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Business and Financial Transformation 0069n Restructuring a Fishery Enterprise

Adrianus Ulun
Institut Teknologi Bandung, Indonesia
Email: adrianus.ulun@gmail.com

Abstract

This research examines the strategic restructuring of PT XYZ, an enterprise operating in Indonesia's fisheries sector, in response to escalating financial distress and declining operational performance. Despite significant national resources and a diversified business portfolio encompassing fish trading, port operations, and feed mill production, PT XYZ has suffered from liquidity constraints, negative profit margins, and increasing debt ratios. External pressures—including global economic downturns, regulatory bottlenecks, and non-tariff trade barriers—have compounded internal inefficiencies, particularly in underperforming segments such as feed mills and regional branch offices. Guided by a theoretical framework grounded in Dynamic Capabilities Theory, this research proposes a four-pillar restructuring model covering business transformation, operational cost efficiency, financial restructuring, and inorganic asset settlement. A mixed-methods approach is employed, combining financial modeling, scenario analysis, and Altman Z"-Score assessment to evaluate both quantitative indicators and the projected outcomes of the restructuring process. Findings indicate that disciplined execution of operational streamlining, closure of low-margin units, and a structured two-tranche debt settlement plan—tied to operational cash flows and asset divestments—can significantly enhance financial resilience. While the company is projected to remain in deficit through 2024, profitability recovery is anticipated by 2025, contingent on permit reforms and export revitalization. This case offers a replicable model for restructuring enterprises in resource-based industries across emerging economies, where institutional frictions, capital inefficiencies, and geopolitical shocks often converge.

Keywords: Financial Restructuring; Fisheries Industry; Business Transformation; Cost Efficiency; Asset Settlement.

INTRODUCTION

Global food security and economic conditions are significantly impacted by the fishing industry, particularly in coastal areas (Alsaleh, 2023; Bjørndal et al., 2024; Dao et al., 2024; Tidd et al., 2022). However, companies in this sector face a number of challenges, such as changing market conditions, environmental concerns, and stringent government regulations. Many fishing companies are experiencing financial decline due to these issues, which have worsened in recent years. Its exporting fisheries are also in dire straits. Export value peaked in 2022 at USD 6.24 billion and then dropped to USD 5.63 billion in 2023 (Amri, Tahir, Haris, & Agusanty, 2024). The Ministry of Maritime Affairs and Fisheries stated that during January–November 2023, Indonesia's fishery exports reached US$5.6 billion, which failed to reach the target and was lower than the US$6.2 billion posted in 2022 or only around 0.1% higher than the same period in 2022, and still below the US$6.7 billion target for January to November 2023 (Rizky, 2024). The government has an ambitious export target for 2024 of US$7.2 billion; however, achieving this will require overcoming major obstacles, including a global recession, declining commodity prices, and reduced demand from major export markets like the United States, which are experiencing weakening consumption power.

Grahadyarini (2024) argues that Indonesia has not been able to optimally capitalize on the potential of the global fishing market and that several factors hinder this. Even though the country has abundant capture and farmed fish resources, it still struggles to meet export quality standards (Maulu et al., 2024; Reed, 2024). Achieving international standards of environmental sustainability in fishing and aquaculture, particularly in relation to the governance of fishery resources, remains a challenge (Aguión et al., 2022; Engle & van Senten, 2022; Gul et al., 2024; Osei et al., 2025). As a result, Indonesian fisheries find it difficult to keep up with competition in international markets. Furthermore, small-scale fishers in Indonesia's remote islands still rely on intermediaries because of the lack of direct export channels, depriving them of bargaining power and exposing them to price manipulation (Nasution et al., 2024).

At a time like this, structural reform is essential for fishing companies. Restructuring ownership and production, as well as addressing governance challenges, can allow companies to survive financially or re-establish themselves in the market and become profitable once more. This paper examines restructuring methods that may help a troubled fishing company to survive and achieve long-term stability.

PT XYZ is a company in Indonesia established in 2001 and engaged in three main business units, namely fish trading, port services operations, and feed mill production. The firm has a strong network of 10 branch offices and 17 unit offices across the country, making it a key player in the fisheries and aquaculture sectors.

In fish trading, PT XYZ integrates both processing and distribution, supported by cold storage facilities with a total capacity of 8,272 tons. It owns 6 fishing vessels and 11 support ships, which provide a logistical advantage in supplying fishery products. It also operates 10 branch offices and 7 docking locations, enabling efficient port operations for seafaring activities. In addition to its fisheries and port operations, PT XYZ operates 5 feed mills with a total production capacity of 470 tons per hour, positioning it as one of the players in Indonesia's aquaculture feed industry. With its synergistic business chains, PT XYZ is one of the key entities driving Indonesia's fisheries sector forward.

PT XYZ is currently facing several operational issues. One of the most pressing is the poor performance of its feed mill operations. The feed mill, which has only been operating for a few years, is still not profitable and is generating negative gross margins. This may be due to reasons such as lack of economies of scale, high input costs, or limited market absorption for the mill's products.

