSION

In the previous chapter (chapter two), the writer have mentioned the method of research on how to analyze the financial condition of PT. Indofood. The analysis procedure will be based on the framework of thinking (figure 2.2).

#### 4.1 Analysis

PT. Indofood Sukses Makmur have been operating since 1990's ( back then it was PT. Panganjaya Intikusuma) to be part of Indonesia's food industry ( wheat, noodle, snack, seasonings and etc). Despite of the global crisis and new competitors arising, PT. Indofood Makmur (PT. Indofood) still have the edge to monopolize domestic and international capital market.

Since registered at the stock market exchange in 1994 until now, PT. Indofood expanded their business assets in plantation and agribusiness. Indonesia stock market inform that PT. Indofood is a law-abiding company and follow the regulation of investment capital which can be overlook from annual financial report, organization's structure, capital and other regulations from capital investment.

From this section, researcher would like to make an analysis report from their balance sheet and consolidation report with the condition from 2005 until 2009. The objective is to see the trend and their financial consistency.

##### 4.1.1 Analysis Consolidated Balance Sheets

Inside the balance sheets, there should be balance between total assets and total liabilities, minority interests, shareholders' equity.

$$\text{Current Assets} + \text{Non-Current Assets} = \text{Current Liabilities} + \text{Good Will} + \text{Minority Interest} + \text{Net Shareholders' Equity} \quad (4.1)$$

#### 4.1.1.1 Total Assets

Assets in the consolidated balance sheets are :

- a. **Current assets** are cash and cash equivalents, short-term investments, accounts receivable, inventories-net, advances and deposits, prepaid taxes, future cane crop expenditure, prepaid expenses and other current assets.

The table indicate the performance of total current assets over the last five years, as shown in table 4.1 below

**Table 4.1 Performance of Current Assets at PT.Indofood Sukses Makmur Tbk**

*(Unit: millions rupiah)*

Balance Sheets	2005	2006	2007	2008	2009
<b>Current Assets</b>	6,480,788	7,474,205	11,766,665	14,323,261	12,954,813
<i>Gap</i>		993,417	4,292,460	2,556,596	(1,368,448)
<i>Trend</i>		15.33%	57.43%	21.73%	-9.55%

Source : Financial report PT Indofood Sukses Makmur Tbk ( processed excel data )

Current assets PT. Indofood show a significant escalation but degrading at year 2009 in the amount of Rp 12.954.813.000.000 or trend slope down to 9.55%. Degradation caused by short-term investments and account receivable. Highest escalation happened in the year 2007 and degradation happened in the year 2009.

- b. **Non-current assets** include claims for tax refund, plasma receivable-net, deferred tax assets-net, long-term investments and adavances for purchase of investments plantations, net of accumulated depreciation, deferred charges-net, goodwill-net, intangible assets-net, other non-current assets.

Performance of non-current assets at PT. Indofood in the last five years is in table 4.2

**Table 4.2 Performance of Non-Current Assets at PT. Indofood Sukses Makmur Tbk**

(Unit: millions rupiah)

Balance Sheets	2005	2006	2007	2008	2009
<b>Non-Current Assets</b>	8,378,415	8,793,278	17,760,801	25,268,048	27,428,140
<i>Gap</i>		414,863	8,967,523	7,507,247	2,160,092
<i>Trend</i>		4.95%	101.98%	42.27%	8.55%

Source : Financial report PT Indofood Sukses Makmur Tbk ( processed excel data )

Non-current assets showing a constant escalation each year. Highest escalation happened in year 2007 and lowest escalation happened in year 2006. In year 2009 the amount of escalation up to 2.160.092.000.000 or trend arise approximately 8.55%.

**c. Total Assets**

Total current assets and non-current assets PT. Indofood for the last five years is shown in table 4.3

**Table 4.3 Performance of Total Assets at PT.Indofood Sukses Makmur Tbk**

(Unit: millions rupiah)

Balance Sheets	2005	2006	2007	2008	2009
<b>Total Assets</b>	14,859,203	16,267,483	29,527,466	39,591,309	40,382,953
<i>Gap</i>		1,408,280	13,259,983	10,063,843	791,644
<i>Trend</i>		9.48%	81.51%	34.08%	2.00%

Source : Financial report PT Indofood Sukses Makmur Tbk ( processed excel data )

Total current assets in the last five years indicate an escalation which the trend is showing up too. Despite in year 2009 only escalate 2% (trend). The increase mainly due to increase in capital expenditure in the form of new planting and capacity expansion. At the same time inventories declined as a result of lower commodity prices.

#### 4.1.1.2 Total Liabilities

Total Liabilities PT. Indofood consist of current liabilities and non-current liabilities, which are :

##### a. Current Liabilities

Current liabilities at PT. Indofood include short-term bank loans and overdraft, trust receipt payable, accrued expenses, taxes payable, current maturities of long-term debts bank loans. Details of current liabilities are shown in table 4.4

Different for the assets, if the company indicate escalation on assets, it will bring positive effect. However, if escalate on liabilities, it shows negative side.

**Tabel 4.4 Performance of Current Liabilities at PT.Indofood Sukses Makmur Tbk**

(Unit: millions rupiah)

Balance Sheets	2005	2006	2007	2008	2009
<b>Current Liabilities</b>	4,422,588	6,324,301	12,776,365	16,262,161	11,158,962
<i>Gap</i>		1,901,713	6,452,064	3,485,796	(5,103,199)
<i>Trend</i>		43.00%	102.02%	27.28%	-31.38%

Source : Financial report PT Indofood Sukses Makmur Tbk ( processed excel data )

From the table, drawing conclusion that degradation happened in year 2009 up to 5.103.199.000.000 or trend is down to 31.38%. In the last five years, highest escalation is Rp 6.452.064.000.000 or 102.02%. The company's total funded debt amounted to Rp 17,28 trillion in 2009, down from Rp 18,58 trillion in 2008. The decrease was mainly attributable to lower trust receipts payable for wheat importation.

##### b. Non-Current Liabilities

Non-current liabilities PT. Indofood include long-term debts – net of current maturities, plasma payables-net, deferred tax liabilities-net,

**Universitas Indonesia**

estimated liabilities for employee benefits, and other non-current liabilities.

**Tabel 4.5 Performance of Non-Current Liabilities at PT.Indofood Sukses Makmur Tbk**

(Unit: millions rupiah)

Balance Sheets	2005	2006	2007	2008	2009
<b>Non-Current Liabilities</b>	5,636,769	4,247,694	5,899,543	10,170,208	13,727,819
<i>Gap</i>		(1,389,075)	1,651,849	4,270,665	3,557,611
<i>Trend</i>		-24.64%	38.89%	72.39%	34.98%

Source : Financial report PT Indofood Sukses Makmur Tbk ( processed excel data )

Data on table 4.5 show that non-current liabilities PT. Indofood over the last five years is escalating, despite degradation in year 2006. Highest escalation happened in 2008 up to Rp 4.270.665.000.000 or 72.39% while in 2009 increase up to Rp 3.557.611.000 or 34.98%.

#### 4.1.1.3 Good Will

Good will include intangible assets on aquisition. It can be strong brand, reputation or high morality of the employee. Good will can be categorized as a competitive advantage.

**Tabel 4.6 Performance of Good Will at PT.Indofood Sukses Makmur Tbk**

(Unit: millions rupiah)

Balance Sheets	2005	2006	2007	2008	2009
<b>Good Will - net</b>	3,490	3,312	3,134	-	-

Source : Financial report PT Indofood Sukses Makmur Tbk ( processed excel data )

In the year 2005, PT. Indofood joint venture with PT. Nestle and then in the year 2006 and 2007 done another acquisition on plantation at West Kalimantan.



#### 4.1.1.4 Minority Interest

Minority Interest is rights of the minority shareholders.

**Tabel 4.7 Performance of Minority Interest at PT.Indofood Sukses Makmur Tbk**

(Unit: millions rupiah)

Balance Sheets	2005	2006	2007	2008	2009
Minority Interest	435,055	657,713	3,721,828	4,587,407	5,340,677
Gap		222,658	3,064,115	865,579	753,270
Trend		51.18%	465.87%	23.26%	16.42%

Source : Financial report PT Indofood Sukses Makmur Tbk ( processed excel data )

Over the last five years, the minority interest PT. Indofood is improving each year. Highest escalation happened in the year 2007 up to Rp 3.064.115.000.000 or 465.87% whereas in the year 2009 escalation up to 753.270.000.000 or 16.42%.

#### 4.1.1.5 Equity

Equity is about shareholders' stock

**Table 4.8 Performance of Net Equity at PT.Indofood Sukses Makmur Tbk**

(Unit: millions rupiah)

Balance Sheets	2005	2006	2007	2008	2009
Net Equity	4,361,301	5,034,463	7,126,596	8,571,533	10,155,495
Gap		673,162	2,092,133	1,444,937	1,583,962
Trend		15.43%	41.56%	20.28%	18.48%

Source : Financial report PT Indofood Sukses Makmur Tbk ( processed excel data )

From the time series of five years, the equity of PT. Indofood is increasing each year. Highest escalation happened in the year 2007 whereas in the year 2009 also increase up to Rp 1.583.962.000.000 or 18.48%. The increase mainly as a result of earnings generated in 2009.

Universitas Indonesia

#### 4.1.1.6 Total Liabilities and Equity

From Liabilities and equity over the the last five years from PT. Indofood indicate Total Liabilities.

**Table 4.9 Performance of Total liabilities and Equity at PT.Indofood Sukses Makmur Tbk**

*(Unit: millions rupiah)*

<b>Balance Sheets</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
<b>Total Liabilities and Equity</b>	4,361,301	5,707,625	9,218,729	10,016,470	11,739,457
<i>Gap</i>		1,346,324	3,511,104	797,741	1,722,987
<i>Trend</i>		30.87%	61.52%	8.65%	17.20%

Source : Financial report PT Indofood Sukses Makmur Tbk ( processed excel data )

Table 4.9 indicate the amount of total liabilities and equity for the last five years at PT. Indofood. Highest escalation happened in the year 2007 and in 2009 indicate the amount of escalation up to Rp 1.722.987.000.000 or 17.20%. Total liabilities to total shareholders' equity ratio decreased mainly due to lower funded debts. Increased coverage ratio decreased due to higher financing charges. Acquisition of Indolakto at the end of 2008 was partly financed through debt.

#### 4.1.2 Analysis Statements of Income PT. Indofood

Balance sheets statements of income PT. Indofood will be analyze from the income per year over the last five years.

##### 4.1.2.1 Gross Profit

Gross profit come from net sales deducted by cost of good sold

$$\text{Gross Profit} = \text{Net Sales} - \text{Cost Of Good Sold} \quad (4.2)$$

**Table 4.10 Performance of Gross Profit at PT.Indofood Sukses Makmur Tbk**

(Unit : millions rupiah)

STATEMENTS OF INCOME	2005	2006	2007	2008	2009
<b>NET SALES</b>	18.764.650	21.941.558	27.858.304	38.799.279	37.140.830
<i>Gap</i>		3.176.908	5.916.746	10.940.975	(1.658.449)
<i>Trend</i>		16,93%	26,97%	39,27%	-4,27%
<b>COST OF GOOD SOLD</b>	14.341.644	16.761.335	21.281.752	29.822.362	27.018.884
<i>Gap</i>		2.419.691	4.520.417	8.540.610	(2.803.478)
<i>Trend</i>		16,87%	26,97%	40,13%	-9,40%
<b>GROSS PROFIT</b>	<b>4.423.006</b>	<b>5.180.223</b>	<b>6.576.552</b>	<b>8.976.917</b>	<b>10.121.946</b>
<i>Gap</i>		757.217	1.396.329	2.400.365	1.145.029
<i>Trend</i>		17,12%	26,95%	36,50%	12,76%

Source : Financial report PT Indofood Sukses Makmur Tbk ( processed excel data )

Table 4.10 show that net sales increased despite in the year 2009 declined up to Rp 1.658.449.000.000 or 4.27%. Cost of good sold also indicated amount of increasing performance despite in the year 2009 sloping down to Rp 27.018.884.000.000 or trending down 9.40%. If cost of good sold is sloping down then it will indicate a good sign. Degradation cost of good sold happened in the year 2009. And the total of gross profit increased periodically over the last five years. The lowest escalation of gross profit happened in the year 2009 for only 12.76%.

Gros profit rose 12,76% primarily due to higher volume and lower input costs. Operating expenses increased 10,4% primarily due to higher related employee, marketing and freight & handling expenses.

#### 4.1.2.2 Income from Operations

Income from operations is gross profit deducted by the amount of total operating expenses. Operating expenses include raw material, production cost, inventory stock of good sold.

$$\text{Income from Operations} = \text{Gross Profit} - \text{Total Operating Expenses} \quad (4.3)$$

Universitas Indonesia

**Tabel 4.11 Performance Operations Income at PT.Indofood Sukses Makmur Tbk**

(Unit : millions rupiah)

INCOME STATEMENTS	2005	2006	2007	2008	2009
<b>GROSS PROFIT</b>	<b>4.423.006</b>	<b>5.180.223</b>	<b>6.576.552</b>	<b>8.976.917</b>	<b>10.121.946</b>
<i>Gap</i>		757.217	1.396.329	2.400.365	1.145.029
<i>Trend</i>		17,12%	26,95%	36,50%	12,76%
<b>TOTAL OPERATING EXPENSES</b>	<b>2.761.945</b>	<b>3.208.462</b>	<b>3.682.124</b>	<b>4.635.441</b>	<b>5.117.737</b>
<i>Gap</i>		446.517	473.662	953.317	482.296
<i>Trend</i>		16,17%	14,76%	25,89%	10,40%
<b>INCOME FROM OPERATIONS</b>	<b>1.661.061</b>	<b>1.971.761</b>	<b>2.894.428</b>	<b>4.341.476</b>	<b>5.004.209</b>
<i>Gap</i>		310.700	922.667	1.447.048	662.733
<i>Trend</i>		18,70%	46,79%	49,99%	15,27%

Source : Financial report PT Indofood Sukses Makmur Tbk ( processed excel data )

Table 4.11 show that performance of income from operations indicated slope up over the last five years. Highest performance of income from operations happened in the year 2009 up to Rp 5.004.209.000.000 or increased up to Rp 662.733.000.000 or 15.27%. Improvement in income operations was derived from all Strategic business Group except Agribusiness, where average selling prices dropped across its divisions and as lower cooking oil and coconut oil volumes were recorded.

#### 4.1.2.3 Income Before Income Tax Benefit/(Expense)

Income before income tax benefit/(expense) equal income from operations added with other incomes and deducted with other charges

$$\text{Income Before Income Tax Benefit/Expenses} = \text{Income from Operations} + \text{Other Incomes} - \text{Other Charges} \quad (4.4)$$

*Other incomes consist of :*

Foreign exchange-net, interest income, gains on foreign exchange inclusive on loss currency swap, others-net

*Others charges net consist of:*

Losses on foreign exchange, interest expense and other financing charges, losses on foreign exchange inclusive of loss currency swap, others-net.

