FINANCIAL PERFORMANCE ANALYSIS AND EVALUATION OF GAS INDUSTRY IN INDONESIA: CASE STUDY OF STATE OWNED ENTERPRISE (SOE) PERUSAHAAN GAS NEGARA (PGN) FOR THE PERIOD OF 2013 - 2017

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ABSTRACT

Natural gas is a vital component of the world energy supply. Indonesia has been active in the industry for nearly 130 years. However, the global financial crisis and government intervention in gas prices caused the industry are predicted to be suppressed. The Decree No.KEP-100/MBU/2002 issued by the Indonesia Ministry of State-Owned Enterprises (SOEs) on June 2002 provides the mandatory of measuring and rating the financial health condition of the SOEs. This study aims to analyze and evaluate the financial performance of PT Perusahaan Gas Negara Tbk (PGN) as the SOE under Indonesia Ministry of Energy and Mineral Resources (MEMR) for the period of 2013-2017. The results of investigating of eight financial ratios: return on equity, return on investment, cash ratio, current ratio, collection period, inventory turnover, total asset turnover, total equity to total asset, then be validated by the decree of the Indonesia SOEs ministry to conclude the financial health condition of the company. The result shows that PGN has achieved good financial health condition levels for the period of 2013-2017 with rank rating AA, AA, AA, AA, A respectively. Furthermore, this industry has a challenge in asset utilization. Therefore, this study can be useful for the manager to tackle the challenge and improve its efficiency and profitability of the company.

Keywords: Financial performance, Health condition, Gas industry, Perusahaan Gas Negara Tbk, Financial Ratio

I. INTRODUCTION

Indonesia has been active in the gas sector for nearly 130 years with gas production has a long and relatively successful history, characterized by its relatively stable and well-understood regulatory framework. In many areas, including the development of the Production Sharing Contract (PSC) model and the commercialization of Liquefied Natural Gas (LNG), Indonesia has been an international pioneer and continues to be a significant player in the international oil and gas industry. (PWC, 2017). Indonesia is also the tenth large producers of natural gas in the world and the second largest producers in the Asia Pacific region after the People's Republic of China. Natural gas contributed about 23% of the primary energy sources of the world. (Indonesia-Investments, 2018).

Natural gas is a vital component of the world energy supply. Natural gas is an important source for production of both fuel and ammonia (ammonia is a vital component for fertilizer production). Similar to crude oil and coal, natural gas is a fossil fuel derived from the remains of plants, animals, and microorganisms, stored underground for millions of years. But unlike other fossil fuels, natural gas is one of the cleanest (low carbon intensity) energy sources, the safest and most useful of all energy source. (Indonesia-Investments, 2018).

However, this gas industry is facing challenges related to gas prices. The decline in world oil prices from its peak in mid-2008 (US$ 145 per barrel) to US$ 30 per barrel at the beginning of 2016 following the global financial crisis, expected to cause gas prices for the domestic market to be suppressed. Even though, with low domestic gas prices, industry and society will get added value. (Beritasatu, 2015; PWC, 2017). Besides that, in 2017, Minister of Energy and Mineral Resources (ESDM) has enacted Minister of Energy and Mineral Resources Regulation Number 58 of 2017 concerning Selling Prices of Natural Gas Through Pipes in Oil and Gas Downstream Business Activities which limits the space for company to set gas prices (Permen ESDM No.58, 2017).

The problem also arise from the inadequate gas infrastructure. The high cost of making gas infrastructure made not many companies interested in investing. Considered this problem, goverment formed an oil and gas holding company and made infrastructure integration between gas leading companies in Indonesia which is PT Perusahaan Gas Negara (Persero) Tbk (PGN) and PT Pertamina (Persero). Hence, since January 25,2018, PGN officially joining PT Pertamina (Persero), merging and becoming an Oil and Gas BUMN Holding. Until 2016, Pertamina through its subsidiaries (Pertagas) controlled 61% of the gas transmission market, while PGN controlled 73% of the gas distribution market. (CNBC Indonesia, 2018).

