EFFICIENCY OF WORKING CAPITAL TO IMPROVE THE PROFITABILITY OF PT. Elnusa TBK

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ABSTRACT

PT. Elnusa Tbk., is a company in Indonesia which is running their business in oil and gas industry. Financial performance analysis is important to set company plans and decision in order to improve their profitability. The purpose of this research is to measure the efficiency of working capital to improve the profitability of PT. Elnusa Tbk., By analyze the financial statement of PT. Elnusa Tbk., in period year 2008-2012. This research use qualitative research with descriptive method by using ratio analysis to measure efficiency level of working capital (Working capital turnover, Inventory turnover) and profit ratio (GPM, NPM, ROI, and ROE). The population of this research is all financial statement of PT. Elnusa Tbk., from year 2008-2012. The sample of this research is PT. Elnusa Tbk., audited financial statement from 2008-2012. Analysis results show that the company working capital performance is good, but not too efficient because it’s not supported simultaneously with the growth of net profit margin, return on investment, and return on equity that continues to decline for some year. PT. Elnusa Tbk., must pay attention closely to their financial management, because it’s important to improve the performance and also raising their profitability. The management has to more better in control of their production budget, limiting production only at peak production that still making profit.

Keywords: efficiency of working capital, profitability

INTRODUCTION

Research Background

Working capital is a central issue and an important topic that is often faced by the company, because almost all of the attention to managing working capital and current assets which constitute a significant portion of the assets. Working capital required by each company to finance day-to-day operations. Therefore, companies are required to always improve its efficiency so achieved the expected goals by companies that achieve the optimal profit. Working capital has a flexible characteristic; the size of the working capital can be increased or decreased according to the needs of the company. The amount of working capital should be in accordance with the needs of the company, due to either excess or short ages of working capital are both negatively impacted the company.

Good working capital management is very important in finance because of errors and mistakes in managing working capital may result in operations being delayed or stopped. Thus, the analysis or working capital is very important to be done to determine the working capital situation at this point, then it connected with the financial situation that will be faced in the future. This information can be determined from what the program
One of the problems the company faced financial wisdom is a matter of working capital efficiency. Excessive working capital primarily in the form of cash and marketable securities could hurt the company because it causes great fund collected without the use of the funds productively. Dead funds, is funds that are not used lead to the holding of investments in projects that are not needed and are not productive. Besides, the excess working capital will also lead to inefficiency or waste in its operations. If the company uses more debt than the level of solvency capital will decline because interest expense to be borne also increased. This has an impact on the declining profitability. Basically if the company improve amount of debt as a source of funds the conclusion can be increases the risk of finance. If a company not able to manage the funds to be obtained in a productive way, of a debt it can provide the influence and playing negative impact on the decrease in corporate profitability. Contrarily, if the debt problem can be managed well and used for investment projects a productive it can provide positive influence and affect the increasing profitability of the company.

In determining an efficient working capital policy; companies are faced with the problem exchange (trade-off) between liquidity and profitability factors. If the company decided to establish working capital in large numbers, the likelihood of liquidity will be maintained but the opportunity to earn huge profits will decrease, which in turn have an impact on the decline in profitability. Conversely, if companies want to maximize profitability, it is likely to affect the company's liquidity. The higher the liquidity, then more betters the company position in the eyes of creditors. Therefore there is a greater possibility that the company will be able to pay its obligations on time. On the other hand in terms of shareholder angle, high liquidity is not always advantageous because it is likely to lead idle funds that could otherwise be used to invest in projects that benefit the company.

Indicator of good working capital management is the efficiency of working capital. Working capital can be seen from the turnover of working capital (working capital turnover). Working capital turnover starting from the moment the cash invested in working capital components to date back into cash. The shorter the period of rotation of working capital, so the sooner the rotation of higher working capital turnover and the company more efficient and ultimately increasing profitability.

Research Objectives
This Study aimed to measure the efficiency of working capital to improve the profitability at PT. Elnusa Tbk.

THEORITICAL FRAMEWORK

Financial Management
Financial management means the efficient and effective management of money (funds) in such a manner as to accomplish the objectives of the organization. There are three key elements to process of financial management:

1. Financial Planning
   Management need to ensure that enough funding is available at the right time to meet the needs of the business.

2. Financial Control
   Financial control is a critically important activity to help the business ensure that the business is meeting its objectives.

