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SOLVABILITY RATIO TO BOND RATING IN THE COMPANY PT. ADHI COMMUTER PROPERTIES AND SUBSIDIARIES IN 2021-2022 LISTED ON THE INDONESIAN STOCK EXCHANGE (BEI)

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Abstract

Bonds are an investment instrument that is in demand by both investors and issuers because they have a fixed income that comes from interest and principal debt. The solvency ratio is an important indicator in evaluating a company's ability to meet long-term financial obligations. This research aims to evaluate the effectiveness of the solvency ratio as a tool for measuring a company's ability to fulfill long-term obligations to the company PT. Adhi Commuter Properti and its subsidiaries listed on the Indonesia Stock Exchange. The research method used is descriptive qualitative by calculating the solvency ratio (Debt to Asset Ratio and Debt to Equity Ratio) from the financial report data of the company PT. Adhi Commuter Properti and subsidiaries that issued bonds in 2021 and 2022. This research evaluates the effectiveness of the solvency ratio as a tool for measuring the company's ability to fulfill its long-term obligations, using PT. Adhi Commuter Properti and Subsidiaries as a case study. The research method used is descriptive qualitative with data analysis from the annual financial reports of companies listed on the Indonesia Stock Exchange and the bond rating database from PT. PEFINDO for the 2021-2022 period. The results of the solvency ratio analysis show a decrease in the Debt to Asset Ratio (DAR) from 64.87% (2021) to 61.11% (2022), as well as a decrease in the Debt to Equity Ratio (DER) from 193.92% (2021) to 173 .84% (2022). This indicates better management of financial risks and possible reduction in interest expenses for the company. These changes provide investors with a positive indication regarding the company's financial stability and the potential for reducing financial risks associated with liabilities. In terms of bond ratings, PT. Adhi Commuter Properti maintains its idBBB rating in 2021 and 2022, demonstrating adequate ability to pay its financial obligations.

Keywords: ***Financial reports, solvency ratios, bond ratings***

Introduction

Investment through bonds is an investment instrument that is in great demand by both investors and issuers. From an investor's perspective, bonds have the advantage of now having fixed income. This fixed income can be obtained from bond interest which is paid once a year or twice a year and principal debt which is paid on the maturity date. Meanwhile, from the issuer's perspective, issuing bonds is relatively safer compared to issuing shares, because bonds have cheaper issuance costs compared to share issuance costs. Bonds are an attractive alternative to funding through debt for companies or governments because bonds generally have long maturities and are relatively cheap because they are debts directly to the public (Sjahrial, 2014: 53). Bond ratings are generally also influenced by the proportion of capital to debt of the company, the level of profitability of the company, the level of certainty in generating income, the size of the company, and the small use of subordinated debt (Keown et al, 2011: 237).

The solvency ratio is the company's ability to meet its long-term obligations. Solvency ratios are very important in determining a company's long-term financial stability. Solvency ratio analysis can provide an overview of the extent to which a company is able to fulfill its financial obligations with the assets it owns. The solvency ratio is used to measure a company's ability to fulfill all its long-term obligations. If the company is unable to pay it, it can affect the results of the bond rating. A secured *bond* means that the company will repay the bond with company assets or shares if it turns out the company defaults in the future. Meanwhile, for *unsecured bonds,* bonds are only supported by the issuer's promise to pay their obligations (Zalmi, 2012:3). Bonds that provide guarantees will be more attractive to potential bond buyers because buyers will feel safer if they buy

guaranteed bonds and can influence the results of the bond rating. The aim of this research is to evaluate the effectiveness of the solvency ratio as a tool for measuring a company's ability to fulfill its long-term obligations.