The Government of Indonesia decides mandatory to the company under the Ministry of Stated-Owned Enterprises of Indonesia that they should implement financial ratio analysis to measure the level of financial health. The previous research about financial performance has been discussed in many sectors such as hospital, bank, small business and palm oil industries. Edmister (1972) stated that financial ratio is really useful to measure the performance of small business and it can be used to predict the failure. Daryanto (2017) used financial ratio to analyze financial performance of palm oil agroindustry. The finding shows that financial ratios are important indicators to analyse financial performance in the industry.

The present study is focusing on the gas industry. It is covering one of the biggest state-owned gas company in Indonesia under the Ministry of Energy and Mineral Resources: PT. Perusahaan Gas Negara Tbk (PGN) for the period of 2013 – 2017. However, the literature about financial performance in the gas industry is very limited. Therefore, the purpose of this study is to measure the financial performance of the gas industry which then be validated by the decree of the Ministry of State-Owned Enterprises (SOEs) No. KEP-100/MBU/2002 and to analyze the financial performance of PGN. In view of this, the research questions are how was the ratio analysis of the gas industry: a case study of PGN, based on the decree of Ministry of State-Owned Enterprises (SOEs) No. KEP-100/MBU/2002 for the periods of 2013 - 2017? This study is beneficial for academician because it extends the knowledge of financial ratio in real practice. Besides that, it helps student and lecturer to understand financial ratio more effectively. In addition, this study is also important for the manager, because it can help them to analyze their company before making a decision.

This study is organized into seven sections. Section one captures the introduction, section two highlight the literature review, section three discuss the methodology, section four discuss the finding and analysis, section five discuss the validation testing, section six highlights the limitation, and section seven captures the conclusion and recommendation.

II. LITERATURE REVIEW

II.1. GAS INDUSTRY IN INDONESIA

Indonesia has a large natural gas reserve. At present, the country has the third largest gas reserve in the Asia Pacific region (after Australia and the People's Republic of China), contributing to 1.5% of total world gas reserves (BP Statistical Review of World Energy 2015). Indonesia produces about twice the amount of natural gas consumed. However, this does not mean that domestic gas production meets domestic gas demand. In fact, there is a lack of gas for domestic industries in Indonesia. The State Gas Company (PGN) has not been able to meet domestic demand. This has wide-ranging impacts because this causes the State Electricity Company (PLN), the largest domestic gas consumer, to experience a structural shortage of gas supply and force PLN to switch to fossil fuels - which are more expensive and not environmentally friendly - others, like petroleum, to produce electricity. (Indonesia Investments, 2018). Table 1 below indicates both gas production and consumption in Indonesia over the past decade:

Table 1: Production and Consumption of Gas in Indonesia

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Production in billion m³	74.3	71.5	73.7	76.9	85.7	81.5	77.1	72.1	73.4	75.0
Consumption in billion m³	36.6	34.1	39.1	41.5	43.4	42.1	42.2	36.5	38.4	39.7

Source: Indonesia Investments (2018)

Natural gas was responsible for 19.8% of Indonesia's primary energy consumption in 2014. Although Indonesia's natural gas consumption has been growing, the country is still a major exporter of natural gas and an important global energy supplier. Indonesia has established their ability to export natural gas both through pipeline trade and via LNG. A substantial majority of Indonesia's natural gas exports supply other Asia Pacific countries. Indonesia exported a total of 31.2 bcm of natural gas in 2014 with 30.9 bcm of that total being exported to the Asia Pacific. A majority of the natural gas that Indonesia exports are via LNG. More specifically, Indonesia exported 21.7 bcm of natural gas as LNG in 2014, which made them the world's fifth largest LNG exporter. The large majority of that LNG was exported to the Asia Pacific with Japan and South Korea receiving 7.8 bcm and 7.1 bcm respectively. While LNG makes up a majority of Indonesia's natural gas exports, they also export natural gas via pipelines. In 2014, Indonesia exported 9.5 bcm of pipeline natural gas, of which 6.6 bcm was exported to Singapore. Although Indonesia is a significant natural gas exporter, the country has taken the necessary steps to be able to import natural gas in the future. Indonesia currently has contracts signed with the US that will result in natural gas being imported into Indonesia as LNG in 2018. This illustrates the struggle that Indonesia has been facing due to the combination of their declining domestic production and increasing domestic consumption. (World Energy Council, 2018).