**Table 4.12 Performance of Income Before Income Tax Benefit/Expense at PT.Indofood Sukses Makmur Tbk**

*(Unit : millions rupiah)*

INCOME STATEMENTS	2005	2006	2007	2008	2009
<b>INCOME FROM OPERATIONS</b>	1.661.061	1.971.761	2.894.428	4.341.476	5.004.209
<i>Gap</i>		310.700	922.667	1.447.048	662.733
<i>Trend</i>		18,70%	46,79%	49,99%	15,27%
<b>OTHER INCOME/(CHARGES)</b>	(1.236.740)	(750.555)	(829.199)	(1.741.653)	(940.396)
<b>INCOME BEFORE INCOME TAX BENEFIT/(EXPENSE)</b>	<b>424.321</b>	<b>1.221.206</b>	<b>2.065.229</b>	<b>2.599.823</b>	<b>4.063.813</b>
<i>Gap</i>		796.885	844.023	534.594	1.463.990
<i>Trend</i>		187,80%	69,11%	25,89%	56,31%

Source : Financial report PT Indofood Sukses Makmur Tbk ( processed excel data )

From table 4.12, you can see that other charges in the year 2009 decreased down to Rp 940.396.000.000, and it happened because at that same year PT. Indofood gains on foreign exchange for the amount of Rp 73.032.000.000 which in previous years had never receive positive effect from foreign exchange currency.

#### **4.1.2.4 Income Before Minority Interest In Net Earnings of Subsidiaries and Pro Forma Adjustment**

Income Before Minority Interest In Net Earnings of Subsidiaries and Pro Forma Adjustment obtained from Income before income tax benefit/(expense) deducted with income tax benefit/(expense)

$$\text{Income Before Minority Interest} = \text{Income Before Income Tax Benefit/(expense)} - \text{Income Tax Benefit/(expense)} \quad (4.5)$$

**Table 4.13 Performance Income Before Minority Interest In Net Earnings of Subsidiaries and Proforma Adjustment at PT.Indofood Sukses Makmur Tbk**

(Unit : millions rupiah)

INCOME STATEMENTS	2005	2006	2007	2008	2009
<b>INCOME BEFORE INCOME TAX BENEFIT/(EXPENSE)</b>	424.321	1.221.206	2.065.229	2.599.823	4.063.813
<i>Gap</i>		796.885	844.023	534.594	1.463.990
<i>Trend</i>		187,80%	69,11%	25,89%	56,31%
<b>INCOME TAX BENEFIT/(EXPENSE)</b>	(188.426)	(472.029)	(696.842)	(801.553)	(1.207.032)
<i>Gap</i>		(283.603)	(224.813)	(104.711)	(405.479)
<i>Trend</i>		150,51%	47,63%	15,03%	50,59%
<b>INCOME BEFORE MINORITY INTEREST IN NET EARNINGS OF SUBSIDIARIES AND PRO FORMA ADJUSTMENT</b>	235.895	749.177	1.368.387	1.798.270	2.856.781
<i>Gap</i>		513.282	619.210	429.883	1.058.511
<i>Trend</i>		217,59%	82,65%	31,42%	58,86%

Source : Financial report PT Indofood Sukses Makmur Tbk ( processed excel data )

Definition of minority rights is the rights of minority shareholders while the definition of adjustment proforma is adjustment accountability from operations of the company which can not be categorized in general operations.

Table 4.13 show performance of income before minority interest increased each year over the last five years. Highest escalation happened in the year 2009 for the amount of Rp 1.058.511.000.000 or 58.86%.

#### 4.1.2.5 Net Income

Formula net income is deducting Income before minority interest with minority interest and pro forma adjustment

$$\text{Net Income} = \text{Income Before Minority Interest} - (\text{Minority Interest} + \text{Pro Forma Adjustment}) \quad (4.6)$$

**Table 4.14 Performance Net Income at PT. Indofood Sukses Makmur Tbk**

(Unit : millions rupiah)

INCOME STATEMENTS	2005	2006	2007	2008	2009
<b>INCOME BEFORE MINORITY INTEREST AND PRO FORMA ADJUSTMENT</b>	<b>235.895</b>	<b>749.177</b>	<b>1.368.387</b>	<b>1.798.270</b>	<b>2.856.781</b>
<i>Gap</i>		513.282	619.210	429.883	1.058.511
<i>Trend</i>		217,59%	82,65%	31,42%	58,86%
<b>MINORITY INTEREST</b>	<b>(112.980)</b>	<b>(90.837)</b>	<b>(387.270)</b>	<b>(782.597)</b>	<b>(780.920)</b>
<i>Gap</i>		22.143	(296.433)	(395.327)	1.677
<i>Trend</i>		-19,60%	326,34%	102,08%	-0,21%
<b>PRO FORMA ADJUSTMENT</b>	<b>1.103</b>	<b>2.870</b>	<b>-760</b>	<b>18.716</b>	<b>0</b>
<i>Gap</i>		1.767	-3.630	19.476	-18.716
<i>Trend</i>		160,20%	-126,48%	-2562,63%	-100,00%
<b>NET INCOME</b>	<b>124.018</b>	<b>661.210</b>	<b>980.357</b>	<b>1.034.389</b>	<b>2.075.861</b>
<i>Gap</i>		537.192	319.147	54.032	1.041.472
<i>Trend</i>		433,16%	48,27%	5,51%	100,68%

Source : Financial report PT Indofood Sukses Makmur Tbk ( processed excel data )

From the table 4.14, there is a significant escalation of net sales over the last five years. Highest escalation happened in the year 2009, whereas net sales up to Rp 2.075.861.000.000 or increased for the amount of 1.041.472.000.000 (100.68%) Overall performances from the income statements of PT. Indofood have been improving each year over the last five years. Highest performance was at the year 2009 with increased total net sales up to 100.68%.

Despite higher financing cost and goodwill amortization as a result of the Indolacto acquisition, net income increased due to better operational results and foreign exchange gains. Core profit increased 19,2% to Rp 1,73 trillion.

## 4.2 Discussion

In this sub-chapter will be discussing the result of the analysis from these method :

- Financial ratio: *Return On Assets, Equity Multiplier, Return On Equity*

Universitas Indonesia

- Du Pont
- Business Continuity Planning ( BCP )

Discussion will be based on the annual financial report at PT. Indofood over the last five years ( 2005 – 2009 ) from performances in the balance sheets and income statements.

#### 4.2.1 Return On Assets (ROA)

The formula and derivatives as following :

- Net sales percentage*
  - Percentage of the net sales can be obtained from net sales divided by total sales.
  - Net sales obtained from deducting sales with total cost
- Total Assets Turn Over (TATO)*
  - TATO obtained from sales divided by total assets
  - Total assets obtained from adding current assets with non-current assets
- Return On Assets (ROA)*

ROA can be obtained from multiplying percentage of net sales with total assets turn over (TATO). The result will be display in table 4.15

Calculating ROA in order to find the efficiency and effectiveness of operation performances (services/productions) and also investment performance. Efficiency and Effectiveness of operation performance is a product from the percentage net sales. Whereas for investment performance is a product from the outcome of Total Assets Turn Over (TATO).

**Table 4.15 Return On Assets (ROA) at PT. Indofood Sukses Makmur Tbk**

	Net Sales Percentage		TATO		ROA		
	Net Income	Sales	Sales	Total Assets	Marginal Net Income	TATO	ROA
	(a)	(b)	(c)	(d)	$L = (a) / (b)$	$T = (c) / (d)$	$L \times T$
2005	124.018	18.764.650	18.764.650	14.859.203	0,66%	1,26	0,01
2006	661.210	21.941.558	21.941.558	16.267.483	3,01%	1,35	0,04
2007	980.357	27.858.304	27.858.304	29.527.466	3,52%	0,94	0,03



Table 4.15 (continued)

	Net Sales Percentage		TATO		ROA		
	Net Income	Sales	Sales	Total Assets	Marginal Net Income	TATO	ROA
	(a)	(b)	(c)	(d)	$L = (a) / (b)$	$T = (c) / (d)$	$L \times T$
2008	1.034.389	38.799.279	38.799.279	39.591.309	2,67%	0,98	0,03
2009	2.075.861	37.140.830	37.140.830	40.382.953	5,59%	0,92	0,05

Source : Processed excel data

Table 4.15 is a product of excel data and results are as following :

- In the last five years, ROA show improvement
- In the year 2007 and 2008, the ROA are identical. Although percentage income in the year 2007 is better than 2008, yet the result on TATO in the year 2007 is lower than 2008. So that the ROA come out with an identical result.
- The Highest ROA is in the year 2009, it is because of the income percentage is high too in that year (5.59%), compare to the previous years. Despite result on TATO in the year 2009 is the lowest from others.
- The highest income percentage is happened in the year 2009 and highest TATO happened in the year 2006.
- The lowest percentage income is 0.06% happened in the year 2005 and the lowest TATO is 0.92% happened in the year 2009.

Thus ROA will increase if marginal income and TATO increase. Marginal income will increase if total cost decrease (cost of goods sold, selling cost, general and administrative, interest expense and tax) and also increase net sales. TATO will increase if total sales increase and total assets decrease. Whereas decreasing total assets is not by selling assets. It is likely towards on effectiveness from the assets itself. If the company can not optimize the way they utilize the assets, it will become a liability for the company. In other words, it will help the total sales higher than total assets.

#### 4.2.2 Equity Multiplier (EM)

Taken from the formula of equity multiplier and derivatives, as follow :

Universitas Indonesia

- a) **Total Assets**  
Total assets obtained from adding current assets (cash and cash equivalents, securities, account receivable trade, inventory) with non-current assets.
- b) **Total Equity (capital)**  
Total Assets deducted by total non-current liabilities
- c) **Equity Multiplier (EM)**  
Equity multiplier obtained from total assets divided by equity (capital)  
Result from equity multiplier indicate efficiency dan effectiveness of financing performance.

**Table 4.16 Equity Multiplier (EM) at PT. Indofood Sukses Makmur Tbk**

	<b>Total Aset</b>	<b>Equity (Capital)</b>	<b>Equity Multiplier</b>
	<b>(a)</b>	<b>(b)</b>	<b>(a) / (b)</b>
<b>2005</b>	14.859.203	4.796.356	3,10
<b>2006</b>	16.267.483	5.692.176	2,86
<b>2007</b>	29.527.466	10.848.424	2,72
<b>2008</b>	39.591.309	13.158.940	3,01
<b>2009</b>	40.382.953	15.496.172	2,61

Source :processed excel data

From table 4.16 using formula of excel sheet, are as follow :

- a) From period over the last five years, multiplier equity show degradation in the result.
- b) Equity Multiplier reach the highest form in the year 2005, which is 3.10 times
- c) And the lowest Equity Multiplier happened in the year 2009, that is 2.61 times. It happens because there is not much significant capital compare to the total assets they have.

The bottom line is equity multiplier will increased if total liabilities decreased.

#### **4.2.3 Return On Equity (ROE)**

ROE ( Return On Equity ) can be break down from the formula and derivatives as following :

a) *Return On Assets (ROA)*

ROA obtained from multiplication of percentage net income with TATO

b) *Equity Multiplier (EM)*

EM obtained from division of total assets with equity (capital)

c) *Return On Equity (ROE)*

ROE obtained from multiplying ROA with EM

From the result of ROE indicate efficiency and effectiveness from operating performance, investment performance and financing performance.

**Table 4.17 ROE at PT. Indofood Sukses Makmur Tbk**

	ROA	Equity Multiplier	ROE
	(a)	(b)	(a) x (b)
<b>2005</b>	0,01	3,10	0,03
<b>2006</b>	0,04	2,86	0,12
<b>2007</b>	0,03	2,72	0,09
<b>2008</b>	0,03	3,01	0,08
<b>2009</b>	0,05	2,61	0,13

Source : processed data with excel

Table 4.17 is the result of calculation from processing data with excel, following :

- For each in every year over the last five years, ROE of PT. Indofood indicated improvement.
- Highest escalation in the year 2009, it is because the value of ROA is high. Despite value from EM is the lowest.
- The lowest performance of ROE happened in the year 2005, because the value of ROA is the lowest although the value from EM is the highest.

Drawing conclusion as following :

- ROE can be increased if the value of ROA and EM also high.
- The value of ROA is high because the number of total sales is high and the total assets decreased (optimizing assets)

- The value of EM will increased if total assets is significantly higher than equity.

#### 4.2.4 Du Pont Formula

According to Rico Lesmana, Du Pont formula based on Pratt (2000), who discuss about ROA (Return On Assets) and ROE (Return On Equity), (Financial Performance Analyzing, 2004:70). Practically Du Pont formula is the same with ROE formula, but with more details multiplying factor and integrated.

**The key factors in using Du Pont formula :**

- Net sales**, this element use both for marginal income-net and TATO (Total Assets Turn Over)
- Marginal Net-Income**, which include cost of goods sold, operating expenses, other charges-net, income tax expenses-net and minority interest, and also pro forma adjustment (when needed)
- Total Assets Turn Over (TATO)**, include current assets, non-current assets and other assets.
- Equity Multiplier** which include capital.

Referring to the theory of Du Pont formula, there are two version. The first version is calculate the ROA (Return On Assets) where in this formula there will be multiplication between ratio of percentage marginal net-income with ratio of TATO. The first version, Du Pont analyze performance of sales and factors of marginal net-income with efficiency from assets. On the second version, Du Pont multiplying ROA with EM (Equity Multiplier). In this version, Du Pont want to analyze further on performance of ROA towards ROE (Return On Equity).

In this research, it will be analyze from both version, ROA and ROE. From the ratio analysis obtained the value of ROE at PT. Indofood over the last fiver years (2005 – 2009) as seen in the table 4.18

#### 4.2.4.1 Net-Income Factors

Key factor of Du Pont formula is comparing with sales factor from a business. Understandably because without any optimum sales will make all the services and production look pointless.

Therefore, Du Pont stressing on the comparison from the marginal net-income factors and TATO with sales factors. In the table 4.18 will see data over the last five years at PT. Indofood that show sales indicators improving despite in the year 2009 have a little degradation. According to Anthoni Salim, President Director and CEO at PT. Indofood in the annual report PT. Indofood in the year 2009, mention about the degradation which caused by decreasing profit from agribusiness sector and decreasing income from Bogasari business. Decreased profit from the agribusiness sector caused by the price of CPO (Crude Palm Oil) which fall down and also the price of rubber in the international market. At the same time, decreasing profit from Bogasari business was caused by the price of the flour which also fall down in domestic market.