Literature Review

Bond

Bond Ratings

Bond ratings are opinions from rating agencies as well as informative sources for investors regarding the risks of bonds being traded (based on BAPEPAM and Financial Institution Decree Kep-151/BL/2009). This ranking information is expected to help investors in making investment decisions. In this way, investors can strategize whether to buy bonds or not. For issuers, ratings are useful for knowing the bond structure and knowing its performance position compared to other companies (Raharjo, 2003). If the bond rating is good, it will increase investor confidence in investing. This is because the company has the ability to pay bonds well. In this way, more and more investors are investing in company bonds and the source of funds obtained is also getting bigger. The bond rating process is carried out by appointing one of the rating agencies. After there is an agreement between the issuer and the rating agency, the management submits the data needed for the rating process. Then surveys and interviews will be conducted with management. Data collection and analysis took more than 1 month (Raharjo, 2003). There are several things that need to be considered in bond analysis, namely (Raharjo, 2003):

1. Performance of other economic industries.
   Includes industrial competition, market prospects and share, availability of raw materials, industrial structure, influence of government policies, and policies.
2. Financial performance
   Covers aspects of asset quality, profitability ratio, asset and liability management, capital adequacy ratio, level of debt management, and interest payment adequacy ratio.
3. Non-Financial Performance
   Consists of management aspects, company reputation, and indenture agreements (including sinking funds, debt test, dividend test, merger, and sale of assets).

Bond Rating Process (PT. PEFINDO)

PT Pefindo was founded in Jakarta on December 21 1993 with permission from the Capital Market Supervisory Agency (BAPEPAM) and Bank Indonesia. On August 13 1994, PT Pefindo obtained a license from BAPEPAM (No.39/PM PI/1994) and became one of the supporting institutions in the Indonesian capital market. This agency is affiliated with Standard & Poor's, which is an international rating agency. The type of rating is carried out based on two types, namely the rating of the company or issuer (corporate rating) and the rating of the securities products that will be issued by the company (securities rating). Stages of rating PT bonds. PEFINDO can be seen in Figure 2.1 (p.18). The rating process begins with an official request from the company that requires a rating. PEFINDO will respond to the request by sending a draft contract and a list of requirements that must be met. General requirements consist of 3-5 years of audited financial reports, detailed inquiries of several operational data listed in the PEFINDO standard questionnaire, and several other documents such as prospectuses, memos, etc. The draft contract regulates the rights and responsibilities of both parties, while the questionnaire questions depend on the company sector.

The official ranking process will be carried out after PEFINDO receives a signed contract and all requirements are met. The ranking task will be completed within 30 working days after the formal contract of both parties. PEFINDO will determine a team of analysts which usually consists of 2 analysts who have expertise according to the company's industry or sector. During the analysis process, an analysis of the company's website is necessary to gain a better understanding of the company's business. Apart from that, analysts are also able to search for data and information from other trusted sources. After conducting the site analysis, the analyst team will arrange a “management meeting” with company management and several related key people to get a better view of the company's policies and strategic plans. For this meeting the analyst team will be accompanied by one or 20 of PEFINDO's board of directors. Management meetings are held to obtain qualitative assessments, especially regarding management knowledge, competence, commitment and policies implemented in the company. After the analysis process is complete, the analyst team is tasked with holding a "rating committee meeting" to present and propose the assessment results to the rating committee members consisting of the PEFINDO board of directors and

most of the analysts. Each committee member has the right to question and challenge the analyst team before voting on a proposed rating. The final ranking given to the company is based on a majority of the committee members' votes. The ranking results will be notified by the analyst team to the company (issuer). The ranking is produced in the form of a report containing the reasons for giving the ranking (symbol).

Financial statements

Definition of Financial Statements

According to Kasmir (2016:7), financial reports are reports that show the company's financial condition at this time or in a certain period. According to Hery (2014:3), financial reports are basically the results of the accounting process which can be used as a tool to communicate financial data or company activities to interested parties. Meanwhile, according to Retno (2016), a financial report is a report that presents information regarding the financial position, company performance, changes in equity, cash flow and other information which is the result of the accounting process during the accounting period of a business entity, which the information will then be used by parties. -interested party. From the definition of financial reports above, it can be concluded that financial reports are reports that show information about the company's financial condition at the moment or a period, company performance, changes in equity, cash flow and can be used as a tool to communicate company activity data to other parties. interested party.