II.2. PREVIOUS RESEARCH ON FINANCIAL PERFORMANCE

According to Ross, Westerfield & Jordan (2003), the Financial ratio is a good evaluation that can provide the following benefits:

1. Measuring the performance of managers for the purpose of rewards;
2. Measuring the performance of departments within multi-level companies;
3. Projecting the future by supplying historical information to existing or potential investors;
4. Providing information to creditors and suppliers;
5. Evaluating competitive positions of rivals;
6. Evaluating the financial performance of acquisitions

Other than that, the financial ratio is also a good method to measure the company performances in the industry (Daryanto&Nurfadilah, 2018; Daryanto&Samidi, 2018). The company usually uses this method to compare their performance with other competitors. There have been a large number of empirical studies on financial ratio on different industries around the world (Edmister, 1972; Ohlson, 1980; Chen & Shimerda, 1981; Lewellen, 2004, Halkos & Salamouris, 2004). However, there

are limited resources which evaluate the financial performance of Gas Enterprises in Indonesia. According to Halkos & Salamouris (2004), the financial ratio analysis (FRA) has been applied in the Banking industry to examine, evaluate, and ranked based on their performance. Based on the study in the Greek banking sector, the financial ratio can be used to explores the efficiency of Greek banks for the time period 1997–1999. Iskakov&Yilmaz (2015) investigated the financial performance in four major Oil and Gas Company and found that three of them have a high level of satisfactory and Exxon Mobil was the outstanding one. There are two methods to measure the financial performances which are accounting and market measurement. There are many researchers who prefer to use accounting measurement (Waddock&Graves, 1997; Cochran&Wood, 1984), rather than market measurement (Alexander&Buchholz, 1978; Vance, 1975), and some of them adopt both methods (McGuire, Sundgren & Schneeweis, 1988). There are few differences between accounting and market measurement method. In accounting, a company uses the historical aspects to measure their financial performance (McGuire, Schneeweis & Hill, 1986) and it contain a bias which leads to managerial manipulation. On the other hand, the market measurement method is straightforward, focus on performance and represent the ability of a company to generate future income (McGuire, Sundgren & Schneeweis, 1988). In addition, although accounting data in financial statements is subject to manipulation and financial statements are backward looking, they are the only detailed information available on the company's overall activities (Sinkey, 2002). Furthermore, they are the only source of information for evaluating management's potential to generate satisfactory returns in the future (Kumbirai & Webb, 2010).

II.3. THE DECREE OF MINISTRY OF STATE-OWNED ENTERPRISES (SOEs)

Based on the Decree of Ministry SOEs No. KEP-100/MBU/2002 about financial health assessment of SOEs, the growth of business should be supported by good infrastructure and evaluation system to measure the efficiency and level of competition among SOEs. This financial evaluation applies to all state-owned enterprises in the financial and non-financial industry. In non-financial industry, the companies are divided into infrastructure and non-infrastructure. This evaluation method consists of three aspects which are financial, operational, and administration. In a financial aspect, total weight score for infrastructure is 50 and non-infrastructure is 70. There are eight indicators to measure the financial health such as return on investment (ROI), return on equity (ROE), cash ratio, current ratio (CR), collections period (CP), inventory turnover (ITO), total asset turnover (TATO), and total equity to the total asset (TETA). PT. Perusahaan Gas Negara Tbk (PGN) are state-owned enterprises (until beginning 2018) which listed in non-infrastructure industries and comply with the list of assessments score shows in Table 2.

Table 2: List of Assessment Score

INDICATORS	WEIGHT SCORE
ROE	20
ROI	15
Cash Ratio	5
Current Ratio	5
Collection Period	5
Inventory Turnover	5
Total Asset Turnover	5
Total Equity to Total Asset	10
Total weight score	70

Source: The decree of Ministry of SOE No. KEP 100/MBU/2002

II.4. THE VARIABLES AND WEIGHT SCORE

A. PROFITABILITY PERFORMANCE

The profitability is the most common measure for the company's financial performance. Profitability performance can be expressed by Return on Equity (ROE) and Return on Investment (ROI). The equation for ROE and ROI are as follow:

Return on Equity (ROE) = (Net Income/Shareholders'Equity) x 100 %

Return on Investment (ROI) = ((EBIT + Depreciation)/Capital Employed) x 100 %

Return on equity is an important ratio for investors to consider its profits. ROE measures how efficiently a company can use the money from shareholders to generate profits and grow the company (Anthony, 2011). Table 3 shows the assessment score of ROE.