The general consensus is that PT XYZ's business performance is uneven. The port services business, particularly port management services, has consistently generated high revenue and profit margins with relatively low volatility, whereas the fish processing and trading segments have not performed as well. This situation indicates that PT XYZ should review its strategic decisions and reallocate resources to optimize overall profitability. The company's wide geographical presence across various sites in Indonesia is both a strength and a challenge. Expanding into more markets can reduce dependence on any single region and thereby lower overall risk, but it also requires efficient coordination and management of multi-site operations.

Several previous studies have examined financial distress and corporate restructuring in various industries. Altman and Hotchkiss (2020) developed the Z-Score model to predict corporate bankruptcy and emphasized the importance of financial restructuring in distressed firms. Gaughan (2015) discussed mergers, acquisitions, and corporate restructurings as strategic tools for value creation and turnaround management. In the context of the fisheries industry, Luhur, Mulatsih, and Puspitawati (2019) analyzed the competitiveness of Indonesian fishery products in international markets, highlighting the challenges faced by local firms in meeting global standards. Nasution et al. (2024) examined the value chain and power dynamics in fisheries, revealing structural inefficiencies that hinder direct exports from Indonesia's outermost islands. Furthermore, Barney (1991) and Teece, Pisano, and Shuen (1997) provided theoretical foundations for resource-based and dynamic capabilities approaches, which are essential for understanding how firms can adapt and restructure in response to environmental changes. Despite these contributions, limited research has specifically addressed the comprehensive restructuring of fishery enterprises in Indonesia using an integrated framework that combines business transformation, operational efficiency, financial restructuring, and asset settlement. This study aims to fill that gap by proposing a structured restructuring model for PT XYZ based on Dynamic Capabilities Theory and financial distress analysis.

This study aims to analyze the financial distress experienced by PT XYZ, a fishery enterprise in Indonesia, and to formulate a comprehensive restructuring strategy that addresses both internal inefficiencies and external pressures. Specifically, the research seeks to evaluate the company's current business and financial conditions, identify the root causes of its declining performance, and propose an integrated restructuring model encompassing business transformation, operational cost efficiency, financial restructuring, and inorganic asset settlement. The benefits of this research are twofold. Theoretically, it contributes to the existing literature on corporate restructuring by applying Dynamic Capabilities Theory and the Altman Z''-Score model within the context of a resource-based industry in an emerging economy. Practically, the findings are expected to provide actionable insights for PT XYZ's management and stakeholders in implementing a sustainable recovery plan. Additionally, the proposed restructuring framework can serve as a reference for other companies in the fisheries sector or similar industries facing financial distress, offering a replicable model for navigating institutional friction, capital inefficiency, and market volatility.

METHOD

Data Collection Method

The research uses both qualitative and quantitative approaches to critically examine the financial issues and recapitalisation efforts of this fishing firm. The study adopts an integrated perspective, merging several schools of thought, with power dynamics assessed not only through measurable financial performance of restructuring, but also through an understanding of the motivations behind it and the viewpoints of those who ultimately determine these financial outcomes.

The quantitative component tests the performance of reorganisation policies through various statistical measures. The study provides empirical evidence for the relative superiority or inferiority of these models in improving the financial position, as assessed through an analysis based on basic ratios used to calculate profitability, liquidity, and solvency before and after restructuring. Scenario analysis is also employed to determine how long a company can continue operating without going bankrupt. This process enables the identification of risks and opportunities that may arise in the future.

This research offers a detailed examination of reengineering that integrates empirical observation with conceptual insight. The quantitative technique provides empirical validation of the strategic decisions, while the qualitative findings offer insights into the key determinants influencing financial distress and a methodological basis for decision-making regarding restructuring. A multi-method approach is employed, which enhances the validity of the findings. Importantly, it compels the long-term recovery strategy for the company to be not only theoretically sound, but also practical and cost-effective.

Data Analysis Method

With the purpose of having a full approach to financial distress and reorganizational actions of fishing companies this research combines qualitative and quantitative techniques in data analysis. The thematic analysis is conducted for qualitative examination of the empirical data from semi-structured interviews, while a financial ratio analysis and trend analysis and financial modelling are employed as tools for quantitative inspection. The methodological framework adopted in this research enables us to conduct an extensive analysis of the driving forces behind financial distress and the direct and measurable effects of restructuring strategies.

1. Quantitative Data Analysis – Financial Analysis and Modeling

   On the quantitative side, this study uses financial analysis and modeling to assess the extent to which corporate restructuring impacts financial performance. The key analytical methods include:

   a. Financial Ratio Analysis – Reviewing important financial ratios both before and after restructuring and gauge said increase in financial performance:
      a) Profitability Ratios (e.g., Net Profit Margin, Return on Assets) for measures relating to revenues and cost-effectiveness.
      b) Liquidity Ratios (e.g., Current Ratio, Quick Ratio) to assess the short term solvency position of the company.
      c) Solvency Ratios (e.g., Debt-to-Equity Ratio, Interest Coverage Ratio) for consideration of financial stability by restructuring.

   b. Trend Analysis – Analysing the financial past of the company to unearth trends in making money, saving through cutting costs and managing long term debts. By doing so, future study can better determine whether the reform is resulting in achievements that deliver material improvement in performance and are sustainable into the long term.

c. Financial Modelling & Scenario Analysis – A financial model was formulated in this study to examine various scenarios of the restructuring program. This enables management to form a more accurate picture of what the company's financial performance would look like in a future period. The worst case assumes that none of the reactivations are successful and the best case scenario is all the restructuring actions are implemented leading to higher sales volumes and better cost economy, respectively.

