

ABSTRACT

I NYOMAN WIDANA, Evaluation of Investment and Financing Strategy and Its Impact to Profitability of PT. X (under the supervision of Mr. DR. Erman Munzir).

This study is aimed to evaluate company's strategy on investment and financing and its impact to profitability, where profitability was influenced by good investment and the financing mix policy used to finance them.

From the analysis of company's financial statement for year 2002 and 2001, could be known that the company's profitability was very bad. It was happened because the company's sales were low in one side and costs were high on the other side. The company's sales were low because of limited market share as a consequence of: 1) limited number of outlets 2) tight competition by both foreign and local retailer. On the other hand the high of costs mainly related to the company's investment policy, human resource and other factors.

Therefore to increase the profitability the company should set strategies to extend of market share by: 1) addition number of outlet, and 2) improvement of long-range fund in the form of capital stock or long term liabilities.

Tools of analysis used to evaluate investment proposal were NPV, IRR and Payback Period, while the financing strategy analysed using Degree of Financial Leverage, EBIT-EPS analysis, Debt Service Coverage and analysis of financial structure.

Base on that analysis could be concluded that both existing investment and proposed investment were good investment and could be executed. But analysis of financing strategy got conclusion that with the current financing strategy and financing structure planned cannot improve the company's performance because the EBIT that could generated was insufficient to cover the fixed charge involved by the decision to use large portion of debt. Therefore, the company have to be out for improve EBIT and/or improve usage of capital stock to strengthen financing structure, for example with hold mutually strategic investor by private placement.