Table 3: List of ROE Assessment Score

ROE (%)	Score
15 < ROE	20
13 < ROE<= 15	18
11 < ROE <= 13	16
9,0 < ROE <= 11	14
7,9 < ROE <= 9	12
6,6 < ROE <= 7,9	10
5,3 < ROE <= 6,6	8,5
4,0 < ROE <= 5,3	7
2,5 < ROE <= 4	5,5
1,0 < ROE <= 2,5	4
0 < ROE <= 1	2
ROE < 0	0

Source: The decree of Ministry of SOE No. KEP-100/MBU/2002

Return on investment is a profitability ratio that calculates the profits of an investment as a percentage of the original cost. Table 4 shows the assessment score of ROI.

Table 4: List of ROI Assessment Score

ROI (%)	Score
18 < ROI	15
15 < ROI < = 18	13,5
13 < ROI < = 15	12
12 < ROI < = 13	10,5
10,5 < ROI < = 12	9
9 < ROI < = 10,5	7,5
7 < ROI < = 9	6
5 < ROI < = 7	5
3 < ROI < = 5	4
1 < ROI < = 3	3
0 < ROI < = 1	2
ROI < 0	1

Source: The decree of Ministry of SOE No. KEP-100/MBU/2002

B. LIQUIDITY PERFORMANCE

Liquidity performance can be expressed by Cash Ratio, Current Ratio and Collection Period. The equation for the three ratios are as follow:

Cash Ratio = (Cash + cash equivalents/Current Liabilities) x 100 %

Current ratio = (Current Asset/Current Liabilities) x 100 %

Collection Period = (Average Accounts Receivables/Sales Revenue) x 365 days

Cash Ratio measures the company able to pay its short-term debt. If the company has a cash ratio equal to one, it indicates that the company has the same amount of cash and its debt. If the value of cash ratio is more than 1, it indicates that the company has more cash to pay its debt. However, if the value is less than 1, it indicates that the company has less cash to pay its debt. Table 5 shows the assessment score for cash ratio.

Table 5: List of Cash Ratio Assessment Score

Cash Ratio = x (%)	Score
x > = 35	5
25 < = x < 35	4
15 < = x < 25	3
10 < = x < 15	2
5 < = x < 10	1
0 < = x < 5	0

Source: The decree of Ministry of SOE No. KEP-100/MBU/2002

Current Ratio measures the company ability to repay its current liability with current asset. If the company has the current ratio below 1, it indicates that the company has a problem with its short-term debt. If the company has a too high current ratio, it indicates that a company has a problem in managing their current asset. Table 6 shows the assessment score for the current ratio.

Table 6: List of Current Ratio Assessment Score

Current Ratio = x (%)	Score
125 < = x	5
110 < = x < 125	4
100 < = x < 110	3
95 < = x < 100	2
90 < = x < 95	1
x < 90	0

Source: The decree of Ministry of SOE No. KEP-100/MBU/2002

Collection Period is an important indicator for the company to monitor their cash flow and the company ability to pay its debt in due date. Table 7 shows the assessment score for the collection period.

Table 7: List of Collection Period Assessment Score

Collection Period = x (days)	Adjustment (days)	Score
x <= 60	30 < x	5
60 < x <= 90	30 < x <= 35	4,5
90 < x <= 120	25 < x <= 30	4
120 < x <= 150	20 < x <= 25	3,5
150 < x <= 180	15 < x <= 20	3
180 < x <= 210	10 < x <= 15	2,4
210 < x <= 240	6 < x <= 10	1,8
240 < x <= 270	3 < x <= 6	1,2
270 < x <= 300	1 < x <= 3	0,6
300 < x	0 < x <= 1	0

Source: The decree of Ministry of SOE No. KEP-100/MBU/2002

C. Activity Ratio

Activity Ratio can be expressed by Inventory Turnover and Total Asset Turnover. The equation for Inventory Turnover and Total Asset Turnover are as follow:

Inventory Turnover = Cost of goods sold / Average Inventory

Total Asset Turn Over= (Revenue/Capital Employed) x 100 %

Inventory Turnover measures how many time the inventory is being sold over a period of time. Table 8 shows the assessment score for Inventory Turnover.