Types of Financial Ratios

According to Mamduh and Abdul (2016:74), ratios can be grouped into five (5) categories, namely:

1. Liquidity Ratios Liquidity ratios are ratios that describe a company's ability to meet its short-term obligations.
2. Activity Ratio Activity ratio is a ratio that describes the effectiveness of a company in using the assets owned by a company.
3. Solvency Ratio Solvency ratio is a ratio that describes a company's ability to fulfill its long-term obligations
4. Profitability Ratios Profitability ratios are ratios that describe a company's ability to generate profits.
5. Market Ratio 39 Market ratio is a ratio used to describe a company's ability to provide benefits to investors in the capital market.

Solvency Ratio

According to Kasmir (2016:113), the solvency ratio is a ratio used to measure the extent to which a company's assets are financed with debt. This means that the amount of debt used by the company to finance its business activities is greater than using its own capital. This ratio is used to measure the long-term liquidity of a company and thus focuses on the right side of the balance sheet. There are several types of ratios that can be calculated, namely the ratio of total debt to total assets, debt to share capital ratio, Times Interest Earned ratio, Fixed Charges Coverage ratio. The ratio of total debt to total assets can be used to calculate how far funds are provided. This ratio can be calculated using the following formula:

$$\text{Debt to Asset Ratio (DAR)} = \frac{Total\ Hutang}{Total\ Aset} \text{x } 100\%$$

$$\text{Debt to Equity Ratio (DER)} = \frac{Total\ Hutang}{Total\ Modal\ Saham} \text{x } 100\%$$

The Influence of Solvency Ratios on Bond Ratings

According to Kasmir (2016:113), the solvency ratio is a ratio used to measure the extent to which a company's assets are financed with debt. One of the ratios is the Debt to Equity Ratio. DER is total debt divided by total own capital (equity). high Debt to Asset Ratio indicates that the company has a large amount of debt relative to its assets. This makes it more vulnerable to financial difficulties if it experiences a downturn in business. A Debt to Equity Ratio that is too high indicates that a company is overburdened with debt and indicates that the company has a large risk of default, because the company's income is unable to meet its obligations (Zalmi, 2012: 8). The

risk of default here can be related to the risk of default on the principal loan at the end of the maturity date which can affect the results of the rating of a company bond.

Research Methods

Types of research

This research uses a qualitative descriptive type. Where the type of qualitative descriptive research is research that describes an object from the results of the analysis that has been carried out. Research that compares the results of solvency ratio calculations with the financial reports of PT Company. Adhi Commuter Properti and Subsidiaries are listed on the Indonesian stock exchange and issue bonds from 2021-2022.

Data source

The type of data used in this research is secondary data in the form of annual financial reports listed on the Indonesia Stock Exchange (BEI) whose reporting period ends December 31. This data was also obtained from the corporate bond rating database issued by PEFINDO (www.pefindo.com). The annual financial report chosen is the financial report of the company that issued the bonds and is rated by PT. Pefindo.

Table 1. Solvency Ratio Calculation Data for 2021

NO.	Company name	2021		
		Total Debt	Total Assets	Total Share Capital
1	PT. Adhi Commuter Property (ADCP)	3,878,478,491,633	5,978,673,938,137	2,000,000,000,000

Table 2. Solvency Ratio Calculation Data for 2022

NO.	Company name	2022		
		Total Debt	Total Assets	Total Share Capital
1	PT. Adhi Commuter Property (ADCP)	3,863,027,035,700	632,024,480,878	2,222,222,220,000

Data analysis technique

Based on the data obtained from the financial reports, the solvency ratio will be calculated using the following formula:

Debt to Asset Ratio (DAR) = $\frac{Total\ Hutang}{Total\ Aset}$x 100%

Debt to Equity Ratio (DER) = $\frac{Total\ Hutang}{Total\ Modal\ Saham}$x 100%

Results And Discussion

Solvency Ratio Analysis

According to Kasmir (2016:113), the solvency ratio is a ratio used to measure the extent to which a company's assets are financed with debt. This means that the amount of debt used by the company to finance its business activities is greater than using its own capital.

