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Financial Performance Analysis: A Case Study of PT Adhi Karya (Persero) Tbk and Listed Construction Companies in Indonesia with Dupont Analysis

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Keywords:

financial performance; DuPont analysis; liquidity; leverage; profitability; construction industry

ABSTRACT

This study evaluates the financial performance of PT Adhi Karya (Persero) Tbk (ADHI) compared with other listed construction companies in Indonesia from 2018 to 2024, using financial ratio analysis and the DuPont framework. The study employs a quantitative descriptive approach with secondary data from annual reports to analyze liquidity, profitability, leverage, activity, and market ratios—establishing benchmark comparisons with PTPP, TOTL, JKON, and NRCA. The findings reveal that ADHI consistently underperforms its industry peers, especially in profitability and asset efficiency. Although the company exhibits a high equity multiplier, the benefits of leverage are offset by a weak net profit margin and low total asset turnover, resulting in unsustainably low return on equity (ROE). The DuPont analysis further shows that ADHI's financial challenges stem from operational inefficiencies, prolonged project cycles, and heavy reliance on debt financing. Business risks are amplified by long collection periods, delayed payments, and high working-capital pressure, while financial risk increases due to elevated debt ratios and volatile earnings. The study concludes that improving ADHI's performance requires strengthening cost control, accelerating project execution, optimizing asset utilization, and rebalancing the capital structure to reduce leverage dependence.

INTRODUCTION

In the dynamic landscape of the global construction industry, various challenges and opportunities shape the trajectory of businesses worldwide (NextMSC, 2025). In recent years, Indonesia's construction sector has become the focus of converging factors that demand strategic vision and adaptability (Bunea et al., 2019). A myriad of global issues—from commodity price fluctuations to geopolitical uncertainties—have impacted the industry, affecting the dynamics of construction companies operating across the archipelago (Afriza & Daryanto, 2024; Esfahani et al., 2025).

Indonesia, with its large population and ambitious infrastructure plans, holds high potential for construction activity (Kapustina et al., 2018). The need for modern urban spaces, transportation networks, and sustainable structures places construction companies in the spotlight, pushing them to navigate a complex web of global economic forces (Louw et al., 2022). The resilience of the industry is being tested by demands for environmentally friendly practices, compliance with strict regulations, and integration of advanced technologies (Jin, 2017; Kandpal, 2015).

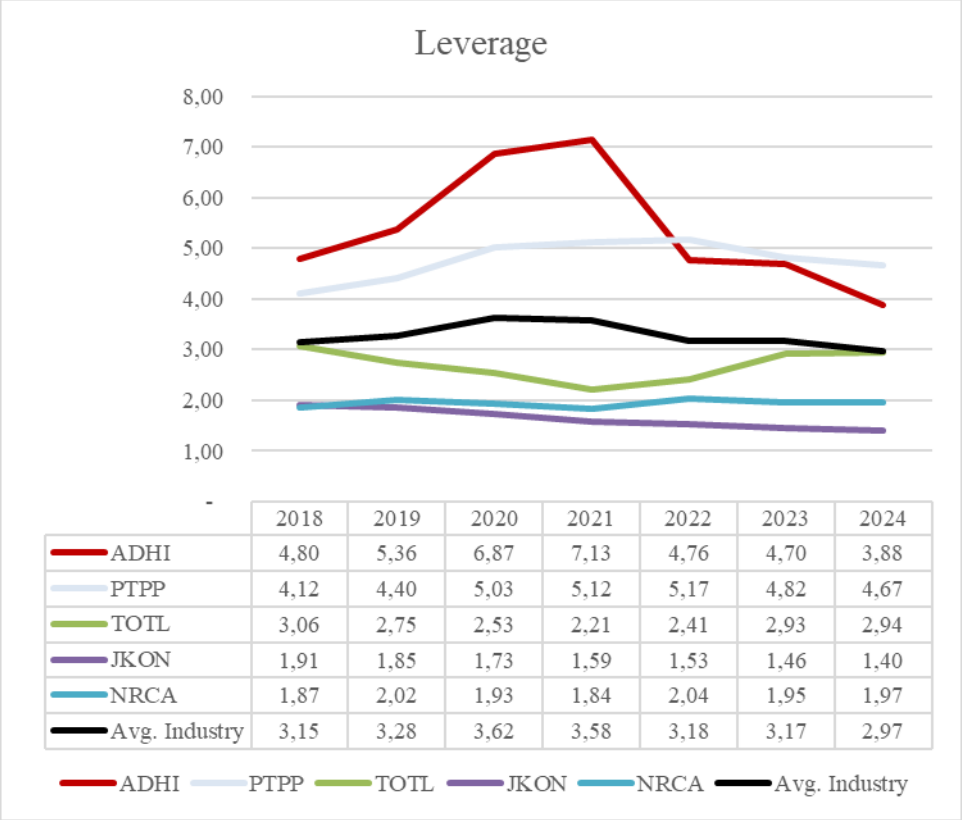
Focusing on the local context, PT Adhi Karya (Persero) Tbk ("ADHI"), a key player in Indonesia's construction sector, remains closely linked to broader industry dynamics. As a major contributor to the country's infrastructure development, ADHI's operations serve as a

microcosm reflecting challenges and successes in Indonesia's construction landscape (Charitou et al., 2010).

ADHI's financial performance provides an important lens for evaluating the company's health and adaptability in this dynamic environment. Factors such as project execution efficiency, cost management, and the ability to secure and navigate contracts in a competitive market play central roles. Local economic fluctuations, regulatory changes, and alignment with global best practices are essential elements of this narrative (Demmer, 2015).

