ANALYSIS OF FINANCIAL PERFORMANCE OF STATE-OWNED STEEL ISSUERS AFTER DEBT RESTRUCTURING: CASE STUDY AT PT. KRAKATAU STEEL (PERSERO), TBK.

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ABSTRACT
The purpose of this study is to analyze the impact of debt restructuring on the financial performance of PT. Krakatau Steel (Persero), Tbk. The research approach used is quantitative, using comparative causal methods. The focus of this research is on debt restructuring and corporate financial performance. Financial performance assessment is carried out by analyzing profitability ratios (Return on Assets), liquidity ratios (Current Ratio), and solvency ratios (Debt to Equity Ratio). The data used in this study was collected through purposive sampling techniques, with research samples in the form of an overview of financial statements taken from the annual report of PT. Krakatau Steel. The analysis was conducted in two periods, namely before debt restructuring (2015-2018) and after restructuring (2019-2022). The results of research on financial statements illustrate that the financial condition of PT. Krakatau Steel, before the restructuring (2015-2018) indicated instability and unhealth. The analysis shows a significant influence on the company's solvency ratio after restructuring, while there is no significant influence on the company's profitability and liquidity ratio. Post-restructuring, the company was able to meet its long-term obligations, although it still had difficulties in increasing profits and paying short-term obligations. However, it has not yet reached the desired financial ratio standard through debt restructuring PT. Krakatau Steel managed to avoid the risk of bankruptcy.

Key words: Debt restructuring; financial performance; profitability ratio; liquidity ratio; solvency ratio

INTRODUCTION

PT. Krakatau Steel is a state-owned issuer manufacturing company in the raw material sector that has been listed on the IDX since November 10, 2010 with the issuer code KRAS. According to Lestari (2020) in his research, *Financial Performance Analysis and Bankruptcy Prediction of PT. Krakatau Steel Tbk Period 2014-2018,* shows that the national steel producer is in an unstable financial condition. The fluctuating decline in net profit during the 2014-2018 period reflects a dynamic that is not in line with accounting theory. Although the company's revenue or sales increased from 2014 to 2018, the profits generated could not keep up with the trend. Situations where revenues increase but companies incur losses defy the basic principle of accounting which states that an increase in revenue should be accompanied by an increase in profits. From an accounting perspective, high revenues should create opportunities for large profits. However, in reality, PT Krakatau Steel continues to experience losses every year, which gives a potential indication of bankruptcy risk. This condition can be attributed to increased costs within the company that are not in line with revenue growth. Over time, continued losses can become a serious threat to the company's financial sustainability, and this condition needs to be a concern in evaluating the company's financial health and management (Lestari et al., 2020).

This instability arises due to various factors, both internal and external to the company. External factors arise due to steel imports from China, causing difficulties for PT. Krakatau Steel competes in the market. From the internal side, problems arise due to increased debt burdens, investments that are not on target, and the cessation of operations of one of the production units (Trisbiani et al., 2020). Due to the large amount of the company's debt and declining competitiveness, in 2019 PT. Krakatau Steel is threatened with bankruptcy. However, at the initiation of the Minister of SOEs, the company managed to avoid bankruptcy. One of the efforts made is debt restructuring.

Debt restructuring is an action taken by a company to modify the condition of its debt. According to Riani (2022), restructuring is a process of restructuring the company's obligations which aims to avoid financial difficulties in an effort to reconcile the company's financial performance (Riani &; Nugraha, 2020). This process includes changes in payment terms, interest rates, terms, or the amount of the debt itself. Debt restructuring aims to overcome financial difficulties faced by companies, improve liquidity, and create more sustainable financial conditions. This process is designed to increase the company's liquidity by readjusting the term and terms of debt repayment. By readjusting debt payments, the company can improve its cash flow, which is a critical factor for operational continuity.

Recorded in the second quarter of 2023 financial report, PT. Krakatau Steel has paid Tranche B debt of Rp. 27 trillion to all banking creditors (PT Krakatau Steel (Persero) Tbk, 2022). Until now, since the implementation of the restructuring began in 2019, PT. Krakatau Steel has paid debts of Rp10.9 trillion or equivalent to USD718 million of the total principal debt of Rp33.6 trillion (USD2.2 billion).