3. Financial Decision-making
   The key aspects of financial decision making relate to investment, financing and dividends:
   a. Investments must be financed in some way – however there are always financing alternatives that can be considered.
   b. A key financing decisions is whether profits earned by the business should be retained rather than distributed to shareholders via dividends.
Reeve, et al. (2009:363) said the control of cash payments should provide reasonable assurance that:
1. Payments are made for only authorized transactions.
2. Cash is used effectively and efficiently.

Working Capital
The term “working capital” is the money required for maintaining daily operation activities in a business. Such as for purchasing raw material, for playing salaries, wages, rents or any day-to-day expenditures. Net working capital, which measures the working capital’s efficiency, represents the excess of current assets over current liabilities. This indicator explains the firm’s ability to meet its short-term financial obligation, Brealey & Myers (in Huynh, 2012). Working capital screening process will always run for the company is still operating. Working capital spins constantly in the company as it is used to finance day-to-day operations. Analysis of working capital cycle begins with cash. Cash planted in stock and a variety of tools and services, besides of funded from loans, later needs financing with cash.

Efficiency of Working Capital
Management of working capital is very important so that the continuity of the efforts of a company can be maintained (Hanafi, 2012:125). The form and amount of working capital components vary over the operating cycle. It would be hard to get the amounts of the components used in operations for an operating cycle. Hence the working capital management efficiency is measured in terms of the days of working capital (DWC). DWC value is based on the dollar amount in each of equally weighted receivable, inventory and payable accounts. The DWC represents the time period between purchases of materials on account from suppliers until the sale of finished product to the customer, the collection of the receivables, and payment receipts. Indication of good management of working capital is the working capital efficiency as seen from the working capital turnover (Husnan, 1997:98) that starts from the cash assets invested in working capital components until back into cash. The shorter the period of their turn around, the faster-moving inventories that higher working capital turnover and the company getting more efficient that eventually the profitability gets higher.

Profitability
Profitability is the ability of the company makes a profit in relation to the sales, total assets, and equity (Sartono, 1998:130). Total net income is often compared to the scale of the operation or financial condition such as sales, assets, equity shareholders to assess the performance as a percentage of some level of activity or investment. A business without profitability cannot survive whereas a business which is highly profitable is fully capable to reward its owners with a large investment return.

Previous Research
Bhuni (2012) this study examines the relationship between the working capital management and profitability of Indian private sector small – medium steel companies obtained from CMIE database. The study shows a small relationship between working capital management including working capital cycle and profitability. Malik (2012) management of working capital performs a very vital part in the performance of firms in sugar industry of Pakistan. The result shows that the sales growth, current ratio, no of days inventory and no of days accounts payables are significantly affecting the profitability of the firms while sales, gearing ratio and no of days account receivables are insignificant in the research. Morawakage (2010) researchers have studied the effect of different variables of working capital management and cost structure on the profitability of Sri Lankan Companies. Researchers have selected a sample of 65 Sri Lankan companies listed on Colombo Stock Exchange. The results suggest that managers can increase corporate profitability by reducing the number of inventory turnover days and increasing the creditor payable days in order to minimize the length of the working capital cycle.
RESEARCH METHOD

Type of Research
Type of this research is that qualitative data in the form of words, sentences, schematic, and image. The studies conducted in this paper are Researches with descriptive methods. The Qualitative method also called natural research method because of the research that happened in natural condition. Qualitative research is descriptive by Bogdan and Biklen (in Sugiyono, 2012:13) is the data collected in the form of words of pictures rather than number. The purpose of descriptive research is to create a description or picture actual and accurate information on the facts, properties and relationships between the phenomena under study. Ericsson (in Sugiyono, 2012:14) said that the characteristics of qualitative research are:
1. Intensive, long term participation in field setting
2. Careful recording of what happens in the setting by writing field notes and interview notes by collecting other kinds of documentary evidences
3. Analytic reflection on the documentary records obtained In the field
4. Reporting the result by means of detailed description, direct quotes from interview, and interpretative commentary.

Place and Time of Research
The study is at PT. Elnusa Tbk., in research period year 2008-2012. The study was also using financial statement data in Indonesia Stock Exchange, which can be accessed via www.idx.co.id and obtained also from Manado Indonesia Stock Exchange branch.