Altman Z''-Score

This study applies the Altman Z''-Score model as it is specifically adapted for non-manufacturing and emerging market enterprises. Unlike the original Z- Score, which was designed for publicly traded manufacturing firms, the Z''- Score provides a more accurate measure of financial distress for diversified companies such as PT XYZ, whose operations span fish trading, port services, and feed mill production. Furthermore, the model is highly suitable for PT XYZ as a non-public entity, as it utilizes the Book Value of Equity to provide a more reliable insolvency prediction for private firms (Altman, 2002). Previous research (Altman, 2000; Altman & Hotchkiss, 2006) supports the suitability of this model in assessing solvency risk in resource-based industries with high leverage and liquidity constraints.

The Altman Z''-Score model is used as a quantitative method to assess the level of financial distress faced by PT XYZ. The theoretical basis and formulation of the model have been fully explained in Chapter II. The analysis is conducted by calculating the four ratio components of the model-Working Capital to Total Assets (X1), Retained Earnings to Total Assets (X2), EBIT to Total Assets (X3), and Book Value of Equity to Total Liabilities (X4) using the company's audited financial statements. Each variable is derived directly from the financial data for the relevant period. After calculating X1, X2, X3, and X4, the Z''-Score is computed using Altman's discriminant formula to produce an overall financial distress indicator.

RESULT AND DISCUSSION

Economic Factors

For PT XYZ, economic condition provides opportunity and constraint within national and global fisheries sector. Increasing world consumption for seafood and changing consumer trend to affordable protein, which is healthy (Source: Fiskesporasfabriquen 2007), avails PT XYZ opportunities to enhance their exports. The growing disposable income in the emerging market can also drive an acceleration on fishery consumption which would lead to a higher export number of Indonesia.

Meanwhile, PT XYZ also experiences financial pressures that have a direct impact to the costs. Instability of fuel cost, logistics cost, cold chain operation and raw material purchase has much impact on production spending. And dynamic fluctuation in commodities such as fishmeal, packaging materials and fuel increases instability. It could also be complicated by exchange rate swings a benign rupiah might cut costs, and rate conditions may prop up export margins.

In addition, the general economic conditions of Indonesia as well as the economic condition of the primary export markets of PT XYZ also affect the demand for seafood products. Meanwhile, consumer demand in premium category could soften during recession, even as strong economic growth can drive market expansion. The company also needs to remain competitive in an environment under pressure from prices globally, which means it has more to do on efficiency gains and scale and innovation across the supply chain.

Overall, PT XYZ has a dynamic environment, but is full of promising opportunities. In effectively managing cost volatility, and currency risk as well as changing market dynamics the company is able to capitalize emerging opportunities and enhance their long-term price position.

1. Global Demand for Fishery Products

   PT XYZ export-oriented nature is vulnerable from international demand since it has many other competitor nations (Japan, USA and others). A downturn of the economy in these markets can result in decreased orders, lower selling prices or more stringent quality standards and have an adverse impact on revenue.

2. Exchange Rate Volatility

   Since some of the revenues of PT XYZ are in foreign currency, variation of exchange rate generates volatility on earnings expressed in local currency. At the same time, some inputs and obligations may also be foreign currency-linked, magnifying exposure to currency risk.
3. Inflation and Cost Pressures

   Soaring inflation pushes up the price of fuel, overheads, labor and maintenance. PT XYZ's relatively dire state of profitability is potentially further exacerbated by the margin compression caused from facing increasing costs – as it operates in a capital- and logistics-intensive sector.
4. Interest Rate Environment

   Whatever the reason, a higher interest-rate environment makes debt more expensive to service. For a highly geared company such as PT XYZ, this will be a further blow to its ability to service its debt and will exacerbate solvency indicators.

   These economic factors aggravate the company’s financial distress and limit the pace at which it can recover.

Social Factors

There are some favourable opportunities regarding the social aspect for PT XYZ. Worldwide and local healthy-eating trends have resulted in a rise in seafood consumption as the commodity is considered to be relatively cheaper compared with other forms of protein. This transformation has the potential to become a positive effect on PT XYZ’s main business, which is in fish and shrimp farming. Consumer interest in sustainability, traceability and ethical sourcing has come to the fore. PT XY’s responsible fishing practice, enhancing level of transparency the supply chain and management of sustainable source are strong efforts in line with these trends that enhance its market position.

Demographic forces are also running in the company's favor. An enlarging mid class in Indonesia itself and key export places, together with fast urbanisation is raising seafood consumption as consumers get richer and protein-rich diets. This creates a more diverse and consistent buying customer base for premium added value seafood, not to mention export-quality products.

In general, the current social factor is add PT XYZ's chance to growth. Consumers increasingly demand responsibly raised, healthy seafood, and the company has strong tailwinds both domestically and abroad.

1. Shifting Consumer Preferences

   People all across the world are increasingly looking for seafood that is sustainable and can be traced back to its source. This tendency needs better record-keeping, quality control, and certification. If businesses cannot change, they can lose access to high-end markets or have to sell at a lower price.

