

ABSTRACT

PT. Inco is a public liability company which the business concentrates on mining especially on nickel mining.

PT. Inco was established on July 25, 1968 under Indonesian Law Regulation.

PT. Inco has been opened to the public share holder on April 6, 1990 under Bapepam approval.

The company share holder are Inco Limited 58,73%, Sumitomo Metal Mining Co, Ltd 20.09%, public 20% and the rest owned by five Japanese company.

According to the world market of nickel matte, the growth for nickel matte in the world are still positive growth around 8 percent per years even though the market has new entry from ex communist block such as Russian etc. The market for PT. Inco production is based on the long-term contract must buy with the main stockholder International Nickel Corporation Canada and the affiliation company in Japan and other share holder Sumitomo Metal Mining Co, Ltd which are the main buyer for PT. Inco's nickel in matte product.

The growth of PT. Inco operation facilities as reflected by the construction in progress also is reflected by the growth of the company total assets, in 1995 total assets of PT. Inco was US\$ 780,260,000 increased to US\$ 908,830,000 in 1996 and become US\$ 1,077,527,000 in 1997.

The company in 1995 has net earnings or profit US 96,022,000, decrease in 1996 to US\$ 61,191,000 and also decrease in 1997 to US\$24,300,000.

Decreasing of profit are mostly due to lowering nickel in matte price in London Metal Exchange, which is standard for PT. Inco's Nickel price and also because of lowering nickel production caused by El Nino which affected the electricity supply to the electric furnace for smelting the nickel raw material that generated from hydro electric turbine generator.

Financial ratio of PT. Inco shows that:

- Liquidity ratio was fine, it means that the company have no serious problem in the prosup payment except cash capability was very low.
- Leverage ratio was good, it means that the company use the own capital more than the debt capital to finance the operation.
- Activity ratio was low, it means that for every dollar investment give the return is less than the investment value.
- Probability ratio was low, it means that for every dollar invested, the result is low return even though it still generate profit.

From the horizontal, vertical and trend analysis of balance sheet it can be concluded that the company grow well intern of percentage and value of total assets last decreased gradually year in term of fixed assets.

From the income statement it can be seen that revenue were good even though tend to decrease every year mostly because significant the nickel price in the international market (LME) decreased.

The evaluation of possibility of business failure using multiple discriminant analysis (MDA), the result show Z value is more than 2.99 for the last three year from 1995 to 1997.

Based on the Altman index, PT. Inco was categorized as non bankrupt company or still good company.

To keep the current business it is recommended that PT. Inco make some efforts as follows:

- a. All operation shall be managed with efficient system especially increase efficiency in the electric furnace and the hydro electric power, so that operating expenses could be decreased.
- b. It means that the production cost of nickel in matte will be the lowest in the world.
- c. Increase production by expansion program in mining operation that it can generate more sales.

Solution to the problem faced by company dependent on world economic especially in Japan that still face Asia monetary crisis and decreasing in the economic growth and also dependent on the world market of nickel price at London Metal Exchange.