Source of Data
In qualitative research, the data obtained from various sources, using many data collection techniques. With continuous observations lead to variations in the data is very high, so the data analysis techniques used there is no clear pattern (Sugiyono, 2012:242). Susan Stainback (in Sugiyono, 2012:243) says, that there are no guidelines in qualitative research for determining how much data and data analysis are necessary to support and assertion, conclusion, or theory. This research is by analyzing the financial statement archives of PT. Elnusa Tbk., in research period 2008-2012. The study was also using financial statement data companies listed in Indonesia Stock Exchange, which can be accessed via www.idx.co.id and obtained also from Manado Indonesia Stock Exchange branch. Another source obtained by researchers from a variety of additional data, journals, and other literature.

Data Collection Techniques
To obtain data related to this study, the authors use the following data collection methods:
1. Collection of information by searching the literature from a variety of sources, which is related to the subject matter covered by the researcher.
2. Through electronic media, such as internet access to complete data in the data.
3. Data obtained directly from Manado Indonesia Stock Exchange Branch and through the Indonesian Capital Market Directory (ICMD).

Analysis Source of Data
Working Capital Efficiency
Working capital used in this research is a qualitative concept of working capital is the excess of current assets over current liabilities that must be paid. Working capital efficiency is measured by the rate of turnover of working capital (working capital turnover). Working capital turnover ratio (working capital turnover) shows the number of sales (in dollars) that can be obtained for every dollar of working capital. The indicators of the working capital turnover are as follows:
1. Net Sales
2. Current assets
3. Current debt
To measure the amount of Working Capital Turnover (WCT) formula is used:

\[
WCT = \frac{Net\ Sales}{(Current - Current\ Liabilities)}
\]

**Inventory Turnover**

This ratio measures the efficiency of the management of merchandise inventory. This ratio is an indication of that is quite popular to assess operational efficiency, which shows how well the management of existing capital controls on inventory. The higher turnover obtained, the more efficient the company in carrying out its operations. According to Sawir (2001:15), the formulation of Inventory Turnover is as follows:

\[
Inventory\ Turnover = \frac{Cost\ Of\ Good\ Sold}{Inventory}
\]

**Profitability**

Profitability is interpreted as a ratio explaining the rate of some profit amount which is benchmarked against some point of reference such as assets, investment or equity of the company. Percentage is used as the unit measure of those ratios. As decision tools, profitability ratio can be used to assess the financial health of a business. Here is a ratio used to measure profitability is as follows:

1. **Gross Profit Margin**

   Ratio of gross profit margin or gross profit margin is useful to know the company gross profits from each item sold. In other words, this ratio measures the efficiency of controlling the cost or cost of production, indicates the company's ability to produce efficiently. According to Sawir (2001:18), the formulation of the gross profit margin or GPM is as follows:

   \[
   GPM = \frac{Net\ Sales - Cost\ of\ Goods\ Sold}{Net\ Sales} \times 100\%
   \]

2. **Net Profit Margin**

   Net Profit Margin (NPM) illustrates the magnitude of the acquired company net profit on any sales made. In other words, this ratio measures the net profit after tax to sales. According to Sawir (2001:18), the formulation of the net profit margin is as follows:

   \[
   NPM = \frac{Earning\ After\ Tax}{Net\ Sales} \times 100\%
   \]

3. **Return on Investment**

   Analysis return on investment (ROI) analysis has been a common technique used by management to measure the effectiveness of the overall operation of the company. Return on investment (ROI) itself is a form of the ratio of the overall profitability of the funds invested in assets that were used to generate profit operating company. According to Munawir (2004:89), formulation of return on investment or ROI is as follows:

   \[
   ROI = \frac{Earning\ After\ Tax}{Total\ Assets} \times 100\%
   \]

4. **Return on Equity**

   Return on equity measures the company's ability to obtain income available to shareholders of the company or to find out how much return given by the company for each dollar of capital from owners. According to Sawir (2001:20), formulation of return on equity or ROE is as follows:
ROE = \frac{Earning\ After\ Tax\ \times\ Equity}{\times\ 100\%}

RESULT AND DISCUSSION

Financial Statement

This research uses the financial statement of PT. Elnusa Tbk., in period years 2008-2012, to analyze the growth performance of working capital and profitability.

Table 1. Financial Statement of PT. Elnusa Tbk.