As the global construction industry faces mounting challenges, ADHI's financial performance not only reflects its internal strategies but also measures its ability to thrive amid rapidly changing global and local conditions (Association, 2025). When stakeholders monitor key financial metrics—from revenue streams to profit margins—they gain better insight into a company's resilience, adaptability, and sustainable growth potential within Indonesia's complex construction sector. Over the last seven years (2018–2024), ADHI has recorded the relatively lowest liquidity and solvency ratios—including Current Ratio, Quick Ratio, Working Capital Ratio, Debt-to-Equity Ratio, and Debt-to-Assets Ratio—compared to other listed construction companies (PTPP, TOTL, JKON, and NRCA).

PT Adhi Karya (Persero) Tbk (ADHI), the first construction company listed on the Indonesia Stock Exchange in 2004, operates across four main business lines—Engineering & Construction, Property & Hospitality, Manufacture, and Investment & Concession—supported by five operational departments and seven subsidiaries. Its market segments include government-funded projects (APBN/APBD), the private sector, state-owned enterprises, and regionally owned enterprises, with share ownership consisting of 64% held by Danantara Asset Management as the controlling shareholder and 36% owned by the public. Despite its strategic role in national infrastructure development, ADHI has faced increasing financial pressure in recent years due to the capital-intensive nature of the construction industry, long project cycles, tight margins, and heavy reliance on debt financing to sustain project commitments and operational continuity.



	2018	2019	2020	2021	2022	2023	2024
ADHI	4,80	5,36	6,87	7,13	4,76	4,70	3,88
PTPP	4,12	4,40	5,03	5,12	5,17	4,82	4,67
TOTL	3,06	2,75	2,53	2,21	2,41	2,93	2,94
JKON	1,91	1,85	1,73	1,59	1,53	1,46	1,40
NRCA	1,87	2,02	1,93	1,84	2,04	1,95	1,97
Avg. Industry	3,15	3,28	3,62	3,58	3,18	3,17	2,97

Figure 1. Financial Leverage of ADHI and Peers from 2018-2024
(Source: Author's Analysis, 2025)

Based on the comparison of financial leverage ratios, ADHI consistently records the highest level of leverage among its peers. This indicates significant dependence on external funding, which enables project execution but also heightens the company's exposure to financing risks. At the same time, ADHI continues to face challenges in the form of delayed project payment realizations and rising interest expenses. These factors exert pressure on the company's liquidity and profitability, raising concerns about its overall financial resilience and long-term sustainability.

The financial distress experienced by ADHI reflects a broader structural challenge within Indonesia's state-owned construction sector. Despite being a pioneer in the industry with decades of operational experience, ADHI has struggled to maintain competitive financial performance relative to its publicly listed peers. This performance gap is particularly evident in profitability indicators such as ROE and ROA, which have remained persistently below industry benchmarks throughout the observation period. The urgency of this research is underscored by the fact that ADHI's underperformance is not merely a cyclical issue tied to economic downturns but stems from deeper operational and financial inefficiencies that threaten the company's long-term viability.

Furthermore, the construction industry in Indonesia plays a vital role in supporting national development goals, particularly in infrastructure provision. The poor financial health of a major state-owned player like ADHI may signal systemic risks that could affect stakeholder confidence, access to capital markets, and the company's ability to participate in

large-scale public projects. Understanding the root causes of ADHI's financial challenges is therefore relevant not only for internal stakeholders but also for policymakers, regulators, and industry analysts concerned with the sustainability of infrastructure development financing in Indonesia.

Several studies have examined financial performance in the construction industry using ratio analysis and the DuPont framework. For instance, research by Ross et al. (2019) emphasizes the importance of decomposing ROE to understand the relative contributions of profitability, efficiency, and leverage. Brigham and Houston (2019) highlight that companies with high leverage must maintain strong operational margins to avoid value destruction. Gitman (2020) further argues that liquidity and activity ratios are critical early indicators of financial distress, particularly in capital-intensive industries.

However, most existing studies focus on cross-sectional comparisons or short-term performance evaluations. Few provide longitudinal analysis of individual companies within the Indonesian construction sector, particularly state-owned enterprises facing unique governance and operational constraints. Moreover, limited research has applied integrated ratio diagnostics combined with DuPont decomposition specifically to ADHI in comparison with its peers over an extended period (2018–2024). This gap presents an opportunity to contribute empirical insights into how financial structure, operational efficiency, and market dynamics interact to shape long-term performance outcomes in a state-controlled construction firm.

This study offers several novel contributions. First, it provides a comprehensive seven-year longitudinal analysis of ADHI's financial performance, covering both pre-pandemic and post-pandemic recovery periods. Second, it integrates traditional ratio diagnostics with DuPont analysis to systematically identify the internal drivers of ROE deterioration. Third, the research situates ADHI's performance within a peer-comparison framework involving both state-owned and private construction companies, enabling a more nuanced understanding of competitive positioning. Fourth, the study extends the application of financial risk and business risk assessment frameworks specifically to the Indonesian construction context, where project-based revenue models, government contract dependencies, and extended payment cycles create unique operational challenges.

This research seeks to identify the factors contributing to the decline in ADHI’s financial performance and to assess how its financial condition compares with other listed construction companies in Indonesia. The study focuses on financial ratio analysis—including liquidity, activity, profitability, leverage, and market ratios—using ADHI as the primary case study and covering the period from 2018 to 2024. The analysis relies exclusively on secondary data obtained from published financial statements, annual reports, and industry disclosures, with benchmarking conducted against other publicly listed construction firms such as PTPP, TOTL, JKON, and NRCA. Despite this comparative component, the study remains descriptive and ratio-based, emphasizing trends and relative performance within the industry.

