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ANALYSIS OF PT. X'S READINESS IN FULFILLING THE REQUIREMENTS OF AN INITIAL PUBLIC OFFERING (IPO)

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Abstract

Initial Public Offering (IPO) is a strategic step taken by companies to obtain long-term funding and enhance their credibility. This research is important because not all companies with growth potential are prepared to meet the complex and rigorous requirements of an IPO. The purpose of this study is to assess the readiness of PT. X in fulfilling IPO requirements from the perspectives of financial performance, corporate governance, and legal compliance. The research employs a qualitative approach using a single case embedded study method, through analysis of financial statements and in-depth interviews with internal company stakeholders. The results indicate that although the company shows stable asset and equity growth, there are inconsistencies in profit performance and several legal documents remain incomplete. In general, the company demonstrates initial steps toward IPO readiness, but still requires strategic improvements in financial stability and documentation. The conclusion of this study is that PT. X is not yet ready to conduct an IPO in the near future and must undertake comprehensive improvements, particularly in financial reporting, governance practices, and legal documentation, to meet the standards required of a public company.

Keyword: Initial Public Offering, Company Readiness, Case Study, Financial Statement

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INTRODUCTION

The capital market plays a crucial role in driving economic growth by providing long-term funding access for businesses. One of the primary instruments in the capital market is the Initial Public Offering (IPO), a process through which a company offers its shares to the public for the first time (Yuliana et al, 2025). As explained by Loggar Bhilawa et al. (2024), the capital market serves as a platform that connects parties in need of funds with those who have excess capital. Through this mechanism, investors can channel their funds to companies requiring financing for expansion and business development. An IPO not only allows a company to gain access to new funding, but also enhances its public image and transparency in the eyes of the public and investors (Suwardi & Andayani, 2021). However, this process requires companies to comply with strict regulations set by authorities such as the Financial Services Authority (OJK) and the Indonesia Stock Exchange (IDX), covering financial, governance, and legal compliance aspects. A company's value can increase through profit achievement and growing investor confidence (Wardhana et al., 2024).

Although IPOs offer great potential, not all companies are operationally or administratively prepared to undertake them. IPO readiness requires not only stable and transparent financial performance, but also the implementation of Good Corporate Governance principles and the completeness of legal documentation. According to Wibowo (2019), IPO preparation demands comprehensive readiness, which is not solely based on profitability, but also on operational stability and sound governance. Therefore, a thorough analysis of a company's readiness is necessary before proceeding with an IPO process.

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PT. X is a manufacturing company that has been operating since 2005 and has a distribution network at both national and international levels. In order to strengthen its capital structure and reach broader markets, PT. X is considering an IPO as part of its expansion strategy.

Table 1
Financial Growth 2020-2023

Description	2020	2021	2022	2023
Revenue	44.675.159,339	51.536.897,229	45.195.460,379	45.041.471,604
Net Profit	3.593.166,032	3.692.368,034	3.211.654,472	2.699.364,036
Total Assets	34.803.008,639	38.502.195,479	40.534.976,710	43.784.531,255
Total Liabilities	5.244.107,602	5.750.871,907	4.872.070,570	5.845.963,865
Equity	29.558.901,037	32.751.269,073	35.662.906,139	37.938.567,390

Source: Processed Data, 2025

Although the initial analysis of the financial statements for the 2020–2023 period shows positive growth in assets and equity, there is also an observed inconsistency in revenue and net profit. This raises questions about the extent of PT. X’s readiness to meet the IPO standards set by the capital market authorities.

In addition to financial aspects, other factors such as corporate governance and regulatory compliance also present their own challenges. The implementation of Good Corporate Governance (GCG) principles, the presence of an independent board of commissioners, and the completeness of legal documentation are integral components in the IPO assessment process. If the company does not fully meet these requirements, the IPO may be delayed or even fail. Therefore, it is essential to holistically assess PT. X's readiness to ensure the IPO process runs effectively and in accordance with applicable regulations.

Based on this background, the purpose of this study is to analyze the level of readiness of PT. X in fulfilling IPO requirements using a qualitative case study

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approach. This research includes an evaluation of the company's financial performance, governance, and legal compliance over the past four years. The results of this analysis are expected to provide strategic recommendations for the company and serve as a reference for other entities planning to go public on the stock exchange.

LITERATURE REVIEW

Modigliani and Miller Theory (M&M Theory)

The Modigliani and Miller theory (1958) explains that in a perfect capital market, a company’s capital structure does not affect its overall value. However, in a later revision, Modigliani and Miller (1963) acknowledged that taxes provide an advantage to the use of debt, since interest expenses are tax-deductible. This theory serves as a foundation for determining the optimal capital structure when a company is preparing for an IPO, in order to maximize its value in the eyes of investors.

Eugene Fama’s Theory (Efficient Market Hypothesis)

Fama (1970) stated that stock prices in the capital market reflect all available information. In the context of an IPO, this means companies are required to present accurate financial and operational information to gain market trust. The more transparent the information disclosed, the greater the investor confidence in the value of the offered shares.