**Table 4.18 Result from Formula Dupont at PT. Indofood Sukses Makmur Tbk**

*(Unit : Jutaan Rupiah)*

Marginal Net Income		Division	2005	2006	2007	2008	2009
Net Sales		Marketing	18.764.650	21.941.558	27.858.304	38.799.279	37.140.830
Total Cost	Cost Of Goods Sold	Procurement , Production	14.341.644	16.761.335	21.281.752	29.822.362	27.018.884
	Operating Expense	Marketing, Admin	2.761.945	3.208.462	3.682.124	4.635.441	5.117.737
	Other Charges-net	Financial	1.236.740	750.555	829.199	1.741.653	940.396
	Income Tax Expense - net	Financial	188.426	472.029	696.842	801.553	1.207.032
	Minority Interest	Financial	112.980	90.837	387.270	782.597	780.920
Adjustment Pro Forma		Financial	1.103	2.870	760	18.716	0
Net Income			124.018	661.210	981.877	1.034.389	2.075.861
Percentage Marginal Net Income ( Net Income / Net Sales )			0,66%	3,01%	3,52%	2,67%	5,59%

Total Assets		Division	2005	2006	2007	2008	2009
Net Sales		Marketing	18.764.650	21.941.558	27.858.304	38.799.279	37.140.830
Assets	Current Assets		6.480.788	7.474.205	11.766.665	14.323.261	12.954.813

Universitas Indonesia

Table 4.18 (continued)

Total Assets		Division	2005	2006	2007	2008	2009
	(-) Cash and Stock	Financial	972.820	1.796.689	4.536.937	4.271.208	4.474.830
	(-) Account Receivable	Marketing, Finance	1.704.649	1.668.998	2.367.820	2.760.971	2.296.474
	(-) Inventory	Logistic	2.695.409	2.980.805	4.169.150	6.061.219	5.117.484
	(-) Current Assets	Financial	1.107.910	1.027.713	692.758	1.229.863	1.066.025
	Fixed Assets	Admin, Financial	8.378.415	8.793.278	17.760.801	25.268.048	27.428.140
	Other Assets	Financial					
Total Assets			14.859.203	16.267.483	29.527.466	39.591.309	40.382.953
TATO = Sales / Total Assets			1,26	1,35	0,94	0,98	0,92
ROA = % Mrg.Net Inc x TATO			0,01	0,04	0,03	0,03	0,05
Equity Multiplier	Financial	3,10	2,86	2,72	3,01	2,61	
ROE = ROA x Equity Multiplier			0,03	0,12	0,09	0,08	0,13

Source : processed excel data

#### 4.2.4.2 Marginal Net Income

Determine by deducting net sales with total cost which occur in business transactions. For sales indicator have been discussed in previous sub chapter. So, in this marginal net income, will be discussing about cost indicators at PT. Indofood who have ten business sector, and the operating cost would not be cheap. From the key performances, cost of goods sold is ranked on the top spot from the others cost, details on the cost indicators is shown in table 4.19

Table 4.19 Percentage of Operating Cost at PT. Indofood Sukses Makmur Tbk

	% Mean	2005	2006	2007	2008	2009
<b>Cost Of Goods Sold</b>	78,17%	76,93%	78,75%	79,18%	78,93%	77,05%
<b>Operating Expense</b>	14,09%	14,82%	15,08%	13,70%	12,27%	14,60%
<b>Other Charges – net</b>	4,11%	6,63%	3,53%	3,09%	4,61%	2,68%

Table 4.19 (continued)

	% Mean	2005	2006	2007	2008	2009
<b>Income Tax Expense – net</b>	2,28%	1,01%	2,22%	2,59%	2,12%	3,44%
<b>Minority Interest</b>	1,35%	0,61%	0,43%	1,44%	2,07%	2,23%
<b>Grand Total</b>	<b>100,00%</b>	<b>100,00%</b>	<b>100,00%</b>	<b>100,00%</b>	<b>100,00%</b>	<b>100,00%</b>

Source: processed excel data

After looking at the percentage operating cost in table 4.19, PT. Indofood will know the percentage of which financing are “feasible/porportional” had been capitalized. With only saving 1.88% from cost of goods sold in the year 2008, can produce significant increase for 12.76% in the year 2009. Based on Du Pont theory, PT. Indofood must find and apply the effectiveness of management to control the total cost, specially from the internal side.

#### 4.2.4.3 Total Assets Turn Over ( TATO)

As been explained that TATO obtained from the ratio between total net sales and total assets (current assets, non-current assets). It is ideal if total net sales is bigger than total assets. Assets have negative and positive side. The positive side is capital increase but can turn to negative if maintaining the assets with inefficient cost. Or in other words, the assets is not maximize as a revenue stream. For example, building with high operating cost, using the machine but only utilize it less than 80% and etc.

Performance of TATO at PT. Indofood is shown in table 4.17, where in two years in a row (2005 and 2006) the value of TATO is above 1 (one) while three years after that (2007,2008,2009) TATO is below 1 (one). Declining TATO performance in the last three years cause by escalation of fixed assets. TATO at PT. Indofood include land rights, land facilities and infrastructure, building facilities and development, mechinary and tools, roads and bridges, building,

building rents. High TATO value show efficiency of the assets or maybe because the book value of the assets.

Conditions of the fixed assets at PT. Indofood as shown in the table 4.20 can be summarize as following :

- a) Overall condition of fixed assets at PT. Indofood over the last five years have been improving.
- b) The average total assets in five years is Rp. 12.929.658.000.000  
The lowest fixed assets in the year 2005 for the amount of Rp 9.297.859.000.000  
The highest assets in the year 2009 is Rp 17.074.238
- c) Escalation of the total fixed assets cause by an increasing amount of assets in completion.

**Table 4.20 Fixed Assets at PT. Indofood Sukses Makmur Tbk**

Fixed Assets	Mean	2005	2006	2007	2008	2009
Land rights, facilities and Infrastructure	958.409	584.117	569.600	1.151.175	1.201.489	1.285.664
Gap	175.387		(14.517)	581.575	50.314	84.175
Trend			-2,49%	102,10%	4,37%	7,01%
Building, structure and Developments	3.142.091	2.394.294	2.473.472	3.192.093	3.671.642	3.978.953
Gap	396.165		79.178	718.621	479.549	307.311
Trend			3,31%	29,05%	15,02%	8,37%
Machinery and Tools	5.975.790	5.030.838	5.087.592	5.781.445	6.744.204	7.234.872
Gap	551.009		56.754	693.853	962.759	490.668
Trend			1,13%	13,64%	16,65%	7,28%
Transportation tools	1.469.161	660.318	1.385.353	1.588.048	1.750.584	1.961.504
Gap	325.297		725.035	202.695	162.536	210.920
Trend			109,80%	14,63%	10,23%	12,05%
Road and bridge	39.576	29.373	42.127	42.127	42.127	42.127
Gap	3.189		12.754	-	-	-
Trend			43,42%	0,00%	0,00%	0,00%
storage tank	3.332	16.659	-	-	-	-
Gap	(4.165)		(16.659)	-	-	-
Trend			-100,00%			



Table 4.20 (continued)

Fixed Assets	Mean	2005	2006	2007	2008	2009
Office stationery and furniture	542.310	416.804	453.561	557.767	617.652	665.767
Gap	62.241		36.757	104.206	59.885	48.115
Trend			8,82%	22,98%	10,74%	7,79%
Rent building development	30.557	30.733	30.541	30.574	30.545	30.393
Gap	(85)		(192)	33	(29)	(152)
Trend			-0,62%	0,11%	-0,09%	-0,50%
Rent Assets	14.277		322	20.518	26.936	23.607
Gap	5.902		322	20.196	6.418	(3.329)
Trend				6272,05%	31,28%	-12,36%
Assets in completion	754.154	134.723	247.766	457.494	1.079.438	1.851.351
Gap	429.157		113.043	209.728	621.944	771.913
Trend			83,91%	84,65%	135,95%	71,51%
<b>Total</b>	<b>12.929.658</b>	<b>9.297.859</b>	<b>10.290.334</b>	<b>12.821.241</b>	<b>15.164.617</b>	<b>17.074.238</b>

Source: processed excel data

#### 4.2.4.4 Equity Multiplier (EM)

EM obtained from total assets divided with total equity. EM shows the company's ability in shareholders' equity leverage. This ratio also can be seen as the proportion of the fixed assets which financed by the shareholders. The smaller value of EM, the bigger porportion of the shareholder. If that happens, the conclusion is company will pay small interest to the shareholder. On the contrary, small EM ratio only see as less benefit for the shareholder. In details, EM ratio at PT. Indofood over the last five years is shown at table 4.21.

Table 4.21 Ratio Equity Multiplier at PT. Indofood Sukses Makmur

Average EM	2005	2006	2007	2008	2009
2,86	3,10	2,86	2,72	3,01	2,61

Source: processed data

In the table 4.21, EM (Equity Multiplier) data can be summarize as these following :

- a) Performance of EM over the last five years is above 2
- b) The lowest performance of EM is 2.61 at the year 2009. It means that from the shareholder point of view, ofcourse it is no satisfying because it is below average.
- c) The highest performance of EM happened in the year 2005. At that time, shareholder is pleased with the performance on the financial outcome at PT. Indofood Sukses Makmur, whereas for the subsidiaries point of view it means they must pay dividen interest which quiet high.

#### 4.2.5 Business Continuity Planning (BCP)

The current economy is impacting global business in numerous ways. Organization ( companies ) have been forced to adjust their business model and operating costs by reducing workforce, downsizing production, seeking cost savings opportunities, and developing business contingency plans for changing economic conditions.

When the crisis began, many companies quickly focused on cost containment without regards for the long-term consequences, it was a matter of survival. As the downturn continues, companies are now focused on managing emerging risks that could have an impact on long-term sustainability. Companies are realizing that certain risks remain or have been intensified by their actions and mitigation or contingency plans need to be developed for their ongoing survival.

Unsettled business condition also can be happened at PT. Indofood and will impact numerous business continuity challenges. As a good company , PT Indofood must review and understand the following before making key strategic and operational decision such as in what level risk should the organization accept and have emerging risk areas created the need for business continuity plans?

The risk could be classified into :

- a. Strategic : the risk of plans failing or succeeding
- b. Financial : the risk of financial control failing or succeeding

- c. Operational : the risk of human error or achievement
- d. Commercial : the risk of relationship failing or succeeding
- e. Technical : the risk of physical assets failing/being damaged or enhanced

In this thesis, the author concern in financial risk. The financial risk controls failing of treasury risk, lack of counterparty/credit assessment, sophisticated fraud, system failure and poor stock/receivables reconciliation.

According to Hiles (2008) the main feature of the financial impacts on the number of organizations who do not know what the crisis has cost them. Nearly 30% of organization surveyed, however, believed the crisis had cost them over \$100.000. The biggest and most difficult to measure impacts were in loss revenue, and is likely that at least some organizations would suffer for some months after the crisis.

Commonly sources of financial loss could include loss of interest on overnight balances, cost of interest on cost cashflow, delays in cutomer accountability, accounts receivable and billing/invoicing, loss of control over debtors, loss of credit control and increased bad debt, delayed achievement of benefits of profits from new projects of products, loss of revenue for service contracts from failure to provide services or meet service levels, loss ability to respond to contract opportunities, penalties from failure to produce annual accounts or produce timely tax payments and loss of license to trade.

Financial (business) condition of the company is influenced by several factors, both factors that can be controlled and / or the factors that can not be controlled. Factors that can be controlled, are the factors derived from the internal side of the company, such as personnel management policies, logistics policies, operational policies, etc. While the factors that can not be controlled are the factors derived from external, such as government regulations, consumer demand, suppliers policies and others. The fewer and limited of controlled factors by the company, it will be caused of higher risk business in the company.

So it is with P.T. Indofood, where business conditions are also influenced by those factors. However, until now it be seen the company still be able to control the factors. This is due to the high confidence and consumer demand for products

of PT. Indofood, especially the instant noodle product. Even so, the company still had to be as early prepare for a preventive plan to reduce (minimize) the losses that will arise in the future, whenever something happens that can not be controlled any longer by the company. To minimize the losses as above mentioned, the Company shall have and implement the Business Continuity Planning ( BCP ).

To implement the BCP, conduct the below actions:

(a) Asset and threat identification

Assets:

- (i) List and categorize the corporate assets
- (ii) Considers both tangible, intangible (e.g. reputation) and transient (e.g. technological lead) assets.
- (iii) Ensure to have identify all of them

Look areas of risk:

- (i) Policies and procedures
- (ii) Manufacturing processes
- (iii) Physical access security
- (iv) Personnel issues – recruitment, induction and discipline
- (v) Computer system and net works
- (vi) Communications
- (vii) Marketing and customer interface

Assess the risk identified

- (i) Through interviews and observations
- (ii) Through structured walk- troughs and “what-if” scenarios
- (iii) Then relate these back to the key assets

(b) Quantify the potential losses

- (i) Use company account

- (ii) Let marketing assess the cost of finding new customers or restoring a tarnished reputation
- (iii) Explore the effects on stock market valuation
- (iv) Look at recent events in the company and other sectors
- (v) Seek outside opinions from insurers, lawyer and consultants

(c) Assess vulnerabilities

- (i) Use appropriate historical data
- (ii) Apply formulae commonly used in similar industry
- (iii) Make subjective estimates
- (iv) Agree and apply a risk weighing system
- (v) Conduct simulation or scenario analysis
- (vi) Make calculation :

$$\text{Risk} = \text{Impact} \times \text{Probability}$$

which should enable to rank from the most serious to the most trivial in term of their overall impact on the business

Impact Probability	LOW	HIGH
HIGH	Manage	Reduce
LOW	Accept	<b>BC Plan</b>

**Figure 4.1 Risk and impact assessment matrix**

Source: Business Continuity Management (Andrew Hiles ; 2008:142 )

(d) Evaluation of solutions

Risk control measures fall into one of four categories :

- (i) Accept

Accept the risk : if the impact of a rare event is low it may be reasonable to accept the risk, such as occasional theft of company property, which is

unlikely to jeopardize the business. Some risks fall outside our control, such as government policy, and so must be accepted by default.

(ii) Manage

Manage the risk: for frequent low impact risks the most sensible strategy is to monitor and seek to reduce the risk. An example is the development of procedures to reduce operator error.

(iii) Reduce

Reduce the risk: a frequent potentially damaging event is a target for risk reduction measures. The hazardous procedure should be re-engineered or carefully monitored to reduce risk. An example in manufacturing could be changing from solvent-based to water-based paints. Alternatively the company might outsource the risk – giving it to another company better equipped to manage it. Insurance can be viewed as an example of outsourced risk.

(iv) Business continuity planning addresses risks that are of low probability, but whose potential impact is business failure.