Table 8: List of Inventory Turnover Assessment Score

Inventory Turnover = x (days)	Adjustment (days)	Score
x <= 60	30 < x	5
60 < x <= 90	30 < x <= 35	4,5
90 < x <= 120	25 < x <= 30	4
120 < x <= 150	20 < x <= 25	3,5
150 < x <= 180	15 < x <= 20	3
180 < x <= 210	10 < x <= 15	2,4
210 < x <= 240	6 < x <= 10	1,8
240 < x <= 270	3 < x <= 6	1,2
270 < x <= 300	1 < x <= 3	0,6
300 < x	0 < x <= 1	0

Source: The decree of Ministry of SOE No. KEP-100/MBU/2002

Total Asset Turnover measures the company ability to measure the efficiency to use its asset to generate sales. Table 9 shows the assessment score for Total Asset Turnover.

Table 9: List of Total Asset Turnover Assessment Score

TATO = x (%)	Adjustment = x (%)	Score
120 < x	20 < x	5
105 < x <= 120	15 < x <= 20	4,5
90 < x <= 105	10 < x <= 15	4
75 < x <= 90	5 < x <= 10	3,5
60 < x <= 75	0 < x <= 5	3
40 < x <= 60	x <= 0	2,5
20 < x <= 40	x < 0	2
x <= 20	x < 0	1,5

Source: The decree of Ministry of SOE No. KEP-100/MBU/2002.

D. Solvency ratio

This ratio is similar with debt to equity ratio. The equation for the ratio can be expressed as:

Total equity to total asset= (Total equity/Total asset) x 100 %

If the company has less value, it indicates that company funding its asset inefficiently. In other words, the company has very low net value for the investor. Table 10 shows the assessment score for solvency assessment score.

Table 10: List of Solvency Assessment Score

Total Equity to Total Asset (%) = x	Score
x < 0	0
0 <= x < 10	4
10 <= x < 20	6
20 <= x < 30	7,25
30 <= x < 40	10
40 <= x < 50	9
50 <= x < 60	8,5
60 <= x < 70	8
70 <= x < 80	7,5
80 <= x < 90	7
90 <= x < 100	6,5

Source: The decree of Ministry of SOE No. KEP-100/MBU/2002

III. METHODOLOGY

The descriptive financial ratio was used to measure, describe, analyze, and evaluate the financial health condition of one stated-owned gas enterprise under the Ministry of Energy and Mineral Resources. : PT Perusahaan Gas Negara Tbk was selected because it is a state-owned enterprise (until the beginning of 2018) in non-financial services which qualified in the decree of Ministry of State-Owned Enterprises No. KEP-100/MBU/2002 about financial health assessment of SOEs and it was a leading gas company in Indonesia with their extensive experience in the industry. All variables used are ratio measurement scales were taken from the decree. The data were collected from their Annual Report (audited) between 2013 and 2017. Additionally, this decree was used to validate the financial health condition level of the company whether in the levels of a healthy level (AAA, AA, A), or less healthy level (BBB, BB, B), or unhealthy level (CCC, CC, C).

The level of financial assessment is divided into healthy (the highest level of financial literacy), less healthy (the middle level of financial literacy), and unhealthy (the lowest level of financial literacy). In the highest category, there are three types of levels such as AAA (if the total score is more than 95 points), AA (if the total score is more than 80 and less than 95), and A (if the total score is more than 65 and less than 80). In the middle category, there are three types of levels such as BBB (if it is more than 50 and less than 65), BB (if it is more than 40 and less than 50), and B (if it is more than 30 and less than 40). In the lowest category, there are three types of levels such as CCC (if it is more than 20 and less than 30), CC (if it is more than 10 and less than 20), and C (if it is less than 10).