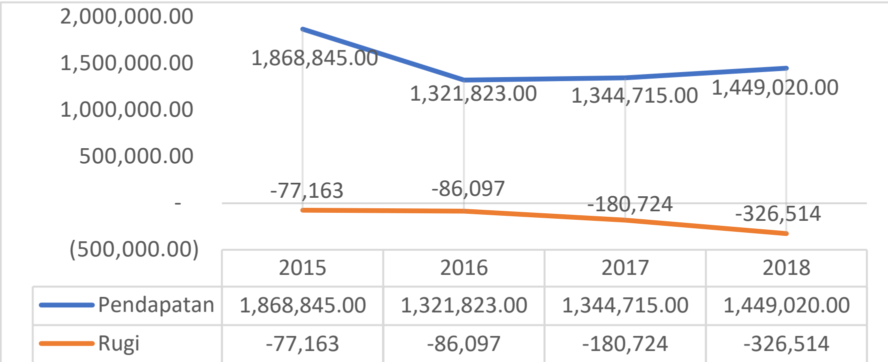

Figure 1. Profit and Loss of PT. Krakatau Steel Year 2015 - 2018

If the debt restructuring is successful, the company can rebuild the trust of creditors and other stakeholders, which can improve its reputation in the market. Debt restructuring can give companies greater financial flexibility by creating debt structures that better match repayment capacity. However, according to Kaur and Srivasta, there are indications of moral hazard arising from the use of debt restructuring mechanisms as a means to evade or delay debt payments by debtors, while simultaneously reducing substandard loans by creditors, without any substantially observable performance improvement (Kaur & Srivastava, 2017).

Evaluation of restructuring is a crucial stage to determine the impact resulting from the implementation of decisions that have been taken. Analysis and evaluation of the company's financial performance after the restructuring process indicates an essential and strategic aspect in the context of financial management. In Fahmi's opinion (2013) in Malik, financial performance is an analysis to assess the level of compliance with the realization of financial rules in the company (Malik, 2021). The importance of this study lies in its ability to provide in-depth insight into the impact of changes in debt structure on the company's financial indicators. As a scientific procedure, the analysis involves an in-depth understanding of the rearranged financial data and an evaluation of the efficiency of the restructuring strategy implemented. The evaluation can be done by comparing the period before and after debt restructuring (Rudiana &; Venusita, 2011).

METHOD

This study aims to test the hypothesis by comparing two groups of economic events consisting of several periods. Therefore, this study uses a quantitative approach with a comparative causal approach. The object in this study is debt restructuring and financial performance, while the subject of this study is PT. Krakatau Steel (Persero), Tbk. Data was collected using purposive sampling techniques. The sample of this study is an overview of financial statements derived from the annual report of PT. Krakatau Steel. Analysis based on time-series, namely the period before debt restructuring (2015-2018) and the post-restructuring period. 2019-2022. The report is taken from the official website of PT. Krakatau Steel; https://www.krakatausteel.com/. The data is processed using the SPSS program.

The financial performance of the company can be measured by analyzing financial ratios (Saputro &; Hapsari, 2022). Financial ratios are values resulting from comparisons between one element of financial statements with other elements that have relevant and significant relationships (Prasetyo et al., 2020). According to Harahap (2020) in Pio and Magindan, financial ratios consist of liquidity ratios, solvency ratios (leverage), profitability ratios and activity ratios (Pio &; Mangindaan, 2021). This study uses profitability ratio proxied with Return on Assets (ROA), liquidity ratio proxied with Current Ratio (CR) and leverage proxied with Debt to Equity Ratio (DER). The tests used in this study are:

1. Normality Test

   The normality test is used to assess the extent to which the distribution of a sample or data is close to the normal distribution (Lind et al., 2014).

2. Test the hypothesis

   The hypothesis test to be used depends on the results of the normality test. If the data is normally distributed, then the hypothesis test used is the parametric test Paired Sample t-Test, while if the data is abnormally distributed, it uses the Wilcoxon Signed Rank Test. The basis for decision making to accept or reject H0 in both parametric tests is as follows:

   • If Sig.(2-tailed) < 0.05 then H0 is rejected and H1 is accepted.
   • If Sig.(2-tailed) > 0.05 then H0 is accepted and H1 is rejected.

The hypotheses used in this study are as follows:

H1a : There are significant differences in leverage before and after debt restructuring.
H1b : There were significant differences in liquidity before and after the debt restructuring.
H1c : There were significant differences in profitability before and after the debt restructuring.

RESULTS AND DISCUSSION

Data Analysis

Descriptive Statistics

Descriptive statistical analysis is performed with the aim of understanding a number of key metrics in financial performance data, including minimum, maximum, average, and standard deviation values. This research focuses on calculated financial ratio data, both before and after debt restructuring, to provide a deeper understanding of the distribution and variability of financial performance in that context.