### **Identifying Business Risk at PT. Indofood**

According to Hiles (2008) business risk and issue that might happen in running the business, such as :

- a. Business interference which can occur because inability to give standard service for customer, customers leaving, losing opportunity, inability to compete.
- b. Financial loss related to collecting debts, penalties for over due date payment, mistake in giving discount, inability to update the balance sheet accounting, incomplete or even transactions sales not recorded.
- c. Legal obligation which come from failure or default of legal contract/business agreement.
- d. Running business but can not maximize the profit.

#### 4.2.5.1 Business Interference PT. Indofood

Based on the result from formula Du Pont (table 4.18) in the year 2009, ROA indicate improvement in the year 2009. But net sales performance declined (-4,27%). Despite the marginal net income increased (5,59%), but net sales showing bad performance which indicate a probability of risk. The risk that could effect the performance of ROE and EM in the years ahead.

**Table 4.22 Du Pont Formula**

	2005	2006	2007	2008	2009
Net Sales	18.764.650	21.941.558	27.858.304	38.799.279	37.140.830
Marginal net income	0,66%	3,01%	3,52%	2,67%	5,59%
ROA	0,01	0,04	0,03	0,03	0,05
Equity Multiplier	3,10	2,86	2,72	3,01	2,61
ROE	0,03	0,12	0,09	0,08	0,13

From sales data in the last five years (2005-2009), sales record showing improvement. But, in the year 2009 it fall down. Although according to President Director of PT. Indofood who explain that sales dropped because of the agribusiness sector and Bogasari (flour) and other sectors still doing fine. But the fact that the are a lot of "me too" product, and this should be watch carefully by the management PT Indofood as a risk. Issue about sales drop based on operational risk can be concluded as following :

- Sales drop only happen once in the last five years, it means the frequency (like hood) is low but will have significant impact (serious/high) proven from sales drop effected the financial performance in overall.
- The net sales loss (decreased) in Year 2009 was RP 1,658,449,000,000 compared to the previous year (2008) as below table

**Table 4.23 Net Sales of PT Indofood Sukses Makmur Tbk**

Unit: Million Rupiah (IDR)	2005	2006	2007	2008	2009	Average %
NET SALES	18.764.650	21.941.558	27.858.304	38.799.279	37.140.830	

Universitas Indonesia

**Table 4.23 (continued)**

Unit: Million Rupiah (IDR)	2005	2006	2007	2008	2009	Average %
Gap		3.176.908	5.916.746	10.940.975	(1.658.449)	
Trend		16,93%	26,97%	39,27%	-4,27%	19,72%

- Beside from the internal risk, the risks on sale could be from the external factor such as natural disaster or fire. We acknowledge that at current days ,some areas of Indonesia are categorized as disaster-prone area. In other word , the sales of PT. Indofood could be not optimal in the future because of internal and external factors (e.g. natural disaster)
- For those type of risk, the company have to provide BC Plan

**Table 4.24 Business Continuity Plan For Sale Activities of PT. Indofood Sukses Makmur Tbk**

Risk	Sales declined
Probability	Low
Impact	High
Likely Scenario	Internal : cross subsidy sales among strategic business units at PT Indofood External : natural disaster occurs in disaster - prone area
Function Affected	All, specifically in company income
Action	<ul style="list-style-type: none"> <li>- Optimizes the sales of all strategic business units</li> <li>- Appoint a special distributor for disaster prone areas</li> <li>- Provide a significant discount for cash payment</li> <li>- Reducing the credit payment amount for disaster-prone areas</li> <li>- Provide a stock of goods on the basis of average sales for three months in advance</li> </ul>



**Table 4.24 (continued)**

Responsibilities	Marketing Division
Constraints	The Company's general emergency procedures override these instructions if there are any conflicts
Resources	-Mobile phones -Special transportation

Source : Following FSA Business Continuity Management Practice Guide

Based on above BCP table , we can simulate the target for the next future that PT Indofood shall achieve the minimal sale as same as 2009 – sale performance . For detail simulation after company implements the BCP , can be seen at table 4.24

**Table 4.25 Target Simulation of Sales Performance After BCP Implementation**

Worst	Moderate	Better
Less than Y2009	Same as Y2009 Sales Performance Rp 37,140,830,000,000	Regarding to average of sale increase among last 5 years : 19.72%

Source : Processed Data

#### 4.2.5.2 Potential Financial Loss Caused of Ineffective Account Receivable Collection

Based on the result from Du Pont formula (table 4.18) in the year 2009, ROA improving from last year (0,05). But the value of TATO decreased which means that efficiency is decreased. From the table 4.18 showed that account receivable decreased which can effect to the company cashflow and indicate a probability of risk that could effect the performance of ROE and EM in the years ahead.

**Table 4.26 Du Pont Formula**

	2005	2006	2007	2008	2009
TATO	1,26	1,35	0,94	0,98	0,92
ROA	0,01	0,04	0,03	0,03	0,05
ROE	0,03	0,12	0,09	0,08	0,13

On this research focus on issue related to debts collection process. From the financial report PT. Indofood in the last five years as seen in the table 4.25 that debts for more than 90 (ninety) days is escalating.

- Escalation on total debts in the last five years
- Debts which over due in period 1-30 days and more than 60 days also arising.

**Table 4.27 Account Receivable Collection Data of PT Indofood Sukses Makmur Tbk**

<i>Composition of AR</i>		<i>(Unit:%)</i>					<b>Average</b>
		<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	
<b>Current Payment</b>		71,02%	75,98%	64,03%	68,35%	68,54%	69,59%
<b>Due Date</b>	<b>1 - 30 days</b>	16,19%	14,60%	26,20%	20,62%	16,82%	18,89%
	<b>31 - 60 days</b>	4,37%	2,68%	1,40%	2,63%	2,54%	2,72%
	<b>61 - 90 days</b>	3,48%	1,59%	1,60%	1,37%	3,73%	2,35%
	<b>More than 90 days</b>	4,94%	5,15%	6,77%	7,03%	8,36%	6,45%
<b>Grand Total</b>		<b>100,00%</b>	<b>100,00%</b>	<b>100,00%</b>	<b>100,00%</b>	<b>100,00%</b>	

Source: processed excel data

Observing from data in the table, the level of operational risk can be categorized as following:

- Generally, increase in terms of debts and interval due date payment in the last five years. This mean the level of frequency is high.
- And it will also make an impact significantly towards cash flow and revenues, this mean the impact is quite serious.
- Due to the current condition of Indonesia, which is prone to natural disasters struck. So the PT Indofood should immediately anticipate the payment of purchase with this credit system. If not be anticipated, the possibility of PT. Indofood will face an increase in the suspension of payments will increase more than 8.36% (2009).

- So to solve the problem, the BCP plan (in term of payment) should be developed by considering the sale of a disaster-prone areas.

**Table 4.28 Business Continuity Plan For Account Receivable Collection**

Risk	Doubtful Account
Probability	Low
Impact	High
Likely Scenario	Natural disaster occurs in disaster - prone area
Function Affected	All, specifically in company income
Action	<ul style="list-style-type: none"> <li>- Reducing the credit payment amount for disaster-prone areas</li> <li>- Shortening the grace days of payment (e.g. from 45 days to 30 days)</li> </ul>
Responsibilities	Marketing and Finance Division
Constraints	The Company's general emergency procedures override these instructions if there are any conflicts
Resources	<ul style="list-style-type: none"> <li>-Account officer</li> <li>-Related forms</li> </ul>

Source : Following FSA Business Continuity Management Practice Guide

By implementing the BCP , PT. Indofood has a guideline of the target as below table. On that table, we expect PT. Indofood will have AR collection for the current payment should be more than 69.59% and less than 30.41% of due date payment. It means for the "health AR" collection, PT Indofood shall reduce their due payment and maximize their current (cash) payment system.

**Table 4.29 Target Simulation of AR Performance After BCP Implementation**

AR	Worst	Moderate	Better
Current Payment	Below than moderate	69.59%	More than moderate
Due Date of Payment			
1 ~ 30 days		18.89%	
31 ~ 60 days	More than moderate	2.72%	Below than moderate
61 ~ 90 days		2.35%	
More than 90 days		6.45%	

Source : Processed Data

#### 4.2.5.3 Potential Financial Loss Caused of Increasing Fixed Asset

From the Du Pont analysis, the ROA showing that the company's operations is still quite good. But the company needs to consider the company's capital structure so as not heavily in debt / costs that are not or less effective.

**Table 4.30 Du Pont Formula**

	2005	2006	2007	2008	2009
Fixed Assets	8.378.415	8.793.278	17.760.801	25.268.048	27.428.140
TATO	1,26	1,35	0,94	0,98	0,92
ROA	0,01	0,04	0,03	0,03	0,05
ROE	0,03	0,12	0,09	0,08	0,13

Based on the result from table 4.18, PT. Indofood needs to review the increase in fixed assets (8,55 %). Despite ROE improve in the year 2009, but the probability of risk from ROA which came from increased fixed assets will effect the performance of ROE and EM in years ahead. Do not let the increase in these assets will reduce the profitability of the company. Because the company must

**Universitas Indonesia**

pay for the significant cost such as land and building taxes, insurance, repairing and maintenance. Especially if the property is located in disaster-prone areas. Due to increase in the number of fixed assets, also the company must anticipate what if something happens to the related property by preparing a Business Continuity Planning (BCP).

**Table 4.28 Fixed Asset Performance of PT Indofood**

	2005	2006	2007	2008	2009	Average
<i>Fixed Asset</i>	8.378.415	8.793.278	7.760.801	25.268.048	27.428.140	17.525.736
<i>Gap</i>		414.863	8.967.523	7.507.247	2.160.092	
<i>Trend</i>		4,95%	101,98%	42,27%	8,55%	

So, it mean even the number of fixed assets are increased but the expense related for those matters also increase, such as tax, repairing and maintenance cost also the insurance premium. Through BCP we can provide preventive action to protect the fixed asset with proportional (rational) cost.

**Table 4.29 Business Continuity Plan For Fixed Assets**

Risk	Building Loss
Probability	Low
Impact	High
Likely Scenario	Natural disaster and Fire
Function Affected	All
Action	<ul style="list-style-type: none"> <li>- All buildings should be under protection by safety building standard</li> <li>- All buildings are in insurance protection with rational premium</li> <li>- Management must have emergency respond procedures</li> </ul>
Responsibilities	General Affairs and Finance Division

**Table 4.29 (continued)**

<b>Constraints</b>	The Company's general emergency procedures override these instructions if there are any conflicts
<b>Resources</b>	<ul style="list-style-type: none"> <li>- Trained employees to execute the emergency respond plan</li> <li>- Mobile phone</li> </ul>

Source : Following FSA Business Continuity Management Practice Guide

After implementing the BCP, we expect the fixed asset will have target as the below table simulation and PT Indofood can be more optimize their fixed assets.

**Table 4.30 Target Simulation of Fixed Assets After BCP Implementation**

<b>Worst</b>	<b>Moderate</b>	<b>Better</b>
More than moderate	Rp 17,525,736,000,000	Less than moderate

Source : Processed Data

## CHAPTER 5

### CONCLUSION AND RECOMMENDATION

#### 5.1 Conclusion

Having undergone analysis and discussion, then we come to the conclusion stage. The conclusion is a summary and analysis of problems presented in previous chapters.

##### 5.1.1 The Financial Condition of PT. Indofood Based On Its Financial Statement for Period Year 2005 up to 2009

The financial statements are analyzed in this study is the income statement and balance sheet performance of PT Indofood for five consecutive years, starting from 2005 until 2009. The analyze method is to use ratio analysis and comparison among the financial performance years. Based on PT. Indofood' profit loss report (income statement) could be seen that in five years consecutively, it is showed increased profits. Achieved the highest profit increases in 2009 with amounted Rp 2.075.861.000.000 or ratio of the profit margin is reached 5.59%.

##### 5.1.2 The Financial Condition of PT. Indofood Based On Implementation Of Du Pont Formula

Du Pont Formula consists of calculating the ratio of ROA (Return On Assets), EM (Equity Multiplier) and ROE (Return On Equity). Calculating ROA in order to find the efficiency and effectiveness of operation performances (services/productions) and also investment performance.

Result from Equity Multiplier indicate efficiency and effectiveness of financing performance.

From the result of ROE indicate efficiency and effectiveness from operating performance, investment performance and financing performance.

The key points of Du Pont formula are :

### ➤ **Total Assets Turn Over (TATO)**

Performance of TATO at PT. Indofood are shown that in two years in a row (2005 and 2006) the value of TATO is above 1 (one) while three years after that (2007,2008,2009) TATO is below 1 (one). Declining TATO performance in the last three years cause by escalation of fixed assets. High TATO value show efficiency of the assets or maybe because the book value of the assets.

### ➤ **Marginal Income**

The data over the last five years at PT. Indofood that show Overall performances from the income statements of PT. Indofood have been improving each year over the last five years. Highest performance was at the year 2009 with increased total net sales up to 100.68%. Escalation happened because of reduction on cost of goods sold, improvement gain at foreign exchange on currency swap and positive effect from deferred income tax benefit.

### ➤ **Return On Assets (ROA)**

In the last five years, ROA show improvement. In the year 2007 and 2008, the ROA are identical. Although percentage income in the year 2007 is better than 2008, yet the result on TATO in the year 2007 is lower than 2008. So that the ROA come out with an identical result. The Highest ROA is in the year 2009, it is because of the income percentage is high too in that year (5.59%), compare to the previous years.

Despite result on TATO in the year 2009 is the lowest from others. The highest income percentage is happened in the year 2009 and highest TATO happened in the year 2006. The lowest percentage income is 0.06% happened in the year 2005 and the lowest TATO is 0.92% happened in the year 2009.

### ➤ **Equity Multiplier (EM)**

From period over the last five years, multiplier equity from PT. Indofood shows degradation in the result. Equity Multiplier reach the highest form in the year 2005, which is 3.10 times. And the lowest Equity Multiplier happened in the year



2009, that is 2.61 times. It happens because there is not much significant capital compare to the total assets they have.

#### ➤ **Return On Equity (ROE)**

For each in every year over the last five years, ROE of PT. Indofood indicated improvement. Highest escalation in the year 2009, it is because the value of ROA is high. Despite value from EM is the lowest. The lowest performance of ROE happened in the year 2005, because the value of ROA is the lowest although the value from EM is the highest.

### **5.1.3 The Financial Condition Of PT. Indofood Based On Analysis of BCP (Business Continuity Planning)**

When the crisis began, many companies quickly focused on cost containment without regards for the long-term consequences, it was a matter of survival. As the downturn continues, companies are now focused on managing emerging risks that could have an impact on long-term sustainability. Companies are realizing that certain risks remain or have been intensified by their actions and mitigation or contingency plans need to be developed for their ongoing survival.

Unsettled business condition also can be happened at PT. Indofood and will impact numerous business continuity challenges. As a good company , PT Indofood must review and understand the following before making key strategic and operational decision such as in what level risk should the organization accept and have emerging risk areas created the need for business continuity plans.