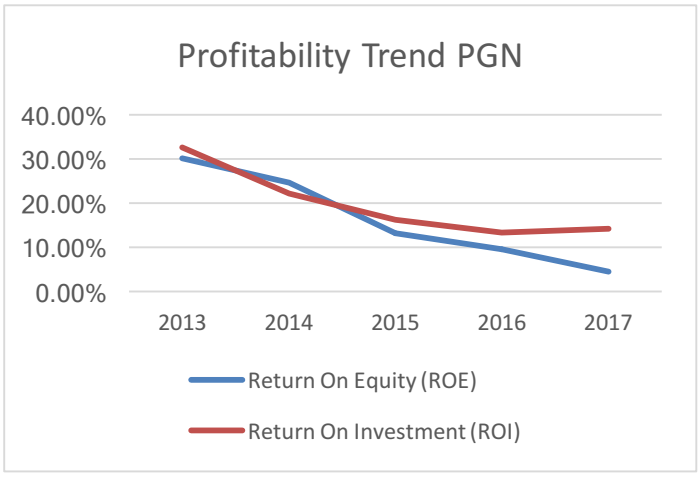
The selection of the Financial Ratio Analysis (FRA) method for this study is motivated the researchers' knowledge due to the limited literature review on gas industry in Indonesia. Financial ratios can be used to identify a company's specific strengths and weaknesses as well as providing detailed information about company profitability, liquidity, activity, and solvency.

IV. RESULTS AND DISCUSSION

IV.1. PROFITABILITY ANALYSIS

Figure 1 gives information about the return of investment and returns on equity of PGN between 2013 and 2017. Overalls, table 11 below shows that the percentage of ROI decreased quite sharp, (32.65%, 22.20%, 16.32%, 13.41%, and 14.25%, respectively). The minimum standard of Decree is 18% for ROI, therefore from 2015 until 2017 PGN ROI is below the standard. Table 11 also shows that the percentages of ROE also decreased significantly (30.12%, 24.73%, 13.27%, 9.60%, 4.49%, respectively). The minimum standard of Decree is 15% for ROE, therefore for the last three years, PGN ROI was also below the standard. There was a dramatic decrease both for ROI and ROE percentages, especially for the last three years.

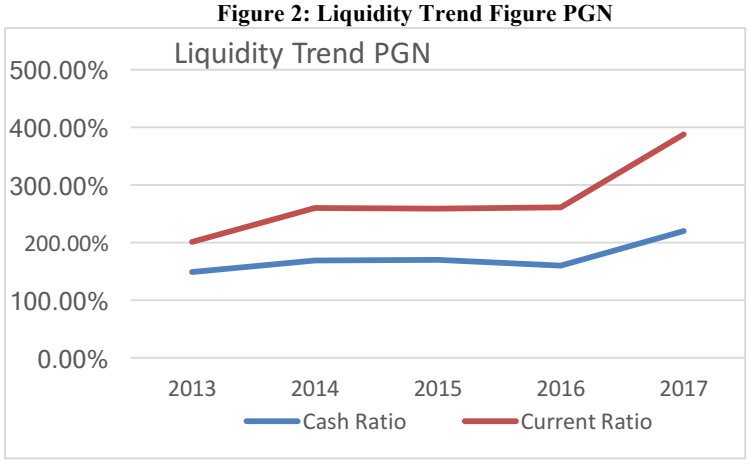
Figure 1: Profitability Trend PGN



IV.2. LIQUIDITY ANALYSIS

Figure 2 gives information about the liquidity performance in PGN between 2013 and 2017. Overalls, table 11 shows that there was an increase in the percentage of cash ratio and current ratio, and both ratios showed that PGN was in a liquid situation, all ratios were above 125%. The table 11 shows that the percentages of cash ratios were good and increase from the last five years (148.87%, 169,01%, 170,16%, 159,98%, 219.93%, respectively). The percentages of current ratios were also very good, which were far above the standard of liquidity (200.93%, 259.28%, 258.13%, 260.58%, 387.44%, respectively).