The benefits of this research are multifaceted. For ADHI's management, the findings provide actionable insights into specific areas requiring operational and financial reform. For investors and creditors, the analysis offers a data-driven assessment of the company's financial health and risk profile. For policymakers and regulators, the study contributes evidence that may inform governance reforms and oversight mechanisms for state-owned enterprises in capital-intensive sectors. Academically, the research enriches the literature on financial

performance analysis in emerging market construction companies by offering an integrated diagnostic and decomposition approach.

RESEARCH METHODS

The methodology selected for this research followed a quantitative descriptive approach, as it focused on analyzing numerical financial data to evaluate the financial performance of Adhi Karya (Persero) Tbk (ADHI) in comparison with peer construction companies in Indonesia.

This study adopted a quantitative descriptive research design. The quantitative approach processed numerical data from financial statements, while the descriptive nature enabled the researcher to explain and interpret financial conditions without hypothesis testing. The research focused on financial performance analysis through ratio diagnostics and the DuPont framework, as proposed by Gitman (2020) and Brigham and Houston (2019).

The objective of this design was to evaluate ADHI's financial performance over the period 2018–2024 and to compare it with other listed construction companies, namely PT PP (Persero) Tbk (PTPP), PT Total Bangun Persada Tbk (TOTL), PT Jaya Konstruksi Manggala Pratama Tbk (JKON), and Nusa Raya Cipta Tbk (NRCA). This comparison helped determine ADHI's relative efficiency, profitability, and risk profile within the industry.

Data collection involved obtaining relevant information to support the financial analysis and answer the research questions. In this study, data collection relied exclusively on secondary data obtained from reliable and publicly available sources.

The main sources of data included:

1. Indonesia Stock Exchange (IDX) database—for annual reports and audited financial statements of all sampled companies.
2. Financial publications—for supplementary market data, including share prices and financial ratios for validation.
3. Academic literature and financial management textbooks—such as Gitman (2020), Ross et al. (2019), and Brigham and Houston (2019), which provided the theoretical foundation for ratio and DuPont analysis.

The use of secondary data was appropriate given the objective of this study: to measure and interpret historical financial performance rather than collect primary opinions or perceptions. These data provided quantitative consistency and comparability across companies, ensuring analytical reliability.

Since the data in this study were numerical (quantitative), the analysis employed financial ratio calculations and comparative performance evaluation using both Gitman's ratio framework and the DuPont analysis. The analytical process consisted of three stages:

(a) Financial Ratio Diagnostic Analysis

At this stage, financial performance is assessed through five ratio categories based on Gitman (2020): liquidity, activity, leverage, profitability, and market value ratios. Each ratio is calculated using standard formulas to identify trends and assess ADHI's financial health relative to peer companies. The analysis helps identify specific weaknesses, such as low profitability or inefficiency in asset utilization.

(b) DuPont Analysis

The second stage applies the DuPont system of financial analysis, which decomposes Return on Equity (ROE) into three components—Net Profit Margin (NPM), Total Asset Turnover (TAT), and Equity Multiplier (EM). This approach allows the researcher to determine whether changes in ROE are caused by profitability, operational efficiency, or leverage factors. The decomposition provides a more comprehensive understanding of the internal drivers behind financial performance.

(c) Interpretation of Business and Financial Risk

The final analytical stage interprets how ADHI's financial structure exposes the company to business and financial risks. Business risk refers to operational exposure—such as project delays, cost overruns, or slow receivable collection—while financial risk relates to capital structure and debt dependency. These risks are identified through ratio patterns and DuPont results.

RESULT AND DISCUSSION

Financial Ratio Analysis

Liquidity Ratio

1. Current Ratio

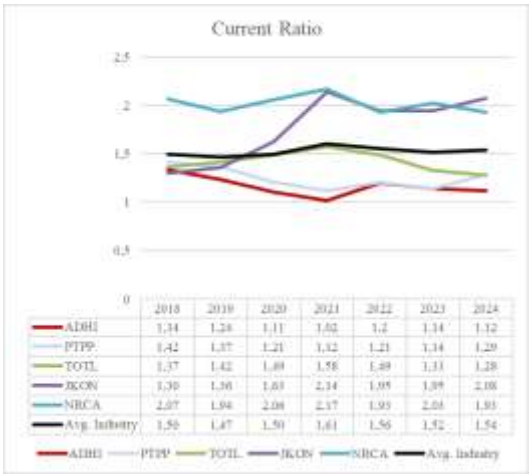


Figure 2. Current Ratio of ADHI and Peers from 2018-2024

(Source: Author's Analysis, 2025)

Figure 2 shows the Current Ratio trends of Construction Company for 2018–2024. PTPP maintained the ratio nearly above 1.0 for the entire period, showing moderate liquidity. TOTL has a gradual increase reaching its peak of 1.58 in 2021 and declines the next year which shows some improvement in liquidity during the middle years. On the other hand, JKON and NRCA consistently had higher current ratios than their competitors. JKON reached its peak level of 2.14 in 2021, while NRCA maintained strong liquidity with ratio close to or above 2.0 during the period, showing ability to handle short term obligation. ADHI has the lowest current ratio and mostly stagnant throughout the period fluctuating around 1 showing a less flexible liquidity and less capacity to handle short term obligation.