Table 1. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
DER1	4	107.05	138.77	120.4675	13.65656
DER2	4	47.20	84.70	63.4750	16.50664
CR1	4	0.61	0.81	0.6975	0.09845
.CR2	4	0.28	1.01	0.5975	0.31383
ROA1	4	-10.35	-1.83	-4.7625	3.94539
ROA2	4	-14.71	1.19	-3.0500	7.77735

(Source: Data processed)

Note : Number 1 indicates the ratio before restructuring, while number 2 indicates the ratio after restructuring

Normality Test

The results of this research data normality test are as follows:

Table 2. Normality Test

	Shapiro-Wilk	
	Sig.	Information
DER1	0.761	Normal
DER2	0.774	Normal
CR1	0.299	Normal
CR2	0.833	Normal
ROA1	0.214	Normal
ROA2	0.103	Normal

(Source: Data processed)

Note : Number 1 indicates the ratio before restructuring, while number 2 indicates after restructuring. If Sig. > 0.05 then the data is normally distributed, while if Sig. <0.05 then the data is not normally distributed.

Test the Hypothesis

Based on the results of the normality test, every data in this study is normally distributed. So, the hypothesis test used is the Paired Sample T Test. The results of the hypothesis test are as follows:

Table 3. Paired Sample T Test

Ratio	Sig. (2-tailed)	Information
DER	0.027	H1 accepted
CR	0.434	H2 rejected
ROA	0.477	H3 rejected

(Source: Data processed)

Note : Probability value 0.05. If Sig. (2-tailed) is more than the probability value then H1 is rejected, while if it is less than 0.05 then H1 is accepted.

The test results show that there is a significant difference before and after restructuring when viewed from the solvency ratio. However, there is no significant difference from the ratio of profitability and liquidity.

Table 4. DER, CR and ROA 2015-2022

Year	DER	CR	ROA
2015	107.05%	0.61	-10.35%
2016	113.99%	0.81	-4.73%
2017	122.06%	0.75	-2.14%
2018	138.77%	0.62	-1.83%
2019	84.7%	0.28	-14.71%
2020	67.7%	1.01	0.67%
2021	47.2%	0.65	1.19%
2022	54.3%	0.45	0.65%

(Source: Financial Report of PT. Krakatau Steel)

Based on the table above, in the period 2015-2018 (before the restructuring) the company's DER exceeded 1 or 100%. If the DER value is equal to or exceeds 100%, this indicates that the company is more dependent on debt than own capital. In this context, the company's condition is included in the warning category because it has a high level of leverage (Saragih, 2018). High leverage can increase a company's financial risk, especially if the company faces difficulties in paying interest on its debt or managing its debts. Companies with high DER may also be considered more vulnerable to fluctuations in interest rates or changing market conditions, as debt interest payments become a greater financial burden. This indicates that the company has reduced its debt level relative to its equity. After carrying out debt restructuring, the composition of debt to the company's capital gradually reached a stable figure (less than 100%).

The Current Ratio before debt restructuring tends to fluctuate. According to Kasmir (2008) in Widayanti, generally the industry average standard is at least 200% (2: 1) or equivalent to 2 times (Widiyanti, 2014). With the result of the ratio, the company is considered to have reached a safe position in a short period. The data above shows that both before and after the restructuring, there was no significant change in the company's ability to pay its short-term obligations. According to Kasmir (2008) in Setiawati, the ROA standard for industry is 30% (Setiawati, 2018). Return on Assets before the restructuring showed a negative ratio, indicating that the company suffered a loss. A negative ROA may indicate that the company is inefficient in generating profits from its assets. After the restructuring, the company still has not achieved an adequate Return on Assets (ROA) standard, even though its condition has been significantly more resilient compared to the period before the implementation of debt restructuring.

CONCLUSION

Based on the calculation results, there is a significant effect of debt restructuring on the solvency ratio. This indicates that the decision to restructure debt has had a significant impact on the level of the company's ability to meet its financial obligations and maintain its financial stability. Higher or lower solvency ratios after debt restructuring may reflect substantial changes in a company's debt structure and overall financial performance. Therefore, these results signal that debt restructuring has real consequences on the solvency aspect of the company. However, debt restructuring did not significantly affect PT. Krakatau Steel. The insignificance of the difference in profitability ratios may indicate that, after debt restructuring, changes in the financial structure did not have a major impact on the company's ability to make a profit. Similarly, the insignificant difference in liquidity ratios indicates that debt restructuring does not have a meaningful effect on the company's ability to meet short-term obligations. In this context, post debt restructuring, the change in focus on solvency seems to be more pronounced than the impact on profitability and liquidity.

Overall, debt restructuring can provide resilience opportunities for companies by paying long-term obligations to creditors. Thus, the company can avoid the threat of bankruptcy and be given the opportunity to reorganize its financial management. However, these changes have not been followed by an increase in the company's ability to optimize its assets in generating profits and the company's ability to pay short-term obligations. So, in addition to debt restructuring, there need to be other efforts to overcome this such as conducting further research, cost efficiency, optimizing the use of assets, and also improving the quality of human resources.

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