Figure 2: Liquidity Trend Figure PGN



IV.3. ACTIVITY ANALYSIS

Figure 3 gives information about inventory turnover (ITO), total assets turnover (TATO), and collection day's period (CP) for PGN between 2013 and 2017. Overalls, table 11 shows that there was a decrease in the percentage of TATO in the last five years (87.46%, 64.80%, 52.66%, 48.76%, 50.97%, respectively). It means that in 2013 every US$ 100 of assets generates sales of US$ 87.46, however now it decreased to US$ 50.97 in 2017. The number of collection periods were relatively low but show increased in the last five years especially in 2016 (69 days) and 2017 (65 days). The number of days of ITO decreases significantly from 108.37 days in 2013 to 31.43 days in 2014. The average inventory in 2013 is quite low compared with the average inventory in 2014. Then, it slightly fluctuated to 48.46 days in 2015, 31.36 days in 2016, and 35.72 days in 2017. The days of ITO were very good from 2014.

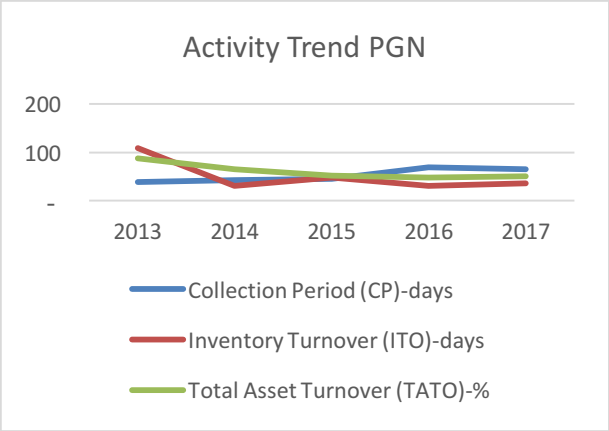
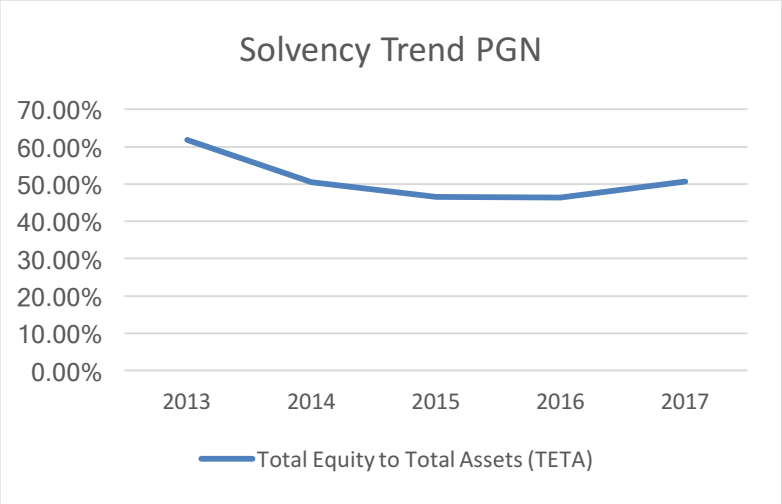


Figure 3: Activity Trend Figure PGN

IV.4. SOLVENCY ANALYSIS

Figure 4 shows the percentage of total equity to total asset in PGN between 2013 and 2017. Overall, in table 11, there were fluctuated in the percentage of solvency ratios (61.86%, 50.54%, 46.54%, 46.39%, and 50.64%, respectively). In 2013, the percentage was 61.86% and then it decreased to 50.64% in 2017. It means that in 2013, 61.86% of the total assets were financed by owner's equity, and in 2015, only 50.64%, or in other words, the amount of debt is increased in the last five years compared than the total owner's equity. PGN is solvent conditions during the five years, the TETA ratios were near the safe limit of 50%, therefore, it means that the company had been successfully maintaining its ability to repay its long-term debt and should not have a financial problem in the long run.

Figure 4: Solvency Trend PGN



V. VALIDATION TESTING

To examine the level of financial assessment for the three enterprises under the Indonesia Ministry of Energy and Mineral Resources, for the periods of 2013-2017, the decree of Ministry of State-Owned Enterprises No. KEP-100/MBU/2002 is employed to test the validation. Table 11 shows the test results for PGN from 2013 to 2017. Overall, there was a fluctuation but tend to decrease in the total score between 2013 to 2017 (65.50; 66.50; 63.00; 57.00; and 49.50). Next, the total score converted to the total weight with the calculation formula, which is the total score/weight multiplied by 100, and the result is shown in table 12. During the first four years, 2013 to 2016, the weight scores were 93.57; 95.00; 90.00; 81.43 with the level of AA; AA; AA and AA respectively, and considered as a healthy financial condition. But for 2017, even though still considered healthy financial condition, the weight scores were 70.71 with levels of only A.