2. Local Community Dependence

   PT XYZ is operating in a place where the people who live there need fishing to make money and find work. When making changes to the company's structure, such closing a branch or laying off workers, you should think about how they will affect people. This is because workers, communities, or local interest groups could not like them.

3. Reputation and Stakeholder Expectations

   How well the corporation handles its social and environmental responsibilities influences how it works with investors, partners, and the government. If stakeholders' expectations are not met, support for reorganization may drop and there may not be many strategic options.

   These social factors require PT XYZ to find a way to recover financially while also acting responsibly toward the community in its recovery strategy.

4. Technological Factors

   Technology and the evolution of fisheries technology are one of the best opportunities today for PT XYZ, but naturally there also lies a risk, concludes XB. Fisheries, monitoring and supply-chain systems have all advanced, transforming how production and distribution is carried out. Conversely, digital technologies like IOT devices, satellite tracking for real time view of the resources and traceability systems enabled with blockchain provide a more accurate means to track resource utilisation, visibility into operations all across the supply chain & transparency to all channel partners. In addition, these developments can be used by PT XYZ to work effectively and product betterment for moving towards international sustainability perception.

   Accelerated Innovation and Cold Chain Specific technology advances in cold chain, processing automation, smart (data driven or AI) forecasting / inventory management also offer opportunities to contain costs while growing volumes. In addition, new potentials exist for product diversification and value-added processing with the development of biotechnology and environmentally friendly aquaculture technologies.

But taking on high-tech does not end with shifting to it; there is ongoing investment accrued through system enhancements and training personnel. The operationalization of such an innovation chain to a wide operating network is difficult and given the rapidly flowing nature of this type of technology, continuous adjustments might be necessary. Nevertheless, based on the existing technology, has huge potential for PT XYZ to improve its competitiveness, sustainability and steady position in international and domestic market as well.

5. Digitalization and Operational Systems

The extent of the digitalisation in PT XYZ's operations (e.g. inventory management, cold-chain monitoring, and port services operation) remains rather low. This lack of efficiency and the inability to make real- time decisions impacts working capital optimization.

6. Automation and Process Improvement

Companies which apply the use of robotics to these two parts of their value chains can achieve lower unit costs and greater consistency than manual competitors. PT XYZ having inferior technology infrastructure is not competitive in handling power efficiently and scaling up.

7. Data for Strategic Management

Limited usage of data analytics is hindering the company's capability of conducting branch-wise, product-wise and customer segment wise profitability analysis. This makes it harder to quickly spot underperforming operations and carry out precise restructures. Technological gaps thus contribute indirectly to higher operating costs and slower response to market changes.

Environmental Factors

For PT XYZ, environmental issues have a significant impact (both threatening and useful) in fishery business conditions. Rising Tides Concerns about overfishing, declining ecosystems and pollution are causing even greater pressure on seafood companies to act responsibly. This is a chance for PT XYZ to enhance their value chain, as sustainable management of fish stocks and reduction of by-catch will be combined with compliance international standards for sustainability. The company could potentially improve its reputation as a business partner with regulators, markets, and foreign customers beginning to seek sustainable products by investing in waste disposal, energy- efficient processing, and environmentally friendly packaging.

The support of technology also enable PT XYZ in a progress to reach the environmental target. Advances such as improved monitoring tools, environmentally friendly cold-chain solutions and sustainable aquaculture practices all illustrate AGR's commitment to having a positive environmental impact that preserves resources for the long haul. These changes, reflect the worldwide aims to support responsible fisheries and conserve marine environments.

Nevertheless, meeting environmental compliance is a continual investment in new technology, certifications, and regulation. As with any other operating business, weather-related interruptions in the supply or price of raw materials may also adversely affect operations. But amidst this troubling environment, PT XYZ is actually very well positioned to differentiate itself. By taking a responsible approach and investing in sustainable innovation, we can turn environmental challenges into a competitive advantage and strengthen our growth prospects in the long term.

1. Climate Variability and Seasonal Patterns

   The quantity of fish caught, and supply that is available in the market can swing significantly based on the sea conditions, migration of the fish patterns etc. & weather as well. When these shifts occur quickly, it can be difficult to plan, and facilities may end up underutilized or lead to an imbalance of processing and trading.

2. Sustainability Requirements

   Foreign importers are also requesting proof of responsible fishing and environmental responsibility to a greater extent than previously. There will be overheads in surveillance, traceability systems and certification potentially to reach these standards and that is what contributes to the cost base in the short term.

3. Physical Risk to Assets

   Port and coastal facilities are also at risk from environmental hazards like storms, sea-level rise and erosion. There's also everything those demands could potentially place on the company in terms of maintenance and capital expenditure, which would add to pressure on the bottom line.

   As such the environmental issues present both operational and compliance challenges that compound the company's susceptibility.

Legal Factors

For PT XYZ, legal factors play a role in the company's initiatives of certain fisheries management and trading which includes seafood processing to export. Laws and regulations governing food safety, the protection of marine resources, labour practices, and traceability significantly affect how the company operates from one day to the next. In order to be export ready and meet the requirements of global customers, compliance with national and international standards like HACCP, ISO certifications and regulations on IUU fishing are essential.

It can also be a source of competitive advantage: Strong compliance. PT XYZ, by meeting the regulatory demands regularly, PT XYZ can build market credibility, trust of customers as well as gain access to premium export markets that have strong safety and sustainability regulations. As a company, PT XYZ will also ready to work closely with the regulators on joint collaboration as well as contribute to policy making and further industry uplift.