2. Quick Ratio

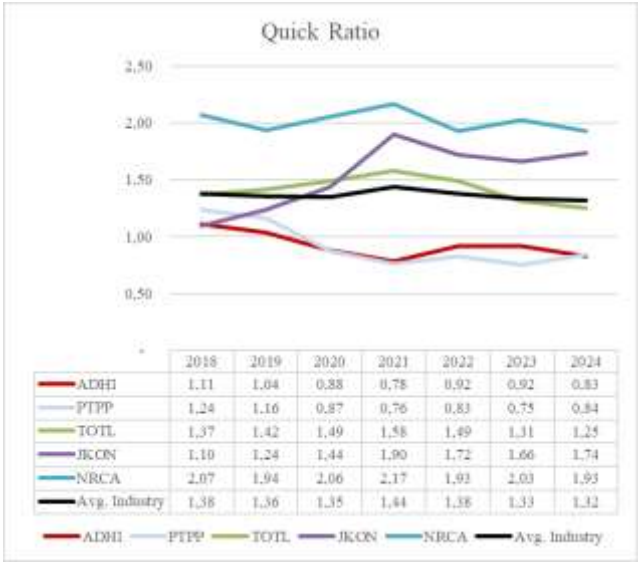


Figure 3. ADHI and Peers from 2018-2024
(Source: Author's Analysis, 2025)

Figure 3 shows the Quick Ratio trends of Construction Company for 2018–2024. NRCA maintained the best liquidity position with the ratio near or above 2.0 throughout the period showing the company could cover short term debts. JKON and TOTL also has relatively good liquidity, JKON reached its peak at 1.90 in 2021, while TOTL reached its peak 1.58 in the same year. PTPP had lower ratio, around 0.8 to 1.2 showing less flexible on liquidity. ADHI had one of the lowest quick ratios among the other company, declining from 2018 to 2021, and always under 1.0 in the last five years showing that ADHI struggle to cover short term obligation.

Activity Ratio

1. Average Collection Period

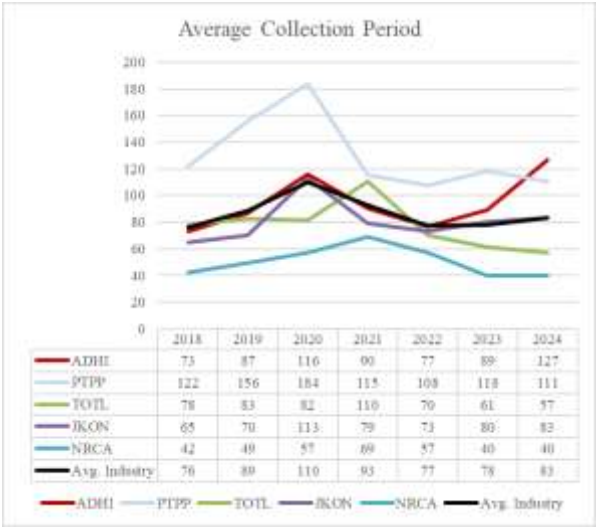


Figure 4. Average Collection Period of ADHI and Peers from 2018-2024
(Source: Author's Analysis, 2025)

Figure 4 shows the Average Collection Period trends of Construction Company for 2018–2024. PTPP had the longest time to collect payments, reaching 1834 days in 2020. On the other hand, NRCA had the shortest collection time, usually under 70 days, meaning they managed their money more effectively. TOTL and JKON had moderate and steady collection periods. These companies improved in 2022–2024 as construction activity started to pick up after the pandemic. For ADHI, time collecting payments has been consistently worse than most other companies. In 2020 and 2024, the collection period was over 100 days. Even though there was a short improvement to 77 days in 2022, the time increased again in the next years.

2. Average Payment Period

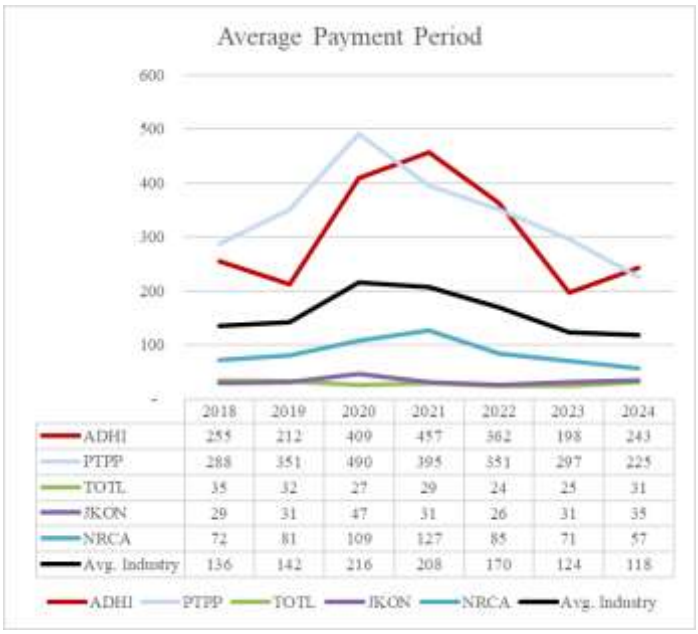


Figure 5. Average Payment Period of ADHI and Peers from 2018-2024
(Source: Author's Analysis, 2025)

Figure 5 shows the Average Payment Period trends of Construction Company for 2018–2024. PTPP and ADHI had the longest payment periods in the group, with both companies going over 350 days during 2020 to 2021. These long payment times probably indicates that they were carefully managing their cash to keep enough money flowing during the pandemic. On the other hand, TOTL and JKON had much shorter payment cycles, averaging under 40 days throughout the period, which indicates they were more careful with their cash flow. NRCA had payment periods that were in the middle, reaching up to 127 days in 2021 before settling down.