<table>
<thead>
<tr>
<th>(Million Rupiah)</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current Assets</td>
<td>3,317,816</td>
<td>4,216,370</td>
<td>3,695,249</td>
<td>4,389,950</td>
<td>4,294,557</td>
</tr>
<tr>
<td>of which</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and Equivalent</td>
<td>401,120</td>
<td>1,124,202</td>
<td>735,093</td>
<td>688,818</td>
<td>928,199</td>
</tr>
<tr>
<td>Trade Receivables</td>
<td>779,325</td>
<td>848,743</td>
<td>775,374</td>
<td>1,195,040</td>
<td>1,118,513</td>
</tr>
<tr>
<td>Inventories</td>
<td>74,609</td>
<td>83,800</td>
<td>115,062</td>
<td>108,422</td>
<td>92,725</td>
</tr>
<tr>
<td>Non-current Assets</td>
<td>1,698,334</td>
<td>1,668,344</td>
<td>1,615,858</td>
<td>1,913,379</td>
<td>1,984,201</td>
</tr>
<tr>
<td>of which</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed Assets-Net</td>
<td>1,213,210</td>
<td>1,314,424</td>
<td>1,290,518</td>
<td>1,413,015</td>
<td>1,257,235</td>
</tr>
<tr>
<td>Deferred Tax Assets-Net</td>
<td>33,923</td>
<td>38,148</td>
<td>49,722</td>
<td>91,276</td>
<td>103,045</td>
</tr>
<tr>
<td>Other Assets</td>
<td>140,987</td>
<td>153,476</td>
<td>112,724</td>
<td>254,012</td>
<td>202,263</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current Liabilities</td>
<td>1,163,382</td>
<td>1,663,771</td>
<td>1,283,809</td>
<td>1,987,777</td>
<td>1,686,450</td>
</tr>
<tr>
<td>of which</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Short-term debts</td>
<td>351,376</td>
<td>329,203</td>
<td>160,170</td>
<td>161,541</td>
<td>186,771</td>
</tr>
<tr>
<td>Trade payables</td>
<td>301,598</td>
<td>503,745</td>
<td>411,000</td>
<td>590,208</td>
<td>368,605</td>
</tr>
<tr>
<td>Taxes payable</td>
<td>103,967</td>
<td>172,841</td>
<td>39,379</td>
<td>65,442</td>
<td>33,978</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>224,823</td>
<td>392,853</td>
<td>387,413</td>
<td>690,130</td>
<td>765,476</td>
</tr>
<tr>
<td>Non-Current Liabilities</td>
<td>522,343</td>
<td>622,965</td>
<td>456,110</td>
<td>497,348</td>
<td>565,862</td>
</tr>
<tr>
<td>Shareholder's Equity</td>
<td>1,628,554</td>
<td>1,929,634</td>
<td>1,955,330</td>
<td>1,904,825</td>
<td>2,042,245</td>
</tr>
<tr>
<td>Paid-up capital</td>
<td>729,850</td>
<td>729,850</td>
<td>729,850</td>
<td>729,850</td>
<td>729,850</td>
</tr>
<tr>
<td>Paid-up capital in excess of par value</td>
<td>1,810</td>
<td>2,111</td>
<td>1,810</td>
<td>1,810</td>
<td>1,810</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>898,704</td>
<td>1,197,673</td>
<td>1,223,670</td>
<td>1,173,165</td>
<td>1,293,330</td>
</tr>
<tr>
<td><strong>Net Sales</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost of Goods Sold</td>
<td>2,149,039</td>
<td>3,119,303</td>
<td>3,802,234</td>
<td>4,431,445</td>
<td>4,225,983</td>
</tr>
<tr>
<td>Gross Profit</td>
<td>394,874</td>
<td>543,028</td>
<td>415,796</td>
<td>285,326</td>
<td>551,100</td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>214,487</td>
<td>266,741</td>
<td>281,902</td>
<td>307,424</td>
<td>299,029</td>
</tr>
<tr>
<td>Operating Profit</td>
<td>180,387</td>
<td>276,287</td>
<td>133,894</td>
<td>(22,098)</td>
<td>135,497</td>
</tr>
<tr>
<td>Other Income (expenses)</td>
<td>(69,825)</td>
<td>392,495</td>
<td>(39,927)</td>
<td>(3,985)</td>
<td>60,371</td>
</tr>
<tr>
<td>Profit before taxes</td>
<td>173,530</td>
<td>668,782</td>
<td>93,967</td>
<td>(26,083)</td>
<td>211,071</td>
</tr>
<tr>
<td>Comprehensive Profit (loss)</td>
<td>133,772</td>
<td>466,233</td>
<td>63,494</td>
<td>(30,115)</td>
<td>135,597</td>
</tr>
</tbody>
</table>