In this thesis, the author concern in financial risk. The financial risk controls failing of treasury risk, lack of counterparty/credit assessment, sophisticated fraud, system failure and poor stock/receivables reconciliation.

Financial (business) condition of the company is influenced by several factors, both factors that can be controlled and / or the factors that can not be controlled. Factors that can be controlled, are the factors derived from the internal side of the company, such as personnel management policies, logistics policies, operational policies, etc.

While the factors that can not be controlled are the factors derived from external, such as government regulations, consumer demand, suppliers policies and others. The fewer and limited of controlled factors by the company, it will be caused of higher risk business in the company.

So it is with PT. Indofood, where business conditions are also influenced by those factors. However, until now it be seen the company still be able to control the factors. This is due to the high confidence and consumer demand for products of PT. Indofood, especially the instant noodle product. Even so, the company still had to be as early prepare for a preventive plan to reduce (minimize) the losses that will arise in the future, whenever something happens that can not be controlled any longer by the company. To minimize the losses as above mentioned, the Company shall have and implement the Business Continuity Planning ( BCP ). The BCP is provided if the probability in the company is low but the impact is high, see the figure below ( **already mentioned in figure 4.1 , Chapter 4 of this thesis** )

Impact Probability	LOW	HIGH
	HIGH	Manage
LOW	Accept	<b>BC Plan</b>

**Figure 5.1 Risk and impact assessment matrix**

Source: Business Continuity Management (Andrew Hiles ; 2008:142 )

The frame work how we can provide a Business Continuity Plan on this thesis, the author analyzes as below steps :

1. We look at the financial performance trend during last five years (2005~2009) by using common size analysis
2. Analyzes the effectiveness of every financial activities and related divisions of the company

3. Simulates internal and external potential risk ( risk scenario )
4. Provide BCP table
5. Simulate next company's target by categorizing into 3 (three) level : worst, moderate and better

Through the analysis of financial ratio and Du Pont formula, we found that the potential risks from PT. Indofood activities are coming from sales , AR collection days and fixed asset management. The correlation resume among financial performance trend , Du Pont calculation and BCP could be seen at below table.

**Table 5.1 Correlation Resume Among Financial Performance Trend, Du Pont Calculation and BCP of PT Indofood**

Items	Trends	Du Pont	Potential Risks	BCP
Sales	Y 2009 was occurred decline performance	Net Profit Margin increase	Internal : Cross profit External : Disaster – prone area	<ul style="list-style-type: none"> <li>- Optimizes the sales of all strategic business units</li> <li>- Appoint a special distributor for disaster prone areas</li> <li>- Provide a significant discount for cash payment</li> <li>- Reducing the credit payment amount for disaster-prone areas</li> <li>- Provides a stock of goods on the basis of average sales for three months in advance</li> </ul>

**Table 5.1 ( Continued )**  
**Correlation Resume Among Financial Performance Trend, Du Pont**  
**Calculation and BCP of PT Indofood**

<b>Items</b>	<b>Trends</b>	<b>Du Pont</b>	<b>Potential Risks</b>	<b>BCP</b>
AR Collection Days	Due date of AR Collection Days was increased	Y 2009 of TATO performance was decreased	Internal: Increase of doubtful AR External: Disaster – prone area	- Reducing the credit payment amount for disaster-prone areas  - Shortening the grace days of payment (e.g. from 45 days to 30 days)
Fixed Asset Management	Increase	Y 2009 of TATO performance was decreased	Internal : Increase of taxes related, repair , maintenance and insurance expense External: Disaster – prone area Fire	- All buildings should be under protection by safety building standard  - All buildings are in insurance protection with rational premium  - Management must have emergency respond procedures

Source : Data Processed

## 5.2 Recommendation

Success in running a business is not only measured by success recorded a profit. It's how the management company can maintain profits and the existence of its business within a few decades beyond. In this era of globalization and openness, the company should be able to adjust and anticipate the effects of a change to the current business.

The writer suggests to PT Indofood to give attention, especially in matters related :

1) ***Sales***

At this time of instant noodles has been widely circulated with a variety of quality and competitive prices. To counter this, PT Indofood needs to make an innovation plan so that sales are not declining because the increased number of products from competitors.

2) ***Collection of Account Receivable (AR).***

Sales of the debt system is common in business transactions. However, management still have to control the debt payment period (account receivable) related to debt. The ideal for AR collection is usually less than 30 days. However, if the payment period is paid more than 60 days, it will affect to the cash flow in the company. Generally, companies pay their product raw materials, less than 45 days. To that should PT Indofood controls the number of days the payment (collection of AR) of debt for less than 45 days.

3) ***Assets Management***

For the future, PT Indofood must make a plan related to fixed asset management. If fixed assets increase without any optimization of its use, it may be the company's financial burden.

## BIBLIOGRAPHY

- Bornstein, Leopold A.** (1998). *Financial Statement Analysis: Theory, Application, and Interpretation*. Irwin
- Bartol, Kathryn M., Martin, David C.** (1991). *Management*. McGraw - Hill
- Crouhy, M., Galai, D., Mark, R.,** (2001). *Risk Management*. McGraw-Hill
- Darsono.** (2006). *Manajemen Keuangan, Pendekatan Praktis Kajian Pengambilan Keputusan Bisnis Berbasis Analisis Keuangan*. Jakarta. Diadit Media
- Ford, B.R., Bornstein, J.M., & Pruitt, P.T.** (2006). *The Ernst and Young Business Plan*. Jakarta. Penerbit Ufuk.
- Hanafi, Mamduh M.** (2006). *Manajemen Risiko*. UPP STIM YKPN
- Hawkins, David F.** (1998). *Corporate Financial Reporting and Analysis: Text and Cases*. Irwin/McGraw-Hill
- Hiles, Andre** (2007). *The Definitive Handbook of Business Continuity Management*. England. John Wiley & Son Ltd
- Jae K, Shim et all** (2006). *Kamus Bisnis, 201 Rumus Bisnis, Keuangan, dan Akuntansi Untuk Pengambilan Keputusan*. Jakarta. Canary.
- Keown, Arthur J. et all** (2005). *Financial Management : Principals And Applications (Tenth Edition)*. Pearson – Prentice Hall
- Koontz, Harold** (1990). *Essentials Of Management (Fifth Edition)*. McGraw - Hill
- Munawir, S.** (2004). *Analisa Laporan Keuangan (edisi ke empat)*. Yogyakarta: Liberty
- Palepu, Krishna G., Healy, Paul M., Bernard, Victor L.,** (2004). *Business Analysis & Valuation, Using Financial Statements*. Thomson South Western
- Rangkuti, Freddy** (2008). *Business Plan, Teknik Membuat Perencanaan Bisnis & Analisa Kasus*. Jakarta. Penerbit PT. Gramedia Pustaka Utama.
- Ross, Stephen A., Westerfield, Randolph W., Jaffe, Jaffrey F., Jordan, Bradford D.,** (2008). *Modern Financial Management (Eight Edition)*. McGraw Hill.
- Sawir, Agnes** (2005). *Analisis Kinerja Keuangan Dan Perencanaan*. Jakarta. Penerbit PT Gramedia Pustaka Utama.

**Sutrisno.** (2007). *Manajemen Keuangan, Teori, Konsep, Dan Aplikasi*. Yogyakarta. Penerbit Ekonisia.

**Suharsimi, A.** (2006). *Prosedur Penelitian Suatu Pendekatan Praktis*. Edisi Revisi VI, PT. Rineka Cipta. Jakarta

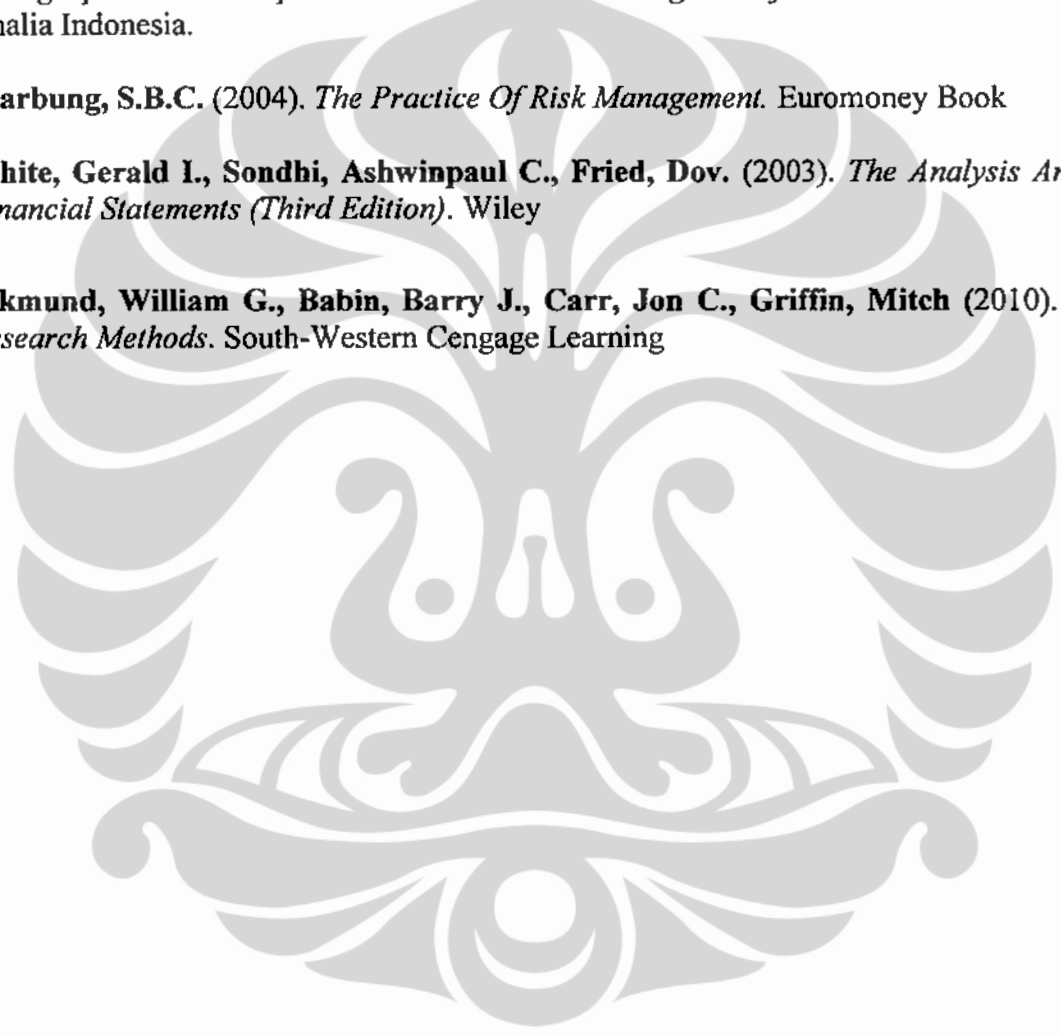
**Tunggal, Amin Widjaja** (2003). *Memahami Konsep Enterprise – Wide Risk Management*. Jakarta. Harvarindo.

**Umar, Husni** (2003). *Metoda Riset Bisnis, Panduan Mahasiswa Untuk Melaksanakan Riset Dilengkapi Contoh Proposal Dan Hasil Riset Bidang Manajemen Dan Akuntansi*. Jakarta. Ghalia Indonesia.

**Warbung, S.B.C.** (2004). *The Practice Of Risk Management*. Euromoney Book

**White, Gerald I., Sondhi, Ashwinpaul C., Fried, Dov.** (2003). *The Analysis And Use of Financial Statements (Third Edition)*. Wiley

**Zikmund, William G., Babin, Barry J., Carr, Jon C., Griffin, Mitch** (2010). *Business Research Methods*. South-Western Cengage Learning



**CURRENT ASSETS**

	2005	2006	2007	2008	2009
Cash and cash equivalents	972.820	1.796.689	4.536.937	4.271.208	4.474.830
Short-term investments					
Account receivable	471.395	542.490	227.337	623.134	331.330
Trade					
Third parties – net of allowance for Doubtful accounts	1.426.279	1.390.130	2.022.069	2.087.348	1.843.516
Related parties	101.082	58.042	114.332	172.734	112.650
Non Trade					
Third parties – net	128.877	157.702	146.972	404.927	226.786
Related parties	48.411	63.124	84.447	95.962	113.522
Inventories – net	2.695.409	2.980.805	4.169.150	6.061.219	5.117.484
Advances and deposits	489.890	239.102	234.186	266.126	241.404
Prepaid taxes	97.158	202.152	154.883	186.701	271.422
Future cane crop expenditures				61.672	112.613
Prepaid expenses and other current assets	49.467	43.969	76.352	92.230	109.256
<b>Total Current Assets</b>	<b>6.480.788</b>	<b>7.474.205</b>	<b>11.766.665</b>	<b>14.323.261</b>	<b>12.954.813</b>

## Appendix 1b

**NON-CURRENT ASSETS**

	2005	2006	2007	2008	2009
Claims for tax refund	414.397	268.820	49.545	356.755	630.856
Plasma receivables – net	0	72.632	236.120	401.172	498.137
Deferred tax assets – net	109.096	115.092	155.613	229.515	348.599
Long-term investments and advances for purchase of investments Plantations	230.080	23.103	20.219	164.864	31.640
Mature plantations-net	186.245	201.812	3.305.778	3.618.678	3.692.003
Immature Plantations Fixed Assets-net	165.958	430.043	1.499.069	1.593.691	2.027.025
Fixed Assets - net of accumulated depreciation	6.055.277	6.463.898	8.079.455	9.586.545	10.808.449
Deferred charges – net	229.635	223.119	439.779	564.156	494.288
Goodwill – net	195.744	216.989	3.074.823	4.481.524	4.387.760
Intangible asset – net				2.598.148	2.464.910
Other non-current assets	791.983	777.770	900.400	1.673.000	2.044.473
<b>Total Non-current Assets</b>	<b>8.378.415</b>	<b>8.793.278</b>	<b>17.760.801</b>	<b>25.268.048</b>	<b>27.428.140</b>
<b>TOTAL ASSETS</b>	<b>14.859.203</b>	<b>16.267.483</b>	<b>29.527.466</b>	<b>39.591.309</b>	<b>40.382.953</b>



CURRENT LIABILITIES

	2005	2006	2007	2008	2009
Short-term bank loans and overdraft	1,447.091	2,039.664	5,734.104	7,634.711	5,017.603
Trust receipts payable	583.982	820.604	1,205.892	2,153.921	363.756
Accounts payable					
Trade					
Third parties	1,536.403	1,131.157	1,750.631	2,449.368	1,604.014
Related parties	59.918	53.169	71.013	65.321	82.604
Non-trade					
Third parties	217.160	180.388	478.627	458.818	507.690
Related Parties	5.770	27.214	55.481	208.559	290.317
Accrued expenses	348.559	560.556	1,190.093	1,103.395	1,326.468
Taxes payable	102.106	195.793	495.556	598.091	629.569
Current maturities of long-term debts					
Bank loans	121.599	1,315.686	567.509	606.610	1,331.737
Bonds payable -- net	0	0	1,224.464	975.309	0
Lease liabilities	0	70	2,995	8,058	5,204
<b>Total Current Liabilities</b>	<b>4,422,588</b>	<b>6,324,301</b>	<b>12,776,365</b>	<b>16,262,161</b>	<b>11,158,962</b>