But the legal terrain is murky. Adapting to these regulatory constraints often translates into new equipment investment, plant upgrade and a tighter documentation system in place as well as better trained personnel. Furthermore, changes in trade laws, tariffs regimes and export regulations might destabilize PT XYZ supply chains and as such its competitive lead.

Overall, the legal risks and costs of business are mounting for PT XYZ, but there is also a very promising opportunity to improve competitive position, if both operationally, culturally and investment wise PT XYZ is prepared nearby ready to invest in compliance making a strong and swift adoption of new regulation necessary. The robust legal control, in turn, allows the company to remain present on world markets and enhance its established competitive reputation.

1. Export and Quality Regulations

   A lack of familiarity with standards and non-tariff barriers related to product quality, food safety, the need for documents etc. can slow down shipments and raise the risk of rejection abroad. Failure for PT XYZ to meet these requirements in its entirety may result in forfeited orders, fines or loss of reputation.

2. Port and Land Lease Legal Framework

   Port related land and facility lease contracts are governed by sectoral rules and multi-level approvals. Legal and bureaucracy issues may lead to postponement of renewel that directly reducing PT XYZ ability in gaining rental income from its tenant.

3. Labor and Contractual Obligations

   Determination The provisions pertaining to labor laws, severance payments and the terms and conditions of contract termination have an impact on how quickly PT XYZ can successfully implement a restructuring should they include headcount reduction. Failure to comply may result in disputes or legal action.

   These legal issues have implications that any restructuring action should be in accordance with regulations and the legal complexity is accounted for some extent of sluggishness in PT XYZ to revert its cost structure and revenue model towards an optimum point.

   Conclusion The analysis suggests that PT XYZ’s financial problems are a result of not only the from its own mismanagement but also a combination of: Delays in regulatory and licensing (Political & Legal), external market and macroeconomic shocks (Economic), increased demand for sustainability and traceability (Social & Environmental) and technology gap compared to other players in the industry (Technology). These macroeconomic factors corroborate the quantitative data derived from financial ratios and the Altman Z-Score, thereby substantiating the requirement for a comprehensive restructuring program that considers both internal and external limitations.

Business and Financial Conditions of PT XYZ

1. Business Condition

   PT XYZ has a wide business and market potential in increasing the Company's sales supported by Indonesia's abundant fishery resources. However, the existing business potential has not been optimized by the Company because the Company is currently in a poor condition. PT XYZ's source of income is obtained from fishery and trade port services, fish catching and processing with the following details:

Table 1. PT XYZ'S Revenue Highlight (2023-June 2025)

Description	2023	% (2023)	2024	% (2024)	o% (2024)	June 2024	% (June 2024)	June 2025	% (June 2025)	o%(June 2025)	YTD %
Land and Space Rental	56.714.732.462	11,84%	76.844.505.377	13,59%	35,49%	28.913.468.037	11,64%	32.567.567.787	13,32%	12,64%	−57,62%
Water Services	20.158.135.429	4,21%	20.735.232.140	3,67%	2,86%	10.507.202.733	4,23%	9.390.640.062	3,84%	−10,63%	−54,71%
Electricity Services	8.957.072.125	1,87%	8.918.853.384	1,58%	−0,43%	4.306.620.718	1,73%	10.965.375.455	4,49%	154,62%	22,95%
Mooring Services	1.803.482.797	0,38%	1.839.465.423	0,33%	2,00%	1.139.622.942	0,46%	858.452.697	0,35%	−24,67%	−53,33%
Telephone Services	157.191.195	0,03%	139.726.114	0,02%	−11,11%	-	0,00%	-	0,00%	0,00%	−100,00%
Ice Services	18.360.215.570	3,83%	15.940.291.253	2,82%	−13,18%	7.672.031.648	3,09%	6.284.458.149	2,57%	−18,09%	−60,58%
Cold Storage Services	20.592.130.412	4,30%	15.878.964.425	2,81%	−22,89%	9.310.351.178	3,75%	8.951.878.252	3,66%	−3,85%	−43,62%
Workshop and Dock Services	19.409.250.529	4,05%	19.070.532.504	3,37%	−1,75%	9.962.950.472	4,01%	10.609.033.234	4,34%	6,48%	−44,37%
Fuel (BBM)	2.897.012.649	0,60%	21.216.259.214	3,75%	632,35%	1.485.311.902	0,60%	30.824.097.601	12,61%	1975,26%	45,29%
Other Service Revenues	6.037.184.772	1,26%	4.431.740.209	0,78%	−26,59%	1.214.326.150	0,49%	1.876.426.660	0,77%	54,52%	−57,66%
Subtotal - Fishing Port	**155.086.407.940**	**32,37%**	**185.013.570.043**	**32,73%**	**19,30%**	**74.511.525.781**	**30,01%**	**112.246.911.895**	**45,92%**	**50,64%**	**-39,33%**
Fish Sales	312.610.220.706	65,26%	352.698.185.420	62,39%	12,82%	156.939.071.941	63,20%	121.993.176.400	49,90%	−22,27%	−65,41%
Aquaculture	2.757.642.555	0,58%	3.908.677.082	0,69%	41,74%	1.867.300.427	0,75%	1.914.771.698	0,78%	2,54%	−51,01%
Subtotal - Trade, Fishing, and Fish Processing	**315.367.863.261**	**65,83%**	**356.606.862.502**	**63,08%**	**13,08%**	**158.806.372.368**	**63,95%**	**123.907.948.098**	**50,69%**	**-21,98%**	**-65,25%**
Fish and Shrimp Feed Factory	8.577.479.040	1,79%	23.683.585.213	4,19%	176,11%	15.005.848.231	6,04%	8.304.238.750	3,40%	−44,66%	−64,94%
Subtotal - Fish and Shrimp Feed Factory	**8.577.479.040**	**1,79%**	**23.683.585.213**	**4,19%**	**176,11%**	**15.005.848.231**	**6,04%**	**8.304.238.750**	**3,40%**	**-44,66%**	**-64,94%**
Total Revenue	**479.031.750.241**	**100%**	**565.304.017.758**	**100%**	**18,01%**	**248.323.746.380**	**100%**	**244.459.098.743**	**100%**	**-1,56%**	**-56,76%**