Signaling Theory

According to Salamah et al. (2019), signaling theory explains how company management conveys information to external parties as a signal of the company’s internal condition. In the IPO process, audited financial statements

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and strategic information in the prospectus function as signals to attract investor interest in the company's growth potential (Brigham & Houston, 2011).

Agency Theory

Agency theory addresses the relationship between owners (principals) and managers (agents), which often leads to conflicts of interest and information asymmetry (Jensen & Meckling, 1976). In the context of an Initial Public Offering (IPO), the application of Good Corporate Governance (GCG) principles is crucial to mitigate these potential conflicts and to enhance the company's transparency and accountability in the eyes of investors and regulators. As explained by Nuswantara et al. (2020), managers—as internal parties—are perceived to have better access to information than external investors.

Financial Indicators for IPO Readiness Assessment

Several financial indicators are commonly used to assess a company's readiness for an IPO, including:

a. **Return on Assets (ROA)**, which reflects the company's efficiency in generating profit from its assets (Wijaya, 2019).
b. **Sales Growth (SG)**, as an indicator of revenue growth over time (Kasmir, 2012).
c. **Total Asset Turnover (TATO)**, to measure the effectiveness of asset utilization in generating revenue (Faturahma & Nuraini, 2023).

IPO Regulations in Indonesia

The IPO process in Indonesia is governed by several regulations issued by the Financial Services Authority (OJK) and the Indonesia Stock Exchange (IDX), including:

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a. OJK Regulation No. 7/POJK.04/2021 on Supporting Documents for Public Offerings,
b. OJK Regulation No. 8/POJK.04/2017 on Guidelines for the Presentation and Disclosure of Financial Statements of Issuers or Public Companies,
c. OJK Regulation No. 53/POJK.04/2017 on the Registration of Public Offerings of Securities in the Capital Market,
d. and IDX Regulation No. I-A on the Listing of Shares and Equity Securities Other than Shares Issued by Listed Companies.

Law No. 8 of 1995 on the Capital Market also serves as the main legal basis for IPO activities in Indonesia. In general, the regulations require that the company be in the form of a Limited Liability Company (PT), have operated for at least one year, present audited financial statements with an Unqualified Opinion, and meet the minimum public ownership requirements based on the company's equity value (Go Public Indonesia, 2022). Compliance with these regulations is a key indicator in assessing a company's readiness to go public.

RESEARCH METHOD

This study uses a qualitative approach with a single embedded case study method, as it was conducted in a specific location and timeframe, as explained by Triani et al. (2020), namely at PT. X, located in Sidoarjo Regency, East Java, during the period of September 2024 to March 2025. The objective of this research is to analyze the company's readiness to meet the requirements for an Initial Public Offering (IPO) from the perspectives of finance, governance, and legal compliance. Primary data was obtained through in-depth interviews with internal stakeholders, while secondary data was sourced from the company's

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2020–2023 financial statements, internal legal documents, and relevant regulations (POJK No. 7/2021, No. 8/2017, No. 53/2017). The research procedure includes a review of literature and regulations, data collection (interviews, observations, documentation), and data analysis using the Miles and Huberman model (data reduction, data display, and conclusion drawing) to assess the company's IPO readiness.

RESULTS AND DISCUSSION

IPO Readiness Based on Financial Ratios

Table 2

Description of Research Components

	2020	2021	2022	2023
ROA	10,32%	9,59%	7,92%	6,16%
TATO	1,28	1,34	1,11	1,03
SG	-7,85%	15,32%	-12,30%	-0,34%

Source: Processed Data, 2025

An analysis of PT. X's financial statements for the 2020–2023 period reveals a positive trend in asset and equity growth; however, this is not accompanied by consistent net profit performance. The company's Return on Assets (ROA) has shown a steady decline from 10.32% in 2020 to 9.59% (2021), 7.92% (2022), and 6.16% (2023), indicating decreasing efficiency in utilizing assets to generate profits. This is a critical point, considering that a good ROA standard for IPOs in the manufacturing sector is generally above 5.98% (Kasmir, 2023).

In addition to ROA, the Total Asset Turnover (TATO) indicator also shows a downward trend, signaling a decline in the company's effectiveness in utilizing its assets to generate revenue. Sales Growth (SG) demonstrates significant fluctuations, with the highest growth recorded at 15.32% in 2021, followed by a

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decline in 2023. Therefore, from a financial perspective, PT. X is considered not yet fully meeting the stability and efficiency standards required for IPO readiness.