## Appendix 2b

NON-CURRENT LIABILITIES

	2005	2006	2007	2008	2009
Long-term debts - net of current maturities					
Bank loans	1,000.485	883.622	688.719	5,204.922	6,242.949
Bonds payable -- net	3,682.426	2,192.123	2,960.430	1,989.588	4,313.910
Lease liabilities	0	113	3,417	6,088	1,039
Total long-term debts	4,682.911	3,075.858	3,652.566	7,200.598	10,557.898
Plasma payables -- net	9.676	0	0	0	0
Deferred tax liabilities -- net	589.752	743.684	1,517.928	1,888.123	1,764.578
Estimated liabilities for employee benefits	354.430	428.152	729.049	980.543	1,259.862
Other non-current liabilities	0	0	0	100.944	145.481
<b>Total Non-current Liabilities</b>	<b>5,636,769</b>	<b>4,247,694</b>	<b>5,899,543</b>	<b>10,170,208</b>	<b>13,727,819</b>
Goodwill -- net	3,490	3,312	3,134	0	0
<b>TOTAL LIABILITIES</b>	<b>10,059,357</b>	<b>10,571,995</b>	<b>18,675,908</b>	<b>26,432,369</b>	<b>24,886,781</b>
<b>MINORITY INTEREST IN NET ASSETS OF SUBSIDIARIES</b>	<b>435,055</b>	<b>657,713</b>	<b>3,721,828</b>	<b>4,587,407</b>	<b>5,340,677</b>

**SHAREHOLDERS' EQUITY**

	2005	2006	2007	2008	2009
<b>Capital Stock - Rp 100 value per share</b>					
<b>Issued and fully paid</b>	944.419	944.419	944.419	878.043	878.043
<b>Additional paid-in capital</b>	1.182.046	1.182.046	1.182.046	1.497.733	1.497.733
<b>Differences in values of restructuring transactions</b>	-930.493	-989.441	-1.051.958	-975.484	-975.484
<b>Unrealized gains on investments in marketable securities - net</b>	57.627	81.207	154.167	185.315	250.167
<b>Differences arising from changes in equities of Subsidiaries</b>	128.062	173.141	1.611.683	1.459.855	1.507.588
<b>Differences arising from foreign currency translations</b>	3.145	-2.497	28.057	197.684	5.880
<b>Pro forma capital</b>	52.852	103.377	0	0	0
<b>Retained Earnings</b>					
<b>Appropriated</b>	45.000	50.000	55.000	60.000	65.000
<b>Unappropriated</b>	3.619.712	4.233.280	4.944.251	5.268.387	6.926.568
<b>Treasury Stock</b>	-741.069	-741.069	-741.069	0	0
<b>Net Shareholders' Equity</b>	4.361.301	5.034.463	7.126.596	8.571.533	10.155.495
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	14.859.203	16.267.483	29.527.466	39.591.309	40.382.953

**PT. INDOFOOD SUSKES MAKMUR Tbk  
AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF INCOME  
(Expressed in Millions Rupiah, Except Per Share Data)**

	2005	2006	2007	2008	2009
<b>NET SALES</b>	18.764.650	21.941.558	27.858.304	38.799.279	37.140.830
<b>COST OF GOODS SOLD</b>	14.341.644	16.761.335	21.281.752	29.822.362	27.018.884
<b>GROSS PROFIT</b>	<b>4.423.006</b>	<b>5.180.223</b>	<b>6.576.552</b>	<b>8.976.917</b>	<b>10.121.946</b>
<b>OPERATING EXPENSES</b>					
Selling	1.727.938	2.077.419	2.339.110	2.742.292	2.955.000
General and Administrative	1.034.007	1.131.043	1.343.014	1.893.149	2.162.737
<b>Total Operating Expenses</b>	<b>2.761.945</b>	<b>3.208.462</b>	<b>3.682.124</b>	<b>4.635.441</b>	<b>5.117.737</b>
<b>INCOME FROM OPERATIONS</b>	<b>1.661.061</b>	<b>1.971.761</b>	<b>2.894.428</b>	<b>4.341.476</b>	<b>5.004.209</b>
<b>OTHER INCOME/(CHARGES)</b>					
Gains(losses) on foreign exchange - net	0	0	0	-713.131	731.032
Interest income	15.968	63.370	158.309	168.516	161.885
Interest expenses and other financing charges	-827.870	-816.402	-710.045	-1.157.562	-1.541.264
Gains(losses) on foreign exchange, inclusive of loss on currency swap	-478.247	95.418	13.500	0	0
Others - net	53.409	-92.941	-290.963	-39.476	-292.049
Other Charges - net	-1.236.740	-750.555	-829.199	-1.741.653	-940.396
<b>INCOME BEFORE INCOME TAX BENEFIT/(EXPENSE)</b>	<b>424.321</b>	<b>1.221.206</b>	<b>2.065.229</b>	<b>2.599.823</b>	<b>4.063.813</b>
<b>INCOME TAX BENEFIT/(BENEFIT)</b>					
Current	-267.073	-459.394	-878.006	-1.181.312	-1.481.786
Deferred	78.647	-12.635	181.164	379.759	274.754
Income Tax Expense - Net	-188.426	-472.029	-696.842	-801.553	-1.207.032
<b>INCOME BEFORE MINORITY INTEREST IN NET EARNINGS SUBSIDIARIES AND PRO FORMA ADJUSTMENT</b>	<b>235.895</b>	<b>749.177</b>	<b>1.368.387</b>	<b>1.798.270</b>	<b>2.856.781</b>
<b>MINORITY INTEREST IN NET EARNINGS OF SUBSIDIARIES - net</b>	<b>-112.980</b>	<b>-90.837</b>	<b>-387.270</b>	<b>-782.597</b>	<b>-780.920</b>
<b>PRO FORMA ADJUSTMENT</b>	<b>1.103</b>	<b>2.870</b>	<b>-760</b>	<b>18.716</b>	<b>0</b>
<b>NET INCOME</b>	<b>124.018</b>	<b>661.210</b>	<b>980.357</b>	<b>1.034.389</b>	<b>2.075.861</b>
<b>EARNINGS PER SHARE</b>					
Income from operations	195	231	339	570	503
Net Income	15	78	115	120	236

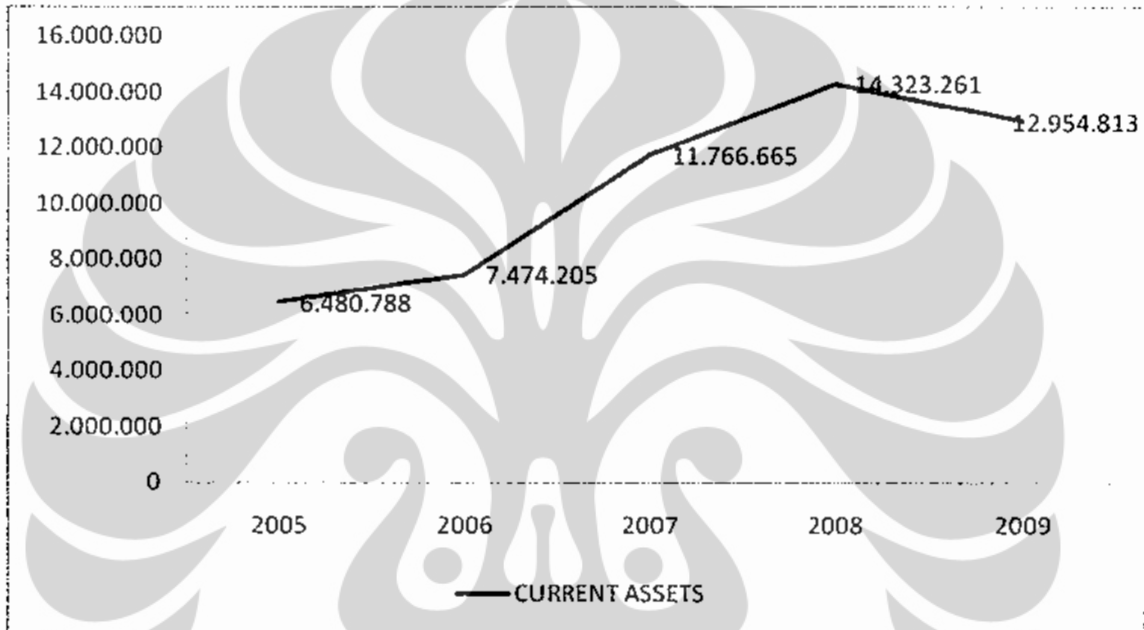
Standardized Income Statement Format	
Standard Income Statements Accounts	Sample Line Items in Reported Accounts
Sales	Revenues Membership fees Commissions Licenses
Cost of Sales	Cost of merchandise sold Cost of products sold Cost of revenues Cost of services Depreciation on manufacturing facilities
SG&A	General and administrative Marketing & sales Salaries and benefits Servicing and maintenance Depreciation on selling and administrative facilities
Other Operating expense	Amortization of Intangibles Product development Research and development Provision for losses on credit sales Pre-opening costs Special charges
Net Interest Expense (Income)	
Interest Income	Interest Income
Interest Expense	Interest Expense
Investment Income	Equity income (from associate) Dividend income Rental income
Other Income	Gains on sale of investments/long-term assets Foreign exchange gains Pre-tax gains from accounting changes
Other Expense	Losses on sale of investments/long-term assets Foreign exchange losses Pre-tax losses from accounting changes Restructuring charges Merger expenses Asset impairments
Minority Interest	Minority Interest
Tax Expense	Provision for taxes
Unusual Items (after tax)	Any gains or losses reported on an after-tax basis