Table 11: Test Results for PT. Perusahaan Gas Negara Tbk

INDICATORS	2017		2016		2015		2014		2013	
	RATIO	SCORE	RATIO	SCORE	RATIO	SCORE	RATIO	SCORE	RATIO	SCORE
ROE	4.49	7.0	9.60	14	13.27	18	24.73	20	30.12	20
ROI	14.25	12	13.41	12	16.32	13.5	22.20	15	32.65	15
CASH RATIO	219.93	5	159.98	5	170.16	5	169.01	5	148.87	5
CURRENT RATIO	387.44	5	260.58	5	258.13	5	259.28	5	200.93	5
COLLECTION PERIOD	65	4.5	69	4.5	46	5	42	5	38	5
INVENTORY TURNOVER	35.72	5	31.36	5	48.46	5	31.43	5	108.37	4
TATO	50.97	2.5	48.76	2.5	52.66	2.5	64.80	3	87.46	3.5
TOTAL EQUITY TO TOTAL ASSET	50.64	8.5	46.39	9	46.54	9	50.54	8.5	61.86	8
	Total	**49.50**	**Total**	**57.00**	**Total**	**63.00**	**Total**	**66.50**	**Total**	**65.50**

Table 12: Summary of Test Results for PT. Perusahaan Gas Negara Tbk

Years	Total Score	Weight	Total Weight	Value	Level	Category
2017	49.50	70	70.71	65<TS<=80	A	Healthy
2016	57.00	70	81.43	80<TS<=95	AA	Healthy
2015	63.00	70	90.00	80<TS<=95	AA	Healthy
2014	66.50	70	95.00	80<TS<=95	AA	Healthy
2013	65.50	70	93.57	80<TS<=95	AA	Healthy

VI. LIMITATION

This study has expanded the literature about financial evaluation in the real working world. In near future, it is suggested to carry out a research with many companies from gas-industry to get more generalize result. Since the focus is on only one industry, it is worth to explore it on a wider scale and find out if different industry yields the same result.

VII. CONCLUSION AND RECOMMENDATION

The study shows the financial performance of gas-industry between 2013 and 2017. Based on the decree of Ministry of SOEs No. KEP-100/MBU/2002 about financial health assessment of SOEs, the study concerns about four classifications of ratios measurement that includes liquidity, solvency, profitability and activity ratios. The result shows that during the five years period, 2013 to 2017, PGN have achieved health condition levels and rating: AA, AA, AA, AA, A respectively. Health levels: A is healthy; B is less healthy, and C is unhealthy. The outcome shows that PGN experienced decreasing financial performance, especially in the last three years. The company is encouraged to increase its profitability in the future by increasing their total asset turnover by increasing the utilization of gas production and prioritizing pipe installation for potential commercial and industrial customers rather than households. Diversification of product is also needed through its subsidiaries, for example developed Liquefied Natural Gas (LNG), Compressed Natural Gas (CNG), supply electricity, supply gas fuel for transportation, provide Engineering, Procurement, and Construction (EPC) services and Communication Technology Information for gas users or PGN customers. In the situation of the global economic crisis, the company's strategy may be either increase the sales volume or cost reduction policies or both ways. It is recommended that the company increase its sales volume by expanding its market share by distributing gas throughout the country. While internally the company should manage the cost-effectiveness. In order to survive or going concern, the company should certain of its security of the supply of gas, as its merchandise inventory. It is recommended that the company (as a member of PT Pertamina since January 2018), accelerate the decision to acquire PT Pertamina Gas (Pertagas) as a subsidiary of PGN to reduce competition, secure gas supply, pipeline infrastructure and increase sales by utilizing Pertagas distribution pipeline. This study has added the knowledge in the financial literature. It also gives a strong insight for managers in gas-industry about the financial performance. Therefore, the managers can make a better decision with the purpose to increase the market share and profitability.

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