Source: Financial statement data in Indonesia Stock Exchange
Data Analysis

Working Capital Turnover

Working capital turnover is the number of sales that can be obtained for every Rupiah of working capital. Working capital turnover has been used to determine how much liquidity the companies have. By the principle that biggest the corporate asset interpreted as source of income, the greater ability the company has to pay their debt that has been interpreted as sources of expenditure.

Table 2. Working Capital Turnover

<table>
<thead>
<tr>
<th>Subject</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Working capital turnover</td>
<td>5.57</td>
<td>4.14</td>
<td>5.30</td>
<td>9.64</td>
<td>7.65</td>
</tr>
</tbody>
</table>

Source: Financial statement PT. Elnusa Tbk. (data processed)

The table shows working capital turnover from the beginning of the research in 2008 until the end of the research in 2012 have insignificant trend over year. In the year of 2008 shown 5.57 WCT that mean for every capital that the company has spent for production the number of selling is 5.57. From the table above also can seen in 2008 to 2009 the company working capital turnover has decreased 1.43 point. From 2009 to 2010 has increased 1.16 point. And from 2010 to 2011 PT. Elnusa Tbk., working capital turnover increased significantly as big as 4.34 point. And from 2011 to 2012 the working capital turnover has decreased again about 1.99 point.

Figure 1. Working Capital Turnover

Source: Financial statement PT. Elnusa Tbk. (data processed)

Inventory Turnover

This ratio is used to measure the efficiency of merchandise inventory management in a company. This ratio is often used to show how well management manages the inventory of existing capital during the period.

Table 3. Inventory Turnover

<table>
<thead>
<tr>
<th>Subject</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inventory</td>
<td>28.80</td>
<td>37.22</td>
<td>33.05</td>
<td>40.87</td>
<td>45.57</td>
</tr>
<tr>
<td>Turnover</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: financial statement PT. Elnusa Tbk. (data processed)

It can be seen from the table above that the velocity of inventory, uncertain and likely to fluctuate due to the inventory turnover in 2008 reached 28.80 times. In 2009 increased and reached 37.22 times it means increased by 8.42 times. But in 2010 it’s decreased to 33.05. And in 2011 the inventory come raises to 40.87 times. And keep raises in 2012 to 45.57 times.
Gross Profit Margin

Gross margin shown in cost of goods sold as a percentage of sales. These ratios look at how well a company controls the inventory cost and the manufacturing cost of a product and then pass on to customers. The larger the gross profit margin, the better for the company.

Table 4. Gross Profit Margin

<table>
<thead>
<tr>
<th>Subject</th>
<th>Year</th>
<th>Gross Profit Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2008</td>
<td>0.15</td>
</tr>
<tr>
<td></td>
<td>2009</td>
<td>0.14</td>
</tr>
<tr>
<td></td>
<td>2010</td>
<td>0.09</td>
</tr>
<tr>
<td></td>
<td>2011</td>
<td>0.06</td>
</tr>
<tr>
<td></td>
<td>2012</td>
<td>0.11</td>
</tr>
</tbody>
</table>

By looking on the table can be seen that the gross profit margin of PT. Elnusa Tbk., in 2008 is 0.15% and in 2009 is get low and can be interpreted that in 2009 for every 1 Rupiah that the company earn in net profit 99.86 % profit has been used to cover cost of goods sold and only 0.14 % can be used to cover the operational cost. And in 2010 company GPM decreased to 0.09 % make the cost of goods sold is increased to 99.94 % make the corporation barely have profit. And getting worse in year 2011 it also decreased to 0.06 % of GPM. But in 2012 it increase to 0.11%.

Net Profit Margin

Net Profit Margin (NPM) can describe the magnitude net profit that company earns for every sale them doing. In the other word this ratio measure net profit after tax on sales.