such as

- Extraordinary items
- Non-recurring charges
- Effect of accounting changes

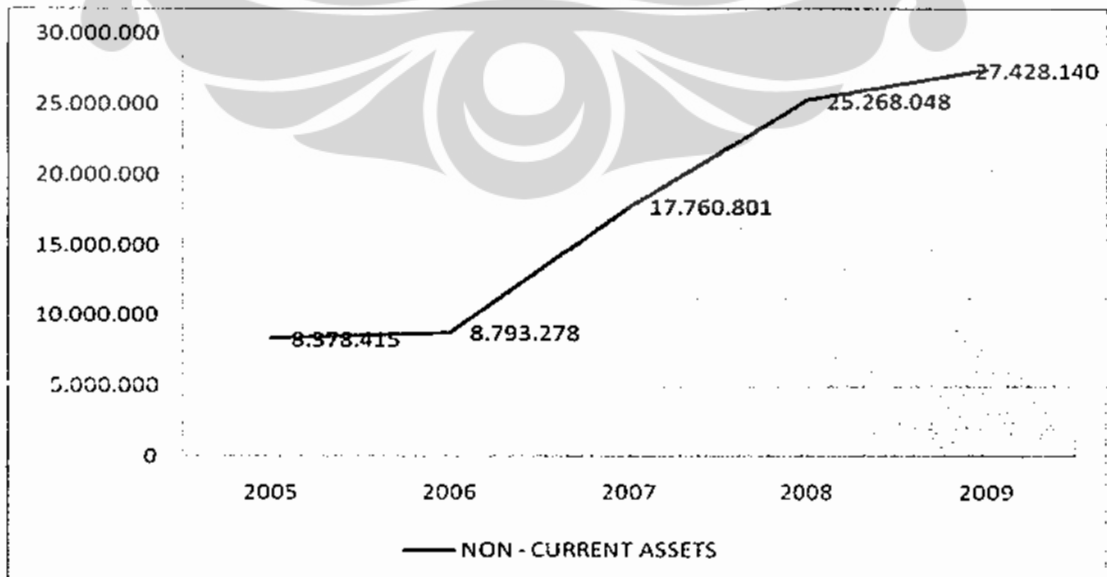
**Appendix 6a**

**Current Assets Performance Chart**

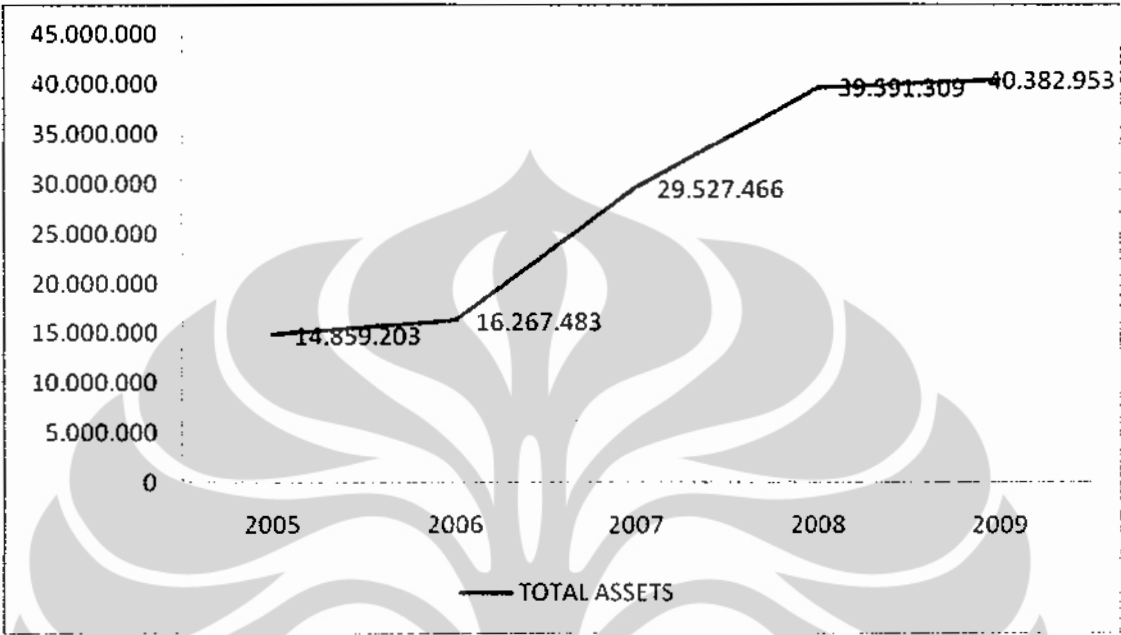


**Appendix 6b**

**Non-current Assets Performance Chart**

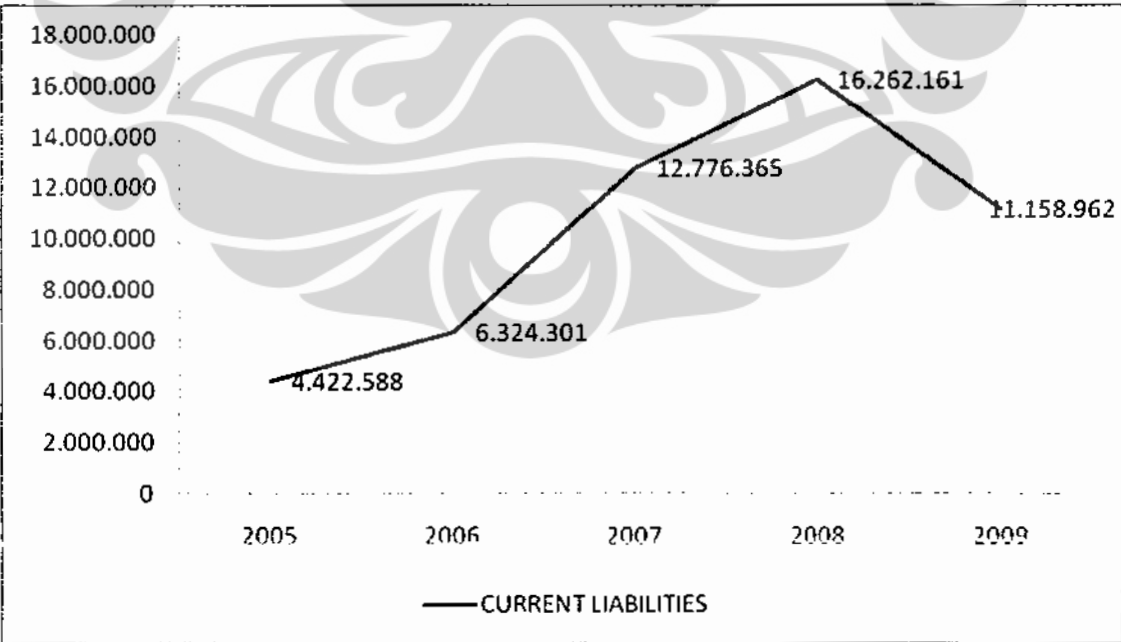


Total Assets Performance Chart

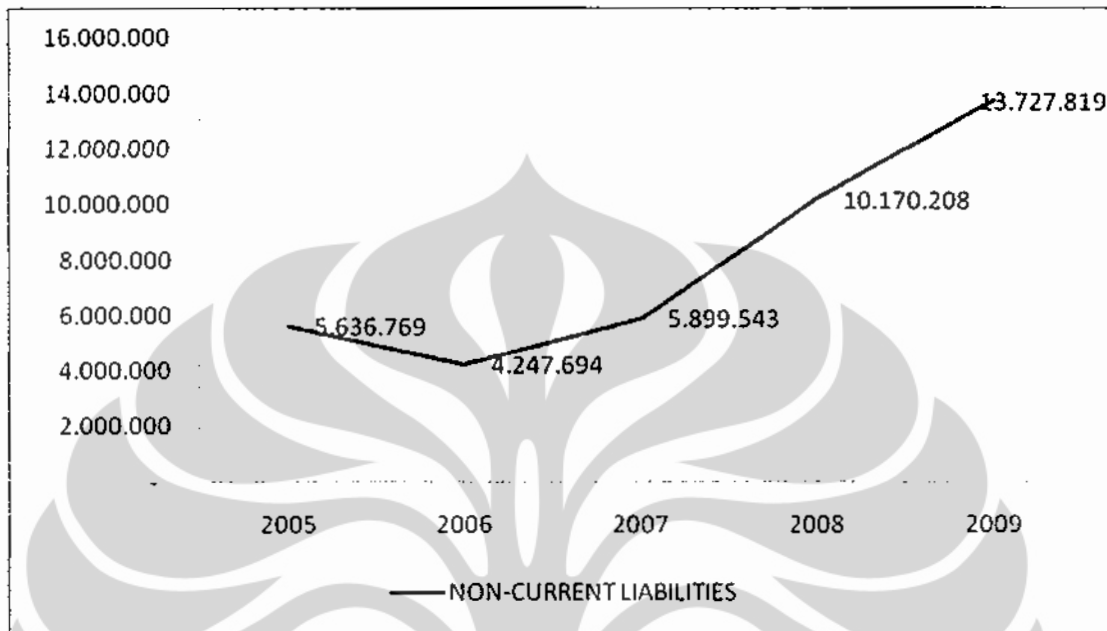


Appendix 7a

Current Liabilities Performance Chart

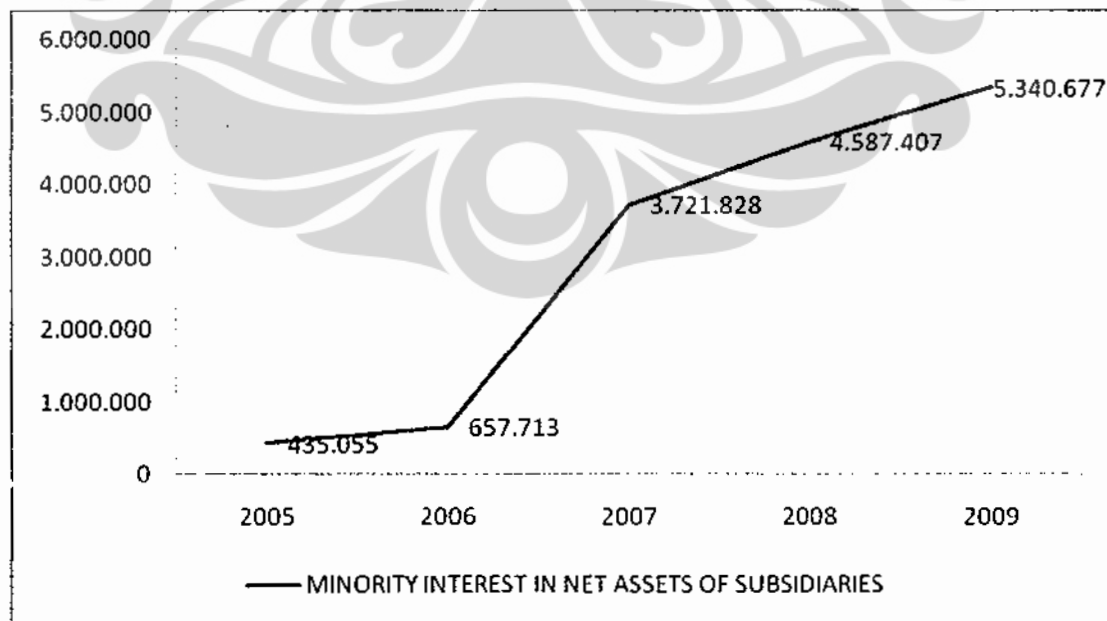


**Non-current Liabilities Performance Chart**

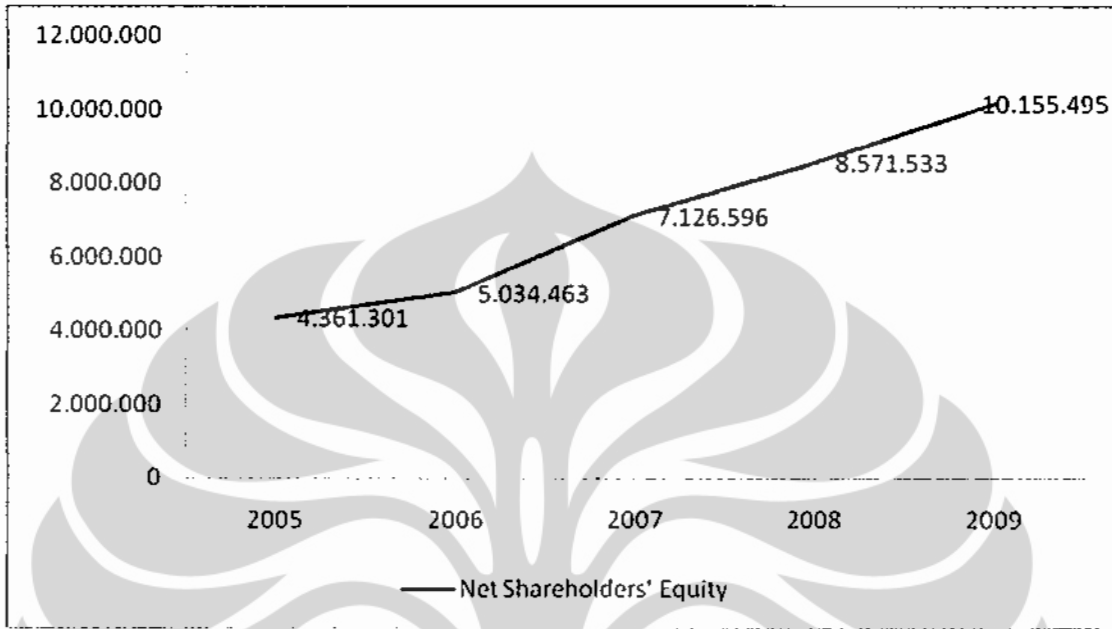


**Appendix 8**

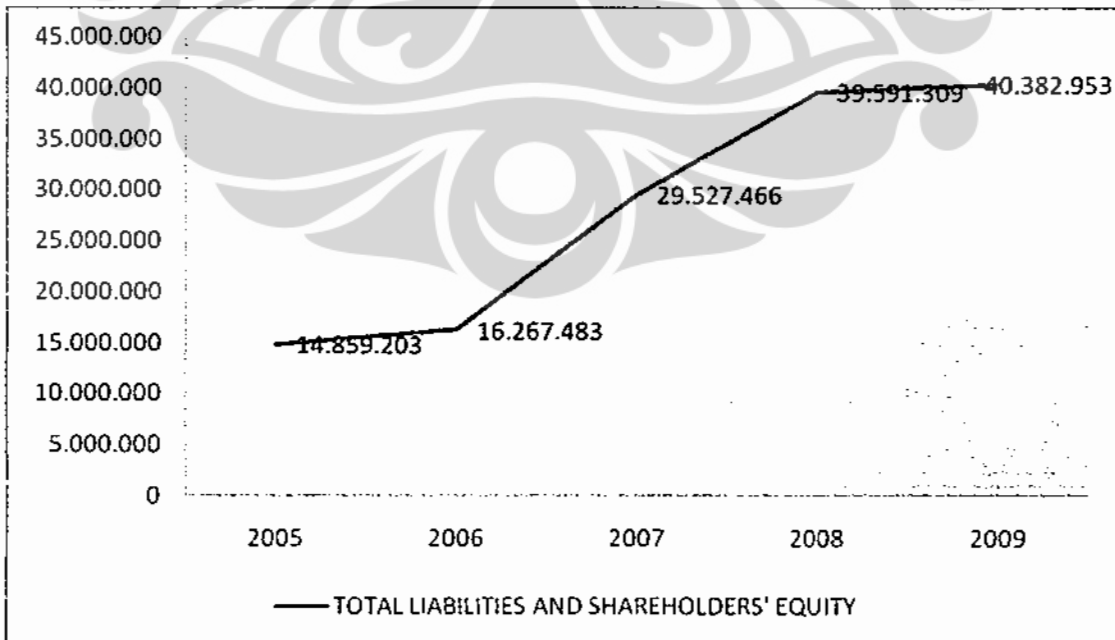
**Minority Interest In Net Assets Of Subsidiaries Performance Chart**