1. Debt to Asset Ratio
   a) Debt to Asset Ratio in 2021

Total debt in 2021 is 3,878,478,491,633 while total assets in 2021 are 5,978,673,938,137 . This ratio can be calculated using the formula:

Debt to Assets Ratio = $\frac{Total\ Utang}{Total\ Aset}$x 100%

= $\frac{3.878.478.491.633}{5.978.673.938.137}$x 100%

= 64.87%

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b) Debt to Asset Ratio in 2022

Total debt in 2022 will be 3,863,027,035,700 while total assets in 2022 will be This ratio can be calculated using the formula:

$$\text{Debt to Assets Ratio} = \frac{Total\ Utang}{Total\ Aset} x100\%$$

$$= \frac{3.863.027.035.700}{632.024.480.878} x100\%$$

$$= 61.11\%$$

2. Debt to Equity Ratio

a. Debt to Equity Ratio in 2021

Total debt in 2021 is 3,878,478,491,633 while total share capital in 2021 is 2,000,000,000,000. This ratio can be calculated by the formula:

$$\text{Debt to Equity Ratio} = \frac{Total\ Utang}{Total\ Modal\ Saham} x\ 100\%$$

$$= \frac{3.878.478.491.633}{2.000.000.000.000} x\ 100\%$$

$$= 193.92\%$$

b. Debt to Equity Ratio in 2022

Total debt in 2022 is 3,863,027,035,700 while total share capital in 2022 is 2,222,222,220,000 . This ratio can be calculated by the formula:

$$\text{Debt to Equity Ratio} = \frac{Total\ Utang}{Total\ Modal\ Saham} x\ 100\%$$

$$= \frac{3.863.027.035.700}{2.222.222.220.000} x\ 100\%$$

$$= 173.84\%$$

Bond Alert

Bond ratings are opinions from rating agencies as well as informative sources for investors regarding the risks of bonds being traded (based on BAPEPAM and Financial Institution Decree Kep-151/BL/2009). This ranking information is expected to help investors in making investment decisions. Based on the results of the solvency ratio calculation, the bond ratings for the company PT Adhi Commuter Properti and its subsidiaries for 2021-2022 can be seen as follows:

Table 3. Bond ratings

NO.	Company name	Bond Ratings	
		2021	2022
1	PT. Adhi Commuter Property (ADCP)	idBBB	IdBBB

Impact on the Company

PT. Adhi Commuter Property

Based on a comparison of the Debt to Equity Ratio (DER) and Debt Asset Ratio (DAR) values between 2021 and 2022, it can be seen that there has been a decline in both ratios. The decrease in DAR in 2021 from 64.87 to 61.11 in 2022 indicates that the proportion of company assets financed by debt has decreased. This can illustrate better risk management of financial obligations. The decrease in DER in 2021 from 193.92 to 173.84 shows that the company relies on less debt than its equity, this gives a signal that the company may be more financially stable.

Impact for Investors

Based on changes in the Debt Asset Ratio (DAR) and Debt to Equity Ratio (DER) between 2021 and 2022, there are several potential implications for investors. The decrease in DAR in 2021 from 64.87 to 61.11 in 2022 can be interpreted as the company relying on less debt to fund its assets. This could indicate better risk management and a potential reduction in interest expense, which could benefit the investment. The decrease in DER in 2021 from 193.92 to 173.84 in 2022 shows that the company uses less debt relative to its equity. This can provide confidence to investors because it reduces financial risks that may be associated with liabilities. Investors can view a decrease in these ratios as a positive signal, indicating the company's financial sustainability.

Conclusion

Based on the results of calculations from the analysis that has been carried out on the financial reports and bond ratings that have been obtained from PT. Adhi commuter Property and Subsidiaries over two financial periods, namely from 2021-2022, using solvency ratio analysis, the following conclusions can be drawn:

1. At the Adhi Commuter Properti (ADCP) company, from the results of the 2021 and 2022 Solvency Ratio analysis, it can be seen that the Debt To Asset Ratio (DAR) value and the Debt To Equity Ratio (DER) value have decreased so that the proportion of the company's assets financed by debt has decreased and the ability to in fulfilling long-term financial obligations, the investment risk is quite low, supported by adequate obligor capabilities.

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