Source: PT XYZ's Financial Report (2025)

Income from space and land rental from 2022-June 2024 fluctuated with a downward trend to reach IDR32.57 billion in June 2024. This space and land rental income is income received by PT XYZ from tenants who rent land in the Nizam Zachman Port Area. The decrease in space and land rental income was due to the fact that the lease agreement/contract between PT XYZ and the tenant could not be extended, thus PT XYZ could not receive cash in from tenants who wanted to rent land. Extension of this lease agreement requires a permit from the Ministry of Maritime Affairs and Fisheries, where the lease extension permit process is currently in process. With the licensing process still in process, PT XYZ has not been able to receive payment for the rent.

In addition, income from fish sales also decreased, where this decrease was caused by a decrease in the level of fish export sales to Japan and America due to non-tariff barriers.

Thus, to some extent, this disrupts PT XYZs sources of income, while on the other hand, PT XYZ has both fixed and variable costs, as well as obligations to its creditors, both suppliers and banks, to support the Company's working capital.

2. Financial Condition

Table 2. PT XYZ’S Financial Ratio Summary (2023-June 2025)

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	Audited	*Audited*	*Inhouse*	*Inhouse*

Liquidity Ratio				
NWC (Rp.Juta)	(171.457)	(444.060)	(137.777)	(464.830)
Current Ratio (X)	0,56	0,35	0,64	0,32
Cash Ratio (X)	0,16	0,19		0,20
Quick Ratio (X)	0,48	0,31		0,29
Solvability Ratio				
Debt Equity Ratio (X)	5,29	8,35	3,03	7,60
Debt to Asset Ratio (X)	0,84	0,89	0,75	0,88
Interest Coverage Ratio (X)	0,08	0,35	0,50	1,76
Debt Service Coverage Ratio (%)	7,80%	6,26%	2,76%	8,74%
Activity Ratio				
Days of Receivable (Days)	65	60	302	29
Days of Inventory (Days)	30	23	144	10
Days of Payable (Days)	47	44	157	22
Profitability Ratio				
Gross Profit Margin	23,15%	21,70%	29,69%	17,33%
Net Profit Margin	−20,36%	−11,17%	−13,94%	−0,70%
Return On Asset (ROA)	−7,90%	−5,06%	−1,40%	−0,14%
Return On Equity (ROE)	−49,64%	−47,27%	−5,63%	−1,17%

Source: PT XYZ's Financial Report (processed, 2025)

Financial Ratio Analysis

a. Liquidity Ratio

The company's liquidity is considered to have deteriorated as reflected in the current ratio, the value of which is below 1 time consecutively at 0.56 times in 2023, 0.35 times in 2024 and 0.32 times in June 2025. This indicates that the company has not been able to meet its short-term obligations from its current assets.

b. Profitability Ratio

In terms of profitability, the company's financial performance seems to fluctuate as reflected in the Net Profit Margin (NPM) in the last three periods (2023 - June 2025) of -20.36%, -11.17% and -17.88%. This indicates that the company's income for the current period is still unable to cover existing expenses.

c. Solvency Ratio

The company's capital structure is increasingly under pressure where the Company's equity is under pressure with losses recorded each period as reflected in the Company's DER which has increased in the last three consecutive periods by 5.29 times (2023), 8.35 times (2024) and 10.55 times (June 2025).

d. Activity Ratio

From the activity side, it can be seen that the company's cash flow is largely embedded in the company's receivables. This requires the company to be able to manage the existing cash flow mismatch in connection with payments to suppliers which tend to be shorter than receipts from its buyers. So PT XYZ needs a new source of funds to bridge the trade cycle gap.