Net Shareholders' Equity Performance Chart

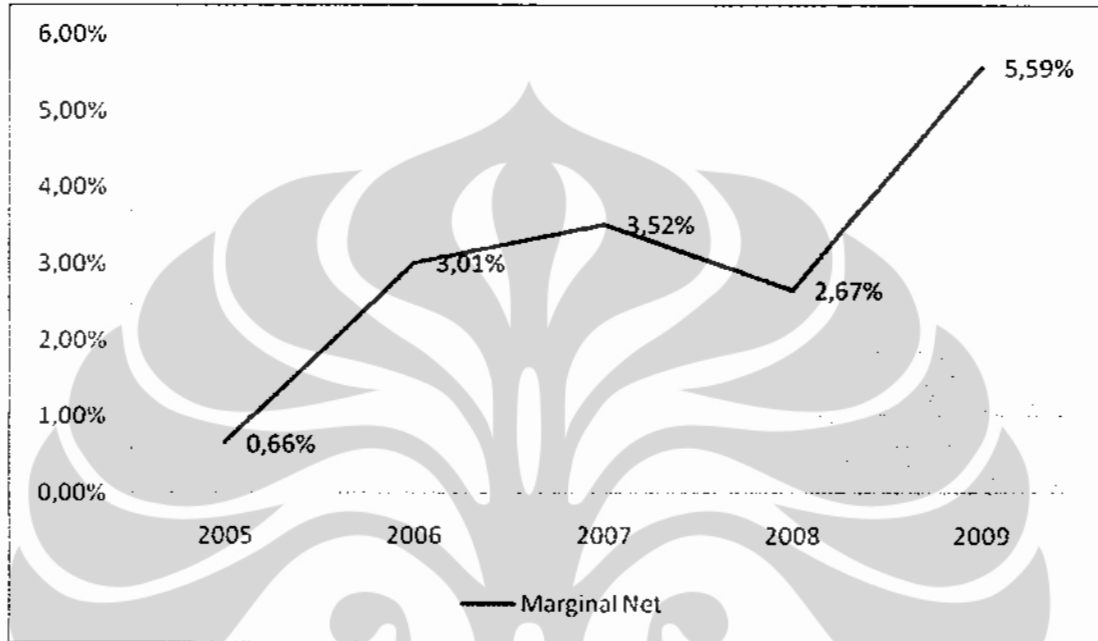


Total Liabilities & Shareholders' Equity Performance Chart

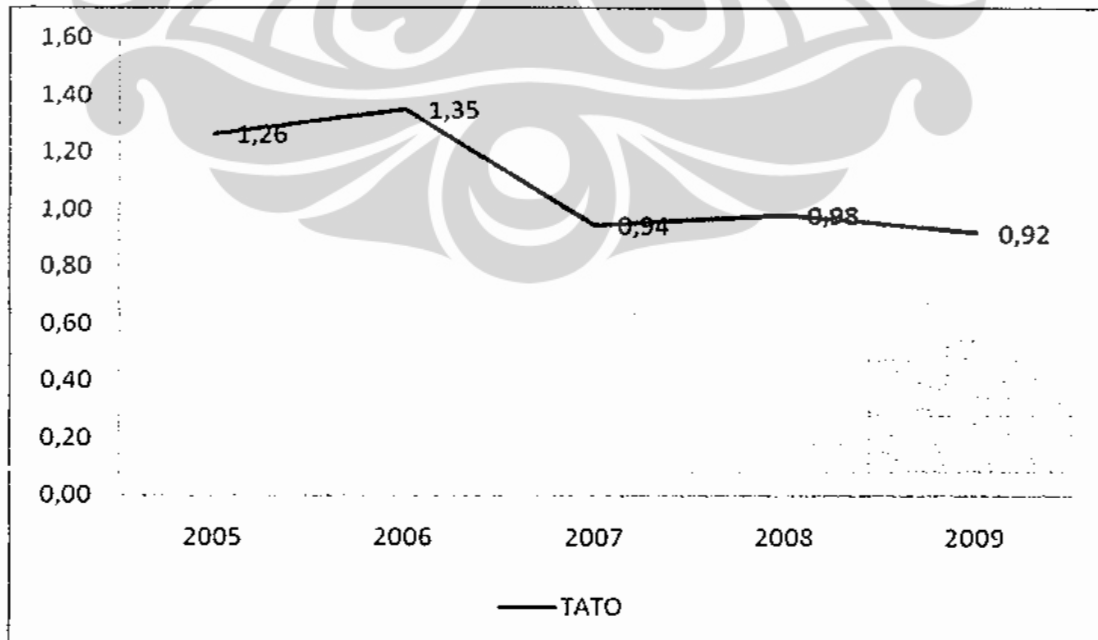




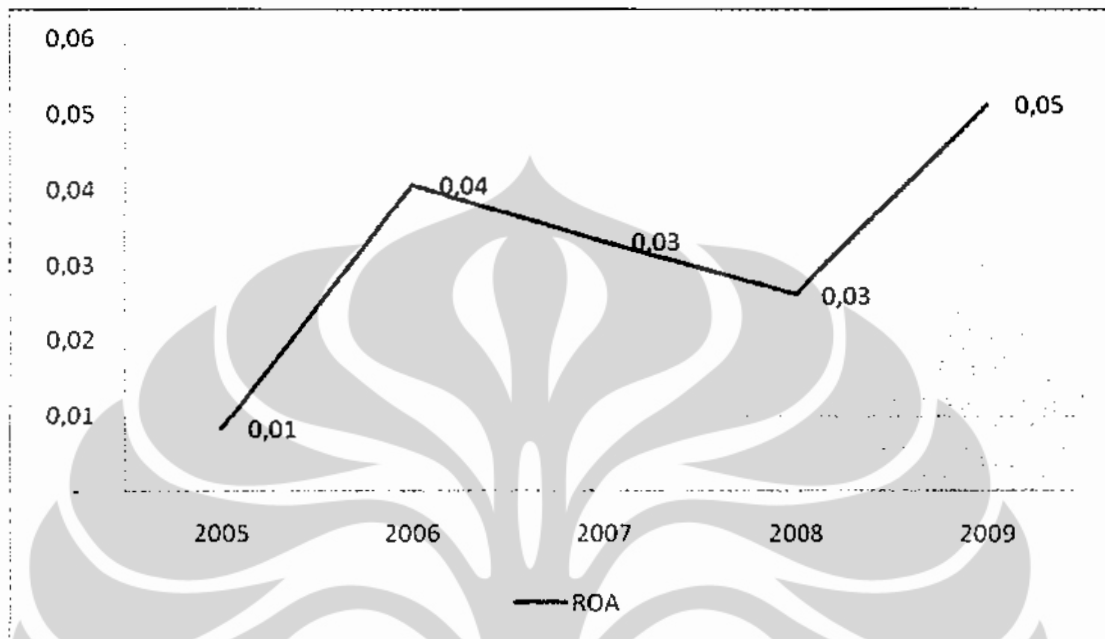
Marginal Net-Income Performance Chart



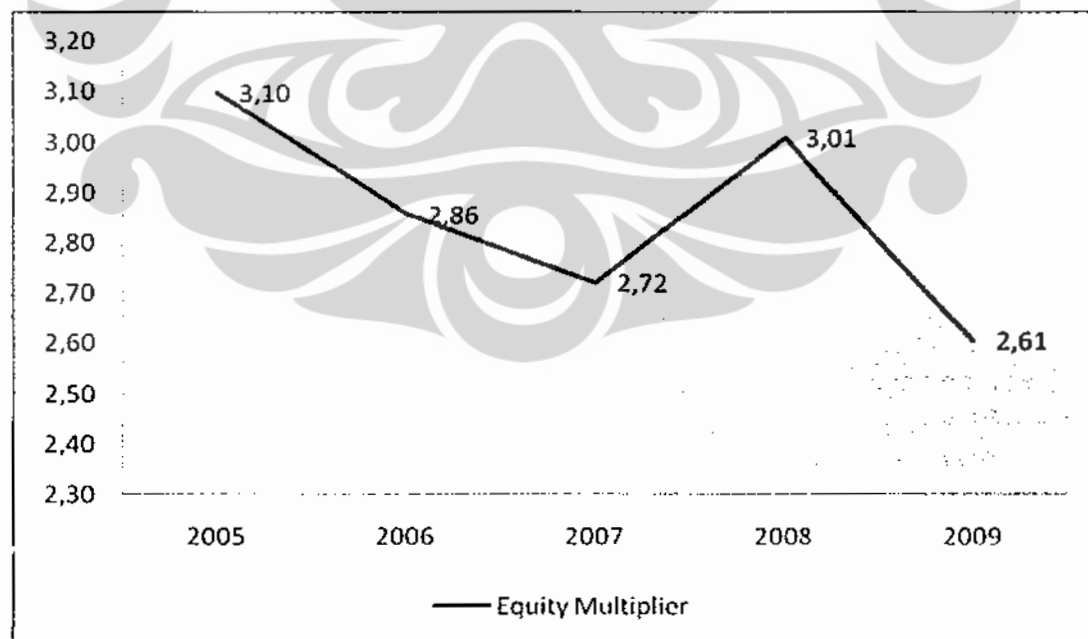
Total Assets Turn Over (TATO) Performance Chart



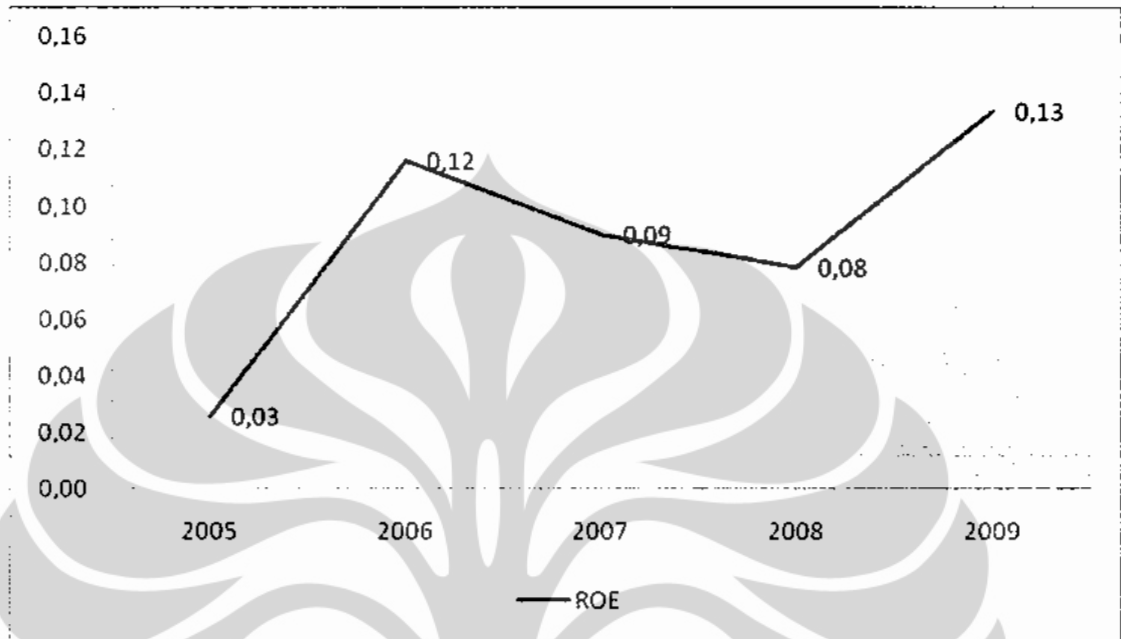
Return On Assets Performance Chart



Equity Multiplier Performance Chart



Return On Equity (ROE) Performance Chart



## Noodles Products

	<p>Indomie Indomie has been launched since 1982 and now available in many countries , such as: USA, Australia, England, Middle east etc. Just don't miss all Indomie flavors</p>
	<p>As an instant noodle, Supermi has been going through a long journey and had also had various changes of packaging. Now Supermi has a more modern feel and remains in a class of its own.</p>
	<p>Sarimi is another product from Indofood that has long been providing delights for the Indonesian palate</p>
	<p>Good price and Good taste.</p>
	<p>Pop Mie Instant Cup Noodles POP Mie a practical form of instant noodles that is ready to keep you company at any given time</p>
	<p>Pop Bihun with various tasty mouthwatering flavors, can now be one of your main food choices. With unique delicious flavors and aromas</p>
	<p>Easy to cook and hygienically processed following stringent quality standards, Mi Telur Cap 3 Ayam is the favorite egg noodle choice for many individuals.</p>








Source : Y2009 Financial Statement of PT. Indofood

## Dairy Products

	<p>Indomilk provides all the nutritious goodness in various delicious flavors and product types. to keep the family going.</p>
	<p>Cap Enaak is just the right choice if you're looking for a delicious condensed milk. Full of milky goodness and nutrition with its distinctive taste</p>
	<p>TIGA SAPI sweetened condensed creamer gives you milky goodness and extra calcium, Vitamin A, B1 and D3 in a rich delicious taste ... suitable to be used as a topping for desserts and drinks. Great with coffee and tea. TIGA</p>
	<p>KREMER comes with milky goodness and extra calcium in a rich delicious taste. KREMER sweetened condensed creamer is suitable for special toppings in desserts and drinks</p>
	<p>Enriched with carbohydrate, calcium, protein, iron, Vitamin A, B1 and D3, make CRIMA the right choice at an affordable price.</p>
	<p>NICE yoghurt is processed from fermented fresh milk using advanced technology.</p> <p>NICE yoghurt is also enriched with Vitamin A, Minerals, Calcium, Protein and Carbohydrate. NICE Yoghurt's fresh taste is available in 3 natural fruit flavors: Strawberry, Orange and Peach.</p>
 <p>Jadikan Hidangan Lezat Berhizi</p>	<p>Made from pure milk fat. Orchid Butter has an extra delicious taste enriched with vitamins A &amp; E. Suitable for cakes, bread, biscuits, or any of favorite recipes.</p>
	<p>There will always be an Indoeskrim ( ice cream ) for any occasion</p>







Source : Y2009 Financial Statement of PT. Indofood

## Food Seasonings Products

	<p>Indofood Bumbu Racik Deliciously Natural Seasoning. Bumbu Racik Indofood presents a practical solution in producing deliciously-tasting everyday menus. It is available in five variants: Nasi Goreng, Ayam Goreng, Sayur Lodeh, Sayur Asem and Tumis.</p>
	<p>Aroma buah asli dari Indofood. Produced from natural sugars, Indofood Syrup evokes an authentically fruity fragrance that makes it perfect to consume on any occasion</p>
	<p>Sambal Indofood, a product of PT Nestle-Indofood Citarasa Indonesia, boasts six flavor variants to accommodate all your gastronomic fares.</p>
	<p>Perfect processing plus double purification method gives Indofood's sweet soy sauce its smooth texture, piquant flavor, and a delightful taste that seeps effortlessly into your cooking</p>
	<p>Maggi products bring you solutions for delicious dishes with their seasonings and sauces.</p>
	<p>We are all familiar with the thick sweet soy sauce that enhances the taste of our traditional recipes</p>
	<p>Made from a combination of fresh natural spices that goes through a pasteurization process to maintain its freshness</p>



Source : Y2009 Financial Statement of PT. Indofood

## Snack Food Products

	<p>The chips wavy slices are marinated in a special spice recipe that leaves you with a deep, lasting impression of what a snack should be.</p>
	<p>For years now, Chiki has been the pioneer and favorite snack option for many Indonesian children and adults</p>
	<p>Available in four mouthwatering flavors, JetZ is guaranteed to bring that extra excitement</p>
	<p>Produced from selected cassave and served in contemporary packaging, Qtela has become one of Indonesia's most favored snacks</p>
	<p>This super crunchy snack is made from cornflour. It is also one of the best known snacks in Indonesia.</p>
	<p>Before Lay's entry into the Indonesian market, the brand had already gained worldwide recognition. In Indonesia, Lay's is marketed and produced as a joint venture between Indofood and Fritolay International</p>

Source : Y2009 Financial Statement of PT. Indofood


## Nutrition Products

	<p>A supplementary food for breast milk, produced from natural ingredients and enriched with complete nutrients to support baby's and toddler's growth</p>
	<p>UN's lineup of baby food products, enriched with balanced nutrients, can cater to babies' nutritional needs in every phase of their growth</p>

Source : Y2009 Financial Statement of PT. Indofood

## Appendix 22





## Packaging

	<p>The Packaging Division now operates under PT Indofood CBP Sukses Makmur for flexible packaging and PT Surya Rengo Containers for corrugated packaging. The division supplies the requirements of Indofood's operating division and ensures quality and timeliness and thereby a stable supply chain. In addition, the division also caters to third-party customers domestically and internationally.</p>
---	--

Source : Y2009 Financial Statement of PT. Indofood



## Bogasari

	<p>Cakra Kembar is a type of flour specialized for the production of breads and noodles. With higher water absorption level, Cakra Kembar ensures optimum leavening for breads and an extra elasticity in noodles.</p>
	<p>Segitiga Biru wheat flour can be used for making all kinds of snacks including cup cakes, brownies, pond cakes, and various fried and baked snacks. The flour's multi-purpose characteristic makes it the most flexible and practical wheat flour to household needs.</p>
	<p>Kunci Biru is a wheat flour specialized for the production of cookies, cakes, biscuits and wafer. With a low water-absorbency level and other distinct characteristics, Kunci Biru will ensure that your snacks are as crisp as they can be. Available in 1 Kg and 25 kg packaging.</p>
	<p>Processed from selected durum wheat that is high in protein and fiber but low in fat, La Fonte's pasta retains perfect texture during all cooking and warming stages, making it the ideal pasta</p>

Source : Y2009 Financial Statement of PT. Indofood

# Corporate Credo

The graphic features a large, stylized, light-colored flower or leaf pattern in the background. In the center, the word **CONSISTENT** is written in large, bold, black capital letters. Surrounding this central text are several smaller words and phrases:

- Consumer** (top left)
- Staff** (top center)
- Teamwork** (top right)
- Innovation** (bottom left)
- Excellence** (bottom right)

There are also some faint, illegible text elements scattered around the central text, possibly representing a list of values or a mission statement.