For ADHI in 2019, the number increased to 212 days up to 457 days in 2021, then declined to 197 days in 2023, and increased again to 243 days in 2024. Even though the payment period got shorter, ADHI's average payment time is still much longer than what is typical for the industry, which means they are still depending on suppliers to help with cash flow. This shows that ADHI's approach to managing working capital is still reactive and focused on the short term, relying more on outside support rather than making improvements from within to keep their cash flowing smoothly.

3. Total Assets Turnover

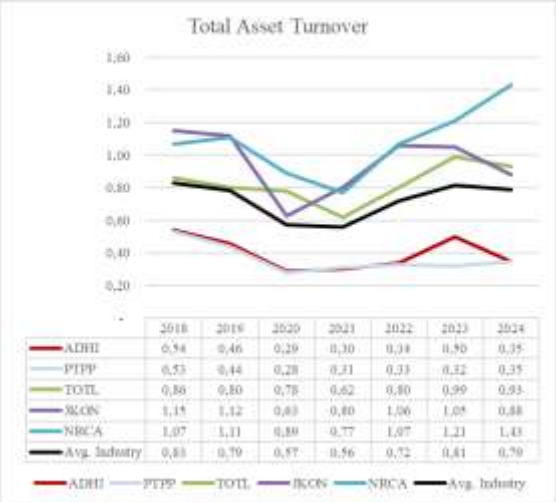


Figure 6. Total Asset Turnover of ADHI and Peers from 2018-2024
(Source: Author's Analysis, 2025)

Figure 6 shows the Total Asset Turnover trends of Construction Company for 2018–2024. NRCA and JKON had the highest turnover ratios, which indicate they are better at using their total assets to make money. TOTL had a steady but not very high ratio, usually between 0.8 and 1.0 during the time period. On the other hand, PTPP and ADHI had the lowest turnover ratios, both under 0.5 for most of the period. These results indicates that state-owned construction companies tend to have bigger asset bases and longer project timelines, which makes them less efficient at using their assets to generate revenue. ADHI's total asset turnover stayed in a small range between 0.29 and 0.54 from 2018 to 2024. There was a slight improvement in 2023, but the ratio went back down in 2024, showing ongoing problems in turning assets into revenue. This low asset usage matches ADHI's long project completion times and high levels of unpaid debts, meaning a large part of its assets is tied up in ongoing projects and unpaid bills**.**

Leverage

1. Debt-to-Equity Ratio

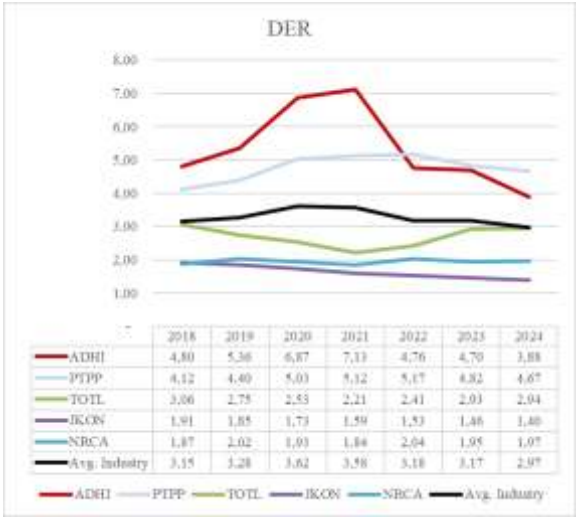


Figure 7. Debt-to-Equity Ratio of ADHI and Peers from 2018-2024

(Source: Author's Analysis, 2025)

Figure 7 shows the Debt-to-Equity Ratio trends of Construction Company for 2018–2024. PTPP and ADHI has the highest DER compared to the other companies. PTPP's DER reached up quickly from 0.97 in 2018 to 1.73 in 2021, then stayed around in the same level after that. This indicates they've been relying a lot on loans to run their business and projects. JKON and NRCA has much lower DER, staying below 0.5 and 0.2 respectively, which indicates they borrowed less. ADHI's DER is the highest compared to other construction companies. It indicates high debt levels made them more at risk.