Altman Z-Score Analysis

The calculation of the Altman Z''-Score provides a clear illustration of how severe the financial pressure on PT XYZ has become in recent years. When the financial ratios were converted into the four components of the model, almost all indicators showed negative tendencies. This situation mainly comes from the company's declining working capital position, accumulated losses over multiple periods, and consistently negative operating income, with the following details:

Table 3. Four Components Model (in Million IDR)

Year	Working CapitaI	TotaI Assets	TotaI Liabilities	Retained Earnings	EBIT	Equity
2023	(171.457)	1.235.461	1.038.965	(520.827)	(31.340)	196.496
2024	(444.060)	1.248.687	1.115.108	(583.744)	(13.259)	133.579

Source: PT XYZ's Financial Report (processed, 2025)

Table 4. Z-Score Financial Distress

2023			
X_1	X_2	X_3	X_4
(0,139)	(0,422)	(0,025)	0,189
X_1*Constant	X_2*Constant	X_3*Constant	X_4*Constant
(0,910)	(1,374)	(0,170)	0,199
Z''	(2,257)		Distress Zone
2024			
X_1	X_2	X_3	X_4
(0,356)	(0,467)	(0,011)	0,120
X_1*Constant	X_2*Constant	X_3*Constant	X_4*Constant
(2,333)	(1,524)	(0,071)	0,126
Z''	(3,802)		Deeper Distress Zone

Source: Researcher's Analysis (2025)

The ratio results for 2023 gave a Z'-Score of -2,257. This score is much lower than the distress threshold of 1.10, which means that the company was already having a lot of trouble with its finances. The bad score was largely due to negative working capital and a decrease in retained earnings. By this time, PT XYZ was clearly struggling with liquidity and meeting short-term obligations.

Fare was worse in 2024, when the Z-Score decreased further to –3.802. Its larger drop reflects that the company is still unprofitable and its debts are ballooning. The solvency score (X4) deteriorated more since the equity had been reducing as a result of years of losses. The company was no longer just in trouble; it was now at the point where it seemed all but certain to go bankrupt without a rapid reworking.

When you look at the two years together, this trend becomes evident. The condition of PT XYZ's finance is deteriorating, not improving. The decline from –2.257 to –3.802 indicates that the company's internal financial structure is deteriorating more rapidly than its operations are able to make up for it. This just goes to show that the issues at PT XYZ are systemic, and not merely seasonal or fleeting.

In summary, the Altman Z-Score supports the view that PT XYZ is in critical distress zone for both years in observations. Such indicators show that in the absence of intervention through re-organization, alteration to operation or capital re-organisation, there will be a serious risk to the company's ability to continue operating.

Corporate Health Plan (CHP) of PT XYZ

1. Business Transformation
    a. Efficiency of operational activities with a focus on the management of fishing ports and fish trade (mainly export);
    b. Efficiency of the number of PT XYZ branch offices from previously 10 branches and 17 unit offices to 3 branches and 1 unit office throughout Indonesia.
    c.

Table 5. PT XYZ'S Profit by Branches (in Million IDR)

		In Mio IDR
No.	**Branches/Units**	**Net Profit/Loss Total**
1	4 Branches Profit	61.406
2	6 Units Profit	3.956
3	6 Branches Loss	(7.280)
4	11 Units Loss	(6.417)

Source: PT XYZ's Internal Report (2025)

PT XYZ has four branches and six units operating at a profit, while six branches and eleven units continue to record losses. The positive performance is largely supported by activities in fishery port management and a few fish-trading units that still show development potential. The high number of loss-making locations indicates the need to streamline the branch and unit network. Consolidating or closing consistently unprofitable sites is a necessary step, and this measure forms an essential part of PT XYZ's operational cost-efficiency steps.

2. Opex Cost Efficiency

    PT XYZ will carry out efficiency of several operating cost accounts that have a high level of inefficiency, including efficiency of 74% of employees (335 people out of a total of 454 employees), which will reduce operating expenses from IDR 90 billion/year to IDR 35 billion/year.

3. Financial Restructuring

    PT XYZ's debt settlement to creditors mainly comes from business transformation (rationalization of operational activities) with mandatory prepayment to creditors originating from asset settlement (collateral assets) and/or sales of other assets (non-collateral assets).

PT XYZ restructuring program will focus on two main programs: Operational Excellence & Cost efficiencies and Non-Organic Initiatives First, it aims to simplify operations especially port and fish trading management with a strong focus on activities aimed at export. The Scoop One of the key concepts here is rationalized cashflow which means that income coming from operations is deployed wisely. Preferential is accorded to covering current operating expenses, including current tax debt and working capital reserves, as well as clearing up of the backlog tax debt particularly debts with priority creditors. Furthermore, prior claims of creditors are satisfied in an orderly way to keep track of economic transfers. A creditor designated operating account is created to increase transparency and oversight of all cash flows related to creditors during the restructuring. Additionally, in situations where there are funds available (as represented by the CFADS), a portion of those funds will also go to pay back creditors via a structured cash waterfall mechanism. Such a structuring can help in keeping the operational cash flow sustainable with Rp460. 23 billion under Tranche A.

Scenario Analysis

The base case scenario is intended to show an achievable perspective of PT XYZ's likely behavior. This model includes culling operations, price changes and a structured repayment plan which apportions Obligations into Tranche A (Operating Cash Flow) and B (Aseet Disposal). There are no exceptional profits, too rosey assumptions. Upon this architecture, financial conditions start to normalize already in 2026 as operating expenses go down and rental income normalizes. While the Altman Z-Score even few years after restructuring is in distress zone, a net worth and liquidity have improved demonstrating that these companies benefit from the reorganization. In general, this base case envisages the recovery path as fragile and modest.