Table 5. Net Profit Margin

<table>
<thead>
<tr>
<th>Subject</th>
<th>Year</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Profit Margin</td>
<td>2008</td>
<td>0.027</td>
</tr>
<tr>
<td></td>
<td>2009</td>
<td>0.135</td>
</tr>
<tr>
<td></td>
<td>2010</td>
<td>0.012</td>
</tr>
<tr>
<td></td>
<td>2011</td>
<td>0.008</td>
</tr>
<tr>
<td></td>
<td>2012</td>
<td>0.037</td>
</tr>
</tbody>
</table>

From the calculation Net profit margin above can be seen in 2008 this company has net profit margin 0.027 for taxes. Which mean for every 1 Rupiah operating income this company can produce 0.027 Rupiah, and in the 2009 company produce 0.135 taxes, in 2010 company produce 0.012 taxes for every 1 Rupiah operating incomes. In 2011 the company only produces 0.008 taxes. And in 2012 the company raises to 0.037 taxes.
Return on Investment

Analysis Return of Investment (ROI) is common used by the leader of the company to measure effectiveness of the entire corporate operation. ROI himself is one of the profitability ratio which mean to measure capability of the company with entire fund and assets that’s has been used in the operation to produce profit.

Table 6. Return on Investment

<table>
<thead>
<tr>
<th>Subject</th>
<th>Year</th>
<th>Return on Investment</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2008</td>
<td>2.09</td>
</tr>
<tr>
<td></td>
<td>2009</td>
<td>11.76</td>
</tr>
<tr>
<td></td>
<td>2010</td>
<td>1.46</td>
</tr>
<tr>
<td></td>
<td>2011</td>
<td>-0.896</td>
</tr>
<tr>
<td></td>
<td>2012</td>
<td>4.12</td>
</tr>
</tbody>
</table>

Source: Financial statement PT. Elnusa Tbk. (data processed)

From the calculation above Return on investment in 2008 show 2.09 which means for every 1 Rupiah sales can produce 2.09 net profits. The following year 2009 is raise to 11.76. but in 2010 turn into negative trend and constantly decrease the amount of net profit that the company earn, by looking the data, in 2010 the company just earn 1.46 net profit for every 1 Rupiah that the company sale their goods, in 2011 company have -0.896 ROI, and in 2012 the company just earn to 0.041 this mean for every 1 Rupiah that the company earn for their sale good, they have 4.12.

Return on Equity

Return on equity or return of net worth is measured the capability of the company to get profit for their shareholder, or in other word to measured how much the company can produce the return for every 1 Rupiah that the shareholder spend.

Table 7. Return on Equity

<table>
<thead>
<tr>
<th>Subject</th>
<th>Year</th>
<th>Return on Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2008</td>
<td>4.28</td>
</tr>
<tr>
<td></td>
<td>2009</td>
<td>25.6</td>
</tr>
<tr>
<td></td>
<td>2010</td>
<td>2.76</td>
</tr>
<tr>
<td></td>
<td>2011</td>
<td>-2.06</td>
</tr>
<tr>
<td></td>
<td>2012</td>
<td>8.67</td>
</tr>
</tbody>
</table>

Source: Financial statement PT. Elnusa Tbk. (data processed)

From the calculation above in 2008 the company have Return on Equity as 4.28 which mean in 2008 for every ROE that the company for sale every 1 rupiah can increase capital for 4.28 Rupiah. In 2009 the company has raise their ROE to 25.6. But as following year the negative trend is befall the company in 2010 the company ROE is just 2.76 and in 2011 even more bad by scoring the ROE in -2.06. But in 2012 it backs raises to 8.67.
Discussion

In response to be the stronger company in the international market, year by year PT. Elnusa. Tbk., has passes on running their business. As a company engaged in the field of oil and gas should prioritize community needs and empowerment smoothness resources mine to the company constantly strives to improve the quality and quantity of services and extend cooperation with several mining companies. Maintaining the company business performance in this era of so many competitor who’s running in same business to get the world market leader, wasn’t an easiest thing to do. The usefulness of the financial statement analysis is we can explain the consequences of the changing in the financial statement. These changes can be caused by the occurrence of irregularities in the activities of the company budget plan. Besides being able to see the magnitude of changes in working capital, sources and uses of working capital can also be used as a reference in planning the use of working capital for the next period so expect the working capital available in the company enough to be used to pay off the obligation of the company or fund operation so that the company achieve the main goal is to have a high corporate profitability. It is expected that the company also no excessive working capital fund which indicates a non-productive or idle funds which insulted in a reduction in the profitability of the company later. Working capital is an important issue during financial decision making since its being a part of investment in asset that requires appropriate financing investment. Working capital can be increased or decreased according to the needs of the company. The analysis or working capital is very important to be done to determine the working capital situation at this point, then it connected with the financial situation that will be faced in the future it can be seen that the higher the working capital turnover rate will increase corporate profits. Generally most of the firms keep their attention almost with the short term financing sources and specially concern about their working capital management.