Profitability Ratio

1. Net Profit Margin

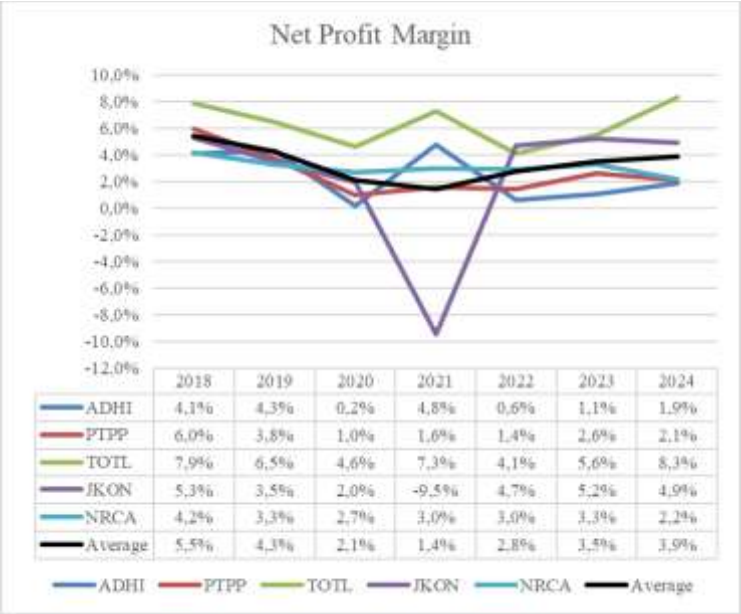


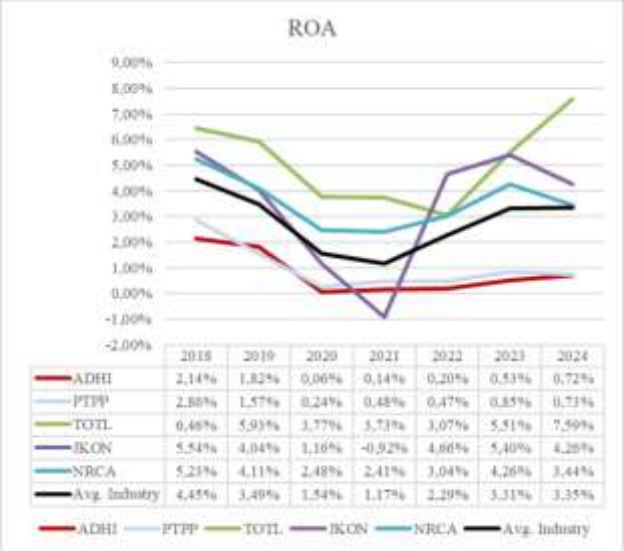
Figure 8. Net Profit Margin of ADHI and Peers from 2018-2024

(Source: Author's Analysis, 2025)

Figure 8 shows the net profit margin trends of construction company for 2018–2024. TOTL has the highest net profit margin (NPM) among peer companies, averaging between 5% and 8%, showing proficient cost management and reliable project execution. NRCA and JKON exhibited moderate performance characterized by variable margins, whilst PTPP reported comparatively decreased margins, particularly throughout the 2020–2022. The pandemic's influence on project postponements and rising operational expenses throughout the sector, because in 2020-2022 became the lowest point of the industry.

ADHI's net profit margin (NPM) trend consistently remained below the industry average, fluctuating between 0% and 2% over the period. Despite a temporary enhancement in 2021, the recovery proved unsustainable, indicating that profitability continues to be constrained by elevated finance costs, budget overruns, and postponed project payments. ADHI's persistently lower margins relative to competitors suggest it encounters structural obstacles in attaining cost efficiency and sustaining project profitability, highlighting the necessity for enhanced cost control and operational efficiency.

2. Return on Asset



	2018	2019	2020	2021	2022	2023	2024
ADHI	2,14%	1,82%	0,06%	0,14%	0,20%	0,53%	0,72%
PTPP	2,86%	1,57%	0,24%	0,48%	0,47%	0,85%	0,73%
TOTL	6,46%	5,93%	3,77%	3,73%	3,07%	5,51%	7,59%
JKON	5,54%	4,04%	1,16%	-0,92%	4,66%	5,40%	4,26%
NRCA	5,23%	4,11%	2,48%	2,41%	3,04%	4,26%	3,44%
Avg. Industry	4,45%	3,49%	1,54%	1,17%	2,29%	3,31%	3,35%

Figure 9. Return on Asset of ADHI and Peers from 2018-2024
(Source: Author's Analysis, 2025)

Figure 9 shows the Return on Asset Ratio trends of Construction Company for 2018–2024. TOTL maintained the highest return on assets (ROA) compared to other companies, showing strong ability to use its assets well and run operations effectively. Its ROA declined from 6.46% in 2018 to 3.07% in 2022, but then it reached its peak to 7.59% in 2024. PTPP had slower improvement, with its ROA increased from 0.24% in 2020 to 0.73% in 2024. JKON also fluctuate which drop at -0.92% in 2020 but then recovered to 4.26% by 2024. NRCA had relatively steady performance, improving from 2.48% in 2020 to 3.44% in 2024. ADHI's ROA has the lowest percentage of ROA. It declined from 2.14% in 2018 to 0.06% in 2020, indicates some challenges in running its operations efficiently during the pandemic. Even though it

started to recover after 2021, ADHI's ROA only reached 0.72% in 2024, which is much lower compared to other companies.

3. Return on Equity

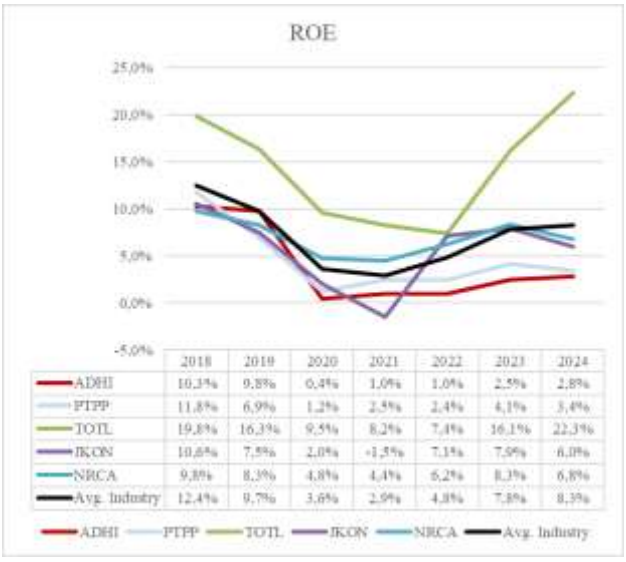


Figure 10. Return on Equity of ADHI and Peers from 2018-2024
(Source: Author's Analysis, 2025)

Figure 10 shows the Return on Equity Ratio trends of Construction Company for 2018–2024. TOTL had the highest return on equity (ROE) compared to other companies. Its ROE declined from 20% in 2018 to 8% in 2021 but then increased to 22% in 2024. PTPP had bigger decline in ROE, from 11.77% in 2018 to 1.21% in 2020. It slowly improved to 3.43% by 2024. JKON had negative ROE in 2021 (-1%), but it started to recover and reached 6% in 2024. NRCA maintained steady ROE from 4.78% in 2020 to 6.78% in 2024. ADHI had slower ROE performance over the period. Its ROE declined from 10% in 2018 and 2019 to 0% in 2020, indicates struggle with profits and returns on equity during the pandemic. Although ADHI's ROE improved to 3% by 2024, it still has the lowest ROE in the last 3 years.