Business Solution

In conclusion, the financial distress of PT XYZ is related to obstacles due to regulation in renewing leases to undertake fishing activities as well as decreasing export earnings from fish products due to non-tariff barriers and cash drain despite falling cash inflow. Those challenges require strategic interventions, such as regulatory action to facilitate faster permitting and responding to soft export markets through diversifying end-markets or optimizing in the face of low prices. Repayment of debts by PT XYZ to its creditors are predominantly due to business transformation (business activity rationalization) with obligatory pre-payment against liabilities coming from asset repayments (pledged assets) and/or sales of other assets (un-pledged). Creditors shall be paid in two Tranches: A-Tranche and B-tranche (a) Tranche A- Settlement by the funds from CFADS over a period of 10 years; and (b) Tranche B-Settlement by monetization of assets within 5 years.

The credit facility for PT XYZ is in the measure of Rp660,289,033.901,- divided into 2 tranches:

a. Tranche A: IDR 460.23 billion
b. Tranche B: IDR 200.06 billion

The interest rates for each tranche are structured as follows:
Tranche A:

a) Years 1–5: 1.00% (paid) + 1.00% (deferred)
b) Years 6–10: 2.00% (paid) + 1.00% (deferred)

Tranche B:

a) Years 1–5: 1.00% (paid)
b) Years 6–10: 1.50% (paid) + 0.50% (deferred) The loan tenure is as follows:

Tranche A: Principal is repaid over 10 years (amortization), and interest in arrears 2 year deferred.
Tranche B: 5 years.

A year after completion, you have to start repaying principal. The principal repayment will be made in installments of semi-annual payments.

Source of repayment There is a difference in source of repayment between the two tranches:

a) Tranche A: Payments will be made proportionally from operational profits through Cash Flow Available for Debt Service (CFADS).
b) Tranche B: Refinancing will be funded by asset disposals, including both secured and unsecured assets via various asset divestment programs. The first tenure was 5 years when at the time of renewal it will be raised to 1.50% + 0.50% (deferred). Repayments, options Repayments If there are no asset sales within five years then the following applies:
   1. Asset settlement, or
   2. Extension of the loan tenure.

In connection with loans, no revisions will be made to the current security arrangements with secured creditors. Moreover, all current accrued interest and penalties will be struck, with the company no longer needing to pay off overdue interest payments.

Implementation Plan & Justification

Implementation Plan here is the result of cashflow projection based on financial restructuring scheme. The implementation consists of several main cash in and out streams to the company with description as follows:

1. Revenue generation

   Cash inflows from the company's core operations of selling goods or services. In the case of PT XYZ, for example, its activities include trading in fish, port services and a feed mill. Indonesia's fishery commodity was relatively competitive in all destinations, although the position of the Philippines and Canada has shifted to lost opportunity category (Luhur, Mulatsih & Puspitawati, 2019).

   a. Positive Impact on Cash Flow: Consistent and incremental increase in revenue helps to improve operational cash inflow that is necessary for meeting daily operational expenses, paying vendors and preventing further borrowing.
   b. Sustainability Factor: Cash from collection of revenue is the most sustainable and stable source that can replace cash inflow or financing needs.

c. Risks to Watch: Delayed customer payments (i.e., export receivables), seasonality as it pertains to fishing activities, and price volatility may result in an imbalanced between accrued revenue and cash receipts received.

2. Investment Property Sale

This is non-operational inflows of cash from sale of company-owned land, or warehouses or buildings not important to the core business.

a. One-Time Cash Injection: Produces a one-time influx of funds to be utilized for retiring liabilities, settling commitments, or providing working capital without creating offsetting obligations.
b. Liquidity Boost: Enhances short-term liquidity and facilitates restructuring requirements (i.e. to bridge financing cycle gap or debt servicing under Tranche B).
c. Strategic Consideration: Balance short term benefit from having additional liquidity compared to the long-term loss on potential appreciation for an income producing use.

3. Shareholder Loans Receipt

Shareholders entry the fund (most usually government in SOE like PT XYZ) for company funding, it’s loan money not equity.

a. Immediate Cash Inflow: Increases cash position only Good at filling liquidity gaps or financing turnarounds.
b. Repayment Obligation: Since it is a loan, unlike equity shareholder loan has to be repaid along with interest which adds more strain on future free cash flows unless these convert into equity.
c. Governance Risk: If not conditioned to strict restructuring,can hide inefficiencies or perpetuate needed reform into the future and thereby become a cash burden.

CONCLUSION

PT XYZ, an Indonesian company in the fisheries industry, is now experiencing severe financial and operational difficulties. Yet its business development has led to declining profitability, liquidity deterioration, elevated debt levels and structural inefficiencies specifically in the feed mill segment and peripherally operated branch offices.

The internal challenges have been exacerbated by external factors such as delay in lease renewals by the regulatory authorities, non-tariff barriers in export markets (particularly the US and Japan) and overall global economic conditions. The company's liquidity ratios never achieve 1.0, they are always under it, the margins of profitability are negative and debt-to-equity rates have soared to unsustainable levels that denote strategically restructuring scheduling needs.

This conclusion is supported by the Altman Z’’-Score.PT XYZ had scores of 2.257 in 2023 and –3.802 in 2024, well within the Distress Zone and indicates a high danger for further financial distress without any intervention.

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