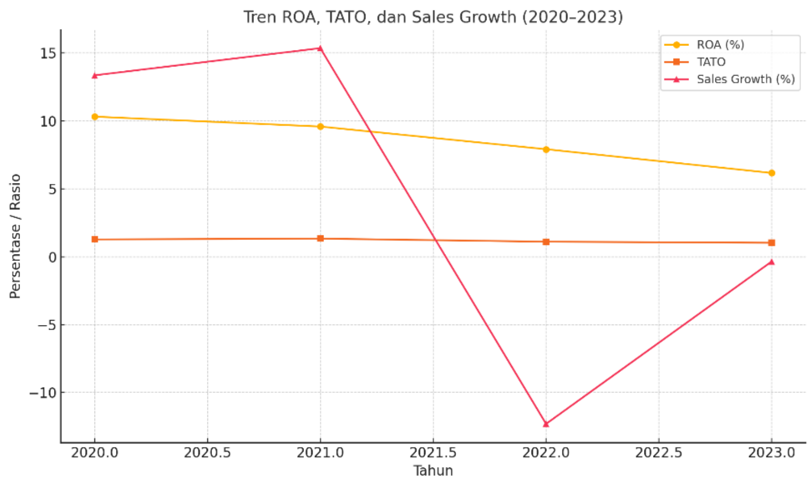

Figure 1
Growth Trend of Financial Indicators
Source: Processed Data, 2025

IPO Readiness Based on Corporate Governance (GCG)

PT. X has implemented a clear organizational structure with a clear division of responsibilities between directorates. However, not all components of Good Corporate Governance (GCG) have been optimally fulfilled. For instance, the presence of an independent board of commissioners and an audit committee has not yet been formally established. In fact, these GCG elements are part of the IPO requirements as stipulated in OJK Regulation No. 53/POJK.04/2017.

The absence of a public reporting system and transparency to stakeholders also represents a weakness in meeting good corporate governance criteria. This lack of transparency may reduce investor confidence and negatively impact the company's IPO valuation (Brigham & Houston, 2011).

IPO Readiness Based on Legal Compliance and Regulatory Adherence

From a legal standpoint, PT. X already possesses several essential documents such as the deed of establishment, business license, and capital structure documents. However, observations indicate that some legal documents are still incomplete, including the prospectus, which must comply with OJK Regulation No. 7/POJK.04/2021 concerning public offering documents. Delays in fulfilling these legal requirements may hinder the due diligence process and pose legal risks during the IPO.

Gaps and Improvement Strategies

There are notable gaps between PT. X’s current condition and IPO readiness standards, particularly in three key areas: fluctuating financial performance, suboptimal implementation of Good Corporate Governance (GCG), and incomplete legal documentation. To enhance its readiness, the company must undertake comprehensive improvements, such as increasing financial efficiency through asset and cost optimization, establishing governance units such as an independent board of commissioners, and preparing and completing legal documents in accordance with OJK and IDX regulations.

These strategies will strengthen PT. X’s position in the eyes of investors and enhance its credibility to go public, in line with the principles of Signaling Theory and Agency Theory, where transparency and disclosure of information are essential to building market trust (Salamah et al., 2019; Jensen & Meckling, 1976).

Synthesis of Key Findings

This study aimed to analyze PT. X's readiness to meet the requirements for an Initial Public Offering (IPO) from the perspectives of finance, governance, and legal compliance. Based on the analysis, it can be concluded that the company has demonstrated growth potential through stable increases in assets and equity during the 2020–2023 period. However, fluctuations in net profit performance

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and declining trends in financial efficiency indicators (ROA, SG, TATO) indicate that the company has not yet fully achieved financial stability.

From the corporate governance perspective, the organizational structure is already established, but the implementation of Good Corporate Governance (GCG) principles remains suboptimal, particularly in terms of the presence of an independent board of commissioners and public transparency. Meanwhile, from the legal aspect, most foundational documents are available, but formal documents such as the prospectus and compliance with OJK regulations are not yet fully complete.

Therefore, the research objectives have not been entirely achieved. PT. X's IPO readiness still requires significant improvements, particularly in terms of financial stability, governance structure, and the completeness of legal documentation. The main causes of this shortfall are the absence of a strong internal control system and a lack of structured administrative preparedness to meet capital market regulations.

CONCLUSION

This study concludes that PT. X is not yet fully ready to carry out an Initial Public Offering (IPO) in the near future. Although the company has shown stable growth in assets and equity during the 2020–2023 period, its financial condition does not yet fully meet the efficiency and profitability indicators required in the IPO process, as evidenced by the declining trend in ROA, fluctuations in Sales Growth, and reduced effectiveness in TATO.

From a governance perspective, the company has a clear organizational structure, but the implementation of Good Corporate Governance principles

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remains limited and does not yet reflect the level of transparency and accountability expected of a public company. Meanwhile, from the legal aspect, although the basic legal documents are in place, the formal documentation required by OJK and IDX regulations still needs to be completed and refined.

Overall, the gap between PT. X's actual condition and IPO readiness standards remains significant. Therefore, the company needs to undertake strategic improvements in three key areas: finance, governance, and legal compliance. These steps are essential to meet regulatory standards, build investor trust, and ensure future success in the go public process.

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