In the financial statement of PT. Elnusa, shows an insignificant growth for some years. Sometimes it’s increase and for sometimes its decline. Deloof (in Malik, 2012) says, the results suggested that profitability depends on how the working capital management is handling efficiently by the management of the company. The research results of working capital turnover from the beginning of research in 2008 until the end of research in 2012 have insignificant trend over year. The company working capital itself is good, but not too efficient because it’s not supported the declined growth of net profit margin, return on investment, and return on equity. When in 2009 working capital of PT. Elnusa Tbk., was decline after stay in 2008 at 5.57 of number of sales. In 2010 it was raises to 5.30 and keep increase in 2011 to 9.64. Which mean its raises as big as 4.34 point. It’s a high movement of growth from 2010 to 2011. Even decrease in 2012 but not too far of falling. According to previous research by Bhunia (2012), firms with high liquidity of working capital may have low risk then low profitability. On the contrary, firm that has low liquidity of working capital, facing high risk results to high profitability. By the results, PT. Elnusa liquidity is good. So they have a good capability to pay their liabilities. Increasing the number of working capital turnover is good and actually has a positive impact for the company. Results show that the number of working capital turnover of PT. Elnusa is not running simultaneously with the growth of the company profitability. This is caused by the growth of cost of goods sold is also so large that it causes the net sales receipt, return on investment and return on equity also tended to decrease, although the working capital turnover and the gross profit margin continues to experience positive growth.
The oil and Gas Industry is characterized by high intensive working capital requirements and high competition, which make the working capital management crucial to bring attractive earnings to shareholders and the company. The management of working capital by managing the proportion of the working capital management components is important to the financial health of business from all companies. Efficient working capital management is an integral part of the overall corporate strategy to create shareholder value. Efficient working capital proved very significant effect in increasing the number of sales of goods produced, it can be seen that the higher the working capital turnover rate will increase corporate profits it can be seen from the company's gross revenue margin revenues increasing each year in line with an increasing number of goods sells produced by the production company.

CONCLUSION AND RECOMMENDATION

Conclusion
Analysis of working capital efficiency was done on results that show how the company working capital performance is good but not running effectively with the growth of profitability. The all performance of the working capital company has basically been run by how better if the company, taking control of their management. Increasing the number of working capital turnover (WCT) actually has a positive impact for the company, especially with the growth of the WCT each year that shows the number of positive. However, this positive growth does not occur simultaneously with the growth of net profit margin, return on investment, and return on equity that continues to decline for some year. It is observed that there is significant evidence to support company in managing the efficiency of working capital that has an influence of the profitability. In this research we see that how the company itself maintain their working capital management. The better a company can manage its working capital, the lower the company need on borrowings. Effective working capital management also needs for companies with cash surpluses to have efficient investment that can generate shareholders value. In order words, the way of working capital management can have a significant impact on both the liquidity and profitability of a company.

Recommendation
There are some recommendations from authors as follows:
1. The company’s management should be able to keep the working capital efficiently. Fix all the problems that become an obstacle for the company’s business. Because if the working capital in the company shows the stage of high efficiency then the company’s profitability itself will increase.
2. More control over its production budget is needed, so the company can control the production possibility curve, and limiting production only at peak production that still making a profit, so that the working capital turnover (WCT) that has good growth also has a positive effect on the growth of corporate profits, with that the company can expect the growth of return of investment (ROI), and the growth of return of equity (ROE) can be turn into positive side. If the working capital turnover getting higher then higher and quickly also the cash that had been invested into the working capital will be back into cash, which mean profit of the company will be more acceptable.
3. For the future researcher, this research is limited in just the company profitability stage which means there are so many other factors that could be figure it out to improve the profitability of the company. The researcher also can use this research as the references to help the thesis research process.
REFERENCES