4. Earning Per Share

	2018	2019	2020	2021	2022	2023	2024
ADHI	180,9	186,4	6,7	15,5	9,7	25,5	30,0
PTPP	242,3	150,1	20,8	42,9	43,8	77,6	67,0
TOTL	61,2	51,5	31,9	29,8	26,9	50,6	77,8
JKON	16,3	12,2	3,3	-2,3	12,3	14,6	11,4
NRCA	47,3	40,5	22,1	20,7	29,9	39,9	32,7
Avg. Industry	109,6	88,1	17,0	21,3	24,5	41,6	43,8

Figure 11. Earning Per Share of ADHI and Peers from 2018-2024
(Source: Author's Analysis, 2025)

Figure 11 shows the earning per share (EPS) trends of construction company for 2018–2024. PTPP has the highest earnings per share (EPS) prior to the pandemic, reaching 242.3 in 2018. In 2020, PTPP underwent a substantial decline, as the average industry EPS decreased from 109.6 in 2018 to merely 17.0 in 2020. TOTL and NRCA exhibited stable performance following 2021, indicating enhanced resilience and a more rapid recovery in delivering shareholder value compared to state-owned counterparts.

ADHI's EPS has declined from 186.4 in 2019 to 6.7 in 2020, indicating a significant reduction in profitability during the pandemic. Despite a steady rebound from 2021 to 2024, with profits per share (EPS) rising to 30.0, ADHI's earnings remain inferior to pre-pandemic levels and persistently underperform relative to the industry average. This ongoing deficiency signifies that ADHI has not yet achieved profitability adequate to provide substantial returns to shareholders. The progressive enhancement since 2022 indicates that operational recovery is in progress; however, improvement in project execution and cost management is necessary to attain consistent and sustainable earnings growth.

Market Ratio

1. Price to Earning Ratio

	2018	2019	2020	2021	2022	2023	2024
ADHI	8,8	6,3	228,2	57,8	50,1	12,3	7,1
PTPP	7,5	10,6	89,8	23,1	16,3	5,5	5,0
TOTL	9,2	8,5	11,6	10,6	11,2	7,4	8,7
JKON	22,3	41,0	123,1	-53,2	9,7	6,1	7,2
NRCA	8,2	9,5	17,1	14,0	10,1	8,3	10,8
Avg. Industry	11,2	15,2	94,0	10,5	19,5	7,9	7,8

Figure 12. Price to Earning Ratio of ADHI and Peers from 2018-2024
(Source: Author's Analysis, 2025)

Figure 12 shows the price to earning ratio (PE Ratio) trends of construction company for 2018–2024. TOTL and NRCA showed stable and moderate ratios, fluctuating between 7- and 12-times earnings, signifying sustained profitability and balanced market expectations. JKON encountered significant volatility, including negative ratios in 2021 due to losses, whereas PTPP showed heightened levels from 2019 to 2020, reaching 90 times, before returns to normal as earnings rebounded post-2021.

ADHI's P/E showed the most significant volatility among other peers, with its P/E ratio increasing sharply from 6.3 in 2019 to 228.2 in 2020, then normalizing to 7.1 in 2024. This spike indicates a transient decline in earnings instead of an increase in market valuation, indicates the impact of fluctuating profitability on investor perceptions. However, the subsequent stabilization, ADHI's P/E ratio continues to be lower than pre-pandemic era and is approximately in line with the industry average, indicating a prudent market mood on its earnings stability and recovery potential. The prevailing trend indicates that ADHI's financial performance has not yet exhibited consistent profit growth sufficient to maintain long-term investor trust.

After conducting a diagnostic ratio analysis, ADHI showed a weaker financial performance compared to other construction companies. This is shown from the indicators of profitability and efficiency. ADHI's ROE shows a very significant decrease, and below the industry average. As we know, ROE is an indicator of the Company to produce a rate of return to shareholders. ADHI's ROE, which often deteriorates, requires further identification of the root cause. For this reason, in this study, the author uses the DuPont Analysis framework to gain a deeper understanding

