

Economic Value-Added Analysis of Portfolio Alignment in the Primary Energy Business of PLN Group and its Impact on PLN Energi Primer Indonesia

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Abstract

In 2021, there was a dynamic at the State Owned Enterprises where the Minister of SOEs mandated PLN to form Holding-Subholding as an effort to refocus the business of subsidiaries under SOEs, and in September 2022, the Minister of SOEs inaugurated the formation of PLN Holding-Subholding by dividing PLN's subsidiaries into subholdings, namely PLN Indonesia Power and PLN Nusantara Power as generation subholdings and PLN Energi Primer Indonesia ("PLN EPI") as subholding primary energy provider. With the formation of the holding subholding, the great desire of PLN and the Ministry of SOEs is that each SOE can focus on its core business. Furthermore, in February 2023, PLN EPI received a mandate from PLN Holding, where PLN EPI can conduct a study to determine the optimization of the primary energy business that still exists in other portfolios outside PLN EPI. Alignment terhadap entitas yang berbisnis energi primer diluar PLN EPI perlu diperhatikan competitive advantage, parenting fit dan penciptaan Economic Value Added (EVA) kepada PLN EPI. ADC and PDG have historically provided Economic Value Added. The important factors that ADC and PDG should pay attention to are how historically operating profit (NOPAT) provides a higher ROIC than the cost of capital. Determining and preparing the ADC and PDG business plans as well as mapping the competency focus and increasing market share greatly influences the parenting fit value of ADC and PDG to PLN EPI, so it is hoped that the value creation to PLN EPI created through EVA can continue in the future of the company and participate in providing welfare for PLN EPI.

Keywords: Alignment, Portfolio Management, Corporate Finance, Corporate Action, Business Development