DuPont Analysis

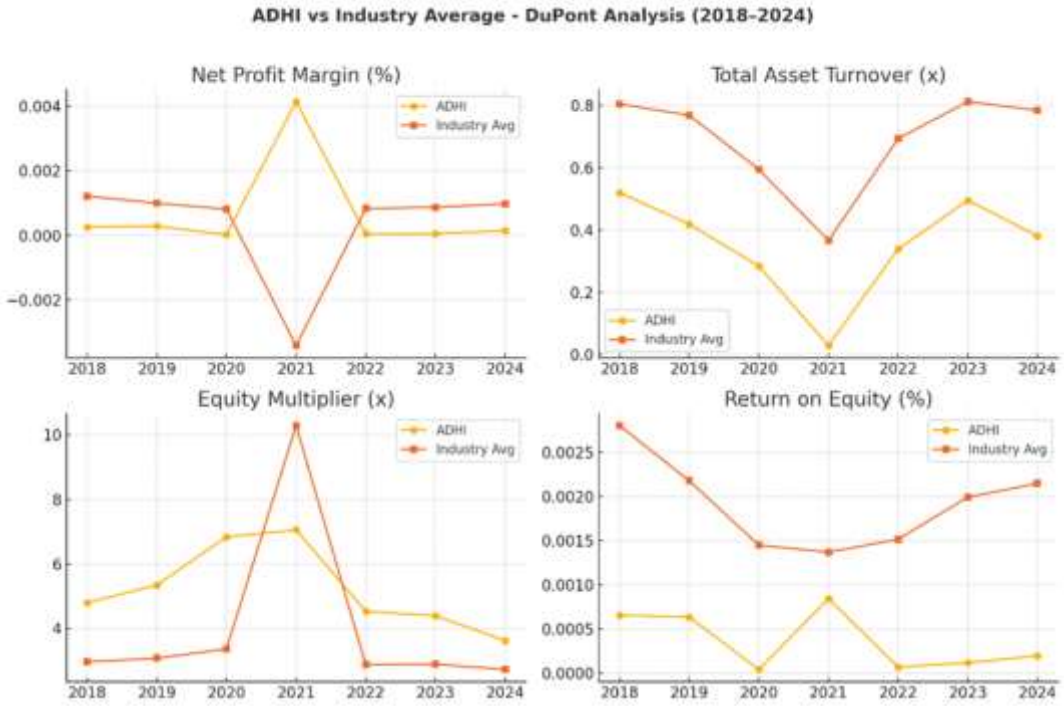


Figure 13. DuPont Analysis
(Source: Author's Analysis, 2025)

The comparative DuPont analysis indicates that ADHI's financial structure is significantly below to the industry average in most aspects. The company's Net Profit Margin consistently falls below the industry average, indicating constrained profitability because to high operating costs and finance expenditures. ADHI's Total Asset Turnover is low, signifying inefficiency in transforming assets into revenue, which is characteristic of prolonged project cycles and sluggish receivable collection.

Conversely, ADHI's Equity Multiplier exceeds the industry average, underscoring its reliance on debt funding. Nonetheless, increased indebtedness has not resulted in an enhanced Return on Equity (ROE), which continues to be significantly lower than that of competitors from 2018 to 2024. The findings indicate that ADHI's financial performance is impacted by operational inefficiencies and low margins, rather than constraints in capital structure, suggesting that the company's financial sustainability relies on enhancing profitability and asset utilization instead of enhancing leverage.

Risk Assessment

Financial Risk

The conducted DuPont analysis indicates that ADHI has significant financial risk due to its reliance on leverage as the primary contributor to Return on Equity (ROE). ADHI's Equity Multiplier (EM) averages 6.0 times from 2018 to 2024. This figure significantly exceeds the

industry average of 4.3 times. The significant figures indicate a highly leveraged capital structure, which includes predominant debt financing. In principle, higher equity multiplier can enhance shareholder returns if supported by strong profitability and efficient asset use. However, ADHI's Net Profit Margin (NPM) and Total Asset Turnover (TAT) were comparatively the lowest among construction companies, averaging 1.3 percent and 0.36 times, respectively, in contrast to industry averages of 4.8 percent and 0.55 times.

This disparity indicates that the company's leverage increases financial risk without yielding equivalent earnings growth. The ROE decomposition indicates that ADHI's low net profit margin and total asset turnover counteract the advantages of a high equity multiplier, leading to consistently low shareholder returns (Raharti & Kurniawan, 2025). As a result, the company has increased financial vulnerability because a minor decrease in profit or revenue efficiency could substantially diminish equity value owing to increased fixed financing costs. The dependence on leverage for operational continuity instead of productivity enhancement indicates that ADHI's financial framework, however capital-intensive, has yet to generate value. To reduce this risk, the company should prioritize enhancements in profitability and efficiency prior to attempting more debt-financed expansion (Ummayah & Hertina, 2024; Vítková & Semenova, 2015).

Business Risk

ADHI’s business risk is largely shaped by its operational inefficiency and exposure to long-cycle infrastructure projects. The company’s average collection period (ACP) ranged between 240 and 290 days, far above the peer average of around 190 days, indicating slow receivable turnover and prolonged cash-conversion cycles. In contrast, the average payment period (APP) remained extended at approximately 220 days, implying that the company relies on delayed payments to suppliers to offset cash-flow constraints. These patterns highlight liquidity stress at the operational level.

In terms of asset utilization, ADHI’s total asset turnover (TAT) averaged 0.36 times, well below the industry norm of 0.55 times, reflecting sluggish project completion and underutilized assets. The company’s net profit margin (NPM) also remained weak, averaging 1.3 percent, compared to the sector mean of 4.8 percent, indicating limited pricing power and high cost intensity. Collectively, these indicators point to elevated operational risk, as delayed project execution, cost overruns, and dependency on state-funded infrastructure projects reduce profitability stability and heighten exposure to external policy changes. To mitigate these risks, ADHI should accelerate billing and collection processes, improve project scheduling efficiency, and diversify its revenue sources beyond government contracts to ensure steadier cash inflows and reduced operational volatility.

CONCLUSION

In conclusion, this study reveals that PT Adhi Karya's persistently low Return on Equity (ROE) stems not from a lack of leverage, but from critical weaknesses in operational efficiency and profitability, as evidenced by its below-industry-average Net Profit Margin and Total Asset Turnover. The high financial risk from an over-reliance on debt is compounded by significant business risks arising from prolonged project cycles, slow receivables collection, and cost overruns. For future research, it is recommended to employ longitudinal case study or mixed-

methods approaches to investigate the root causes of these operational inefficiencies in greater depth and to explore the impact of corporate governance structures, particularly within state-owned enterprises, on financial decision-making and long-term performance sustainability in the construction sector.

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