Research Paper

Analysis of Fair Price Valuation of Pharmaceutical Sub-Sector Shares on the Indonesia Stock Exchange Using the Price Earnings Ratio (PER) Approach for the 2020-2023 Period

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ABSTRACT

The objective of this research is to evaluate the equity of stock prices and offer stock investment alternatives using the Price Earnings Ratio (PER) approach, which will subsequently influence investment choices over the 2020–2023 timeframe. This study's methodology combines a descriptive and quantitative approach. Thirteen issuers that are listed on the Indonesia Stock Exchange comprise the population used in this study. Purposive sampling is used in the sampling technique, and special criteria are taken into account when choosing the sample. These criteria include shares of pharmaceutical sub-sector companies listed on the Indonesia Stock Exchange in 2020–2023 and shares of pharmaceutical sub-sector companies that regularly submit financial statements on the Indonesia Stock Exchange in 2020–2023. Which eight issuers subsequently acquired for their research. The Price Earnings Ratio (PER) approach is used in this study's data analysis calculation, and the stock's intrinsic value is then determined. According to the study's findings, six issuers are in a fluctuating position annually, and two issuers are in undervalued positions. Investment choices based on the state of cheap stocks have the effect of giving investors the opportunity to increase their ownership of these shares, receive capital gain chances, and possibly profit when the price of the shares rises. Investors can then sell shares in this position before the price declines, depending on the state of overvalued equities, to assist minimize short-term losses and prevent larger losses. All things considered, making wise investment choices based on stock valuation circumstances can improve portfolio performance, lower loss risk, and boost investors prospective earnings.

Keywords: Price Earnings Ratio; investment decision; intrinsic value; fair share price

INTRODUCTION

The economy depends heavily on the capital market, which serves as a conduit between individuals with financial means and others in need of money. The primary venue for stock transactions and initial public offerings in Indonesia is the Indonesia Stock Exchange (IDX). The IDX comprises a number of stock sectors, including the following: energy, raw materials, industrial, primary and non-primary consumer goods, health, finance, real estate, technology, infrastructure, and transportation. The

pharmaceutical sub-sector, which is part of the health sector and plays a strategic role in providing the necessary health products, is one of the more intriguing of the 11 sectors mentioned above. This is especially true given the uncertain global situation caused by the pandemic in 2020–2023, as well as changes in people's lifestyles, such as adopting a healthier lifestyle, increasing physical activity, changing their diet, and becoming more conscious of hygiene. One of the most efficient ways to prepare and manage funds in the current day is by investing. In general, investments can be made in two forms, namely tangible assets and financial assets. One kind of intangible asset with a physical form that is exchanged on the capital market is financial assets, also referred to as securities. Gold, real estate, and stock investments are among the most popular investments among the general people. The public is very interested in investing in stocks since they provide easy access to the capital market, portfolio diversification, and high yield potential An investor who purchases shares also gains the right to attend the General Meeting of Shareholders (GMS) and own a portion of the company's stock [1]. Aside from these benefits, investing in stocks has a drawback: it carries a high risk because stock price swings are a reflection of management success. Since stock prices represent the issuer's growth and the performance of the company, they are a crucial consideration for investors. While too low prices can reduce a company's profitability and too high prices can restrict investors' purchasing options, good performance can boost investor interest and stock prices. The stock price can also be greatly impacted by changes in the company's financial situation. The Price Earnings Ratio (PER) approach is one of the most often utilized methods of stock valuation, which is an important consideration for investors when making investing decisions. Stock valuation is the process of determining the right value for a stock [2]. Based on sales, the PER calculates a company's worth and gives an indication of how expensive or inexpensive a stock is in relation to its financial performance. The forces that influence the pharmaceutical sub-sector's performance, including the advancement of medical technology, governmental laws, and the effects of the COVID-19 pandemic, make the 2020–2023 period an intriguing one to examine. There are now 13 issuers or pharmaceutical businesses who have listed their shares and are still consistent from the health industry, according to data gathered from the IDX. Determining the appropriate price of equities is still difficult, despite the pharmaceutical subsector's encouraging outlook. Many investors struggle to comprehend how to use the Price Earnings Ratio effectively, and opinions on the factors influencing this ratio vary, which can result in less-than-ideal investment choices.

Numerous studies have been conducted in the past on stock valuation utilizing the Price Earnings Ratio (PER) approach. In the healthcare sector researched by [3] with the results of the research, four samples of companies studied were overvalued, and undervalued. In a study [4] conducted on pharmaceutical companies with the Dividend Discounted Model and Price Earnings Ratio methods, the two methods produced similar results, where three companies were overvalued, and two companies were undervalued with five samples of companies studied. Furthermore, in the coal mining sector [5] using the Price Earnings Ratio method, many companies are undervalued. In mining sector companies, there are many companies that are undervalued [6]. This study uses the Price Earnings Ratio (PER) method to analyze the fair price valuation of stocks in the pharmaceutical sub-sector on the Indonesia Stock Exchange (IDX) during the 2020-2023 period. Although previous studies [5] and [6] also used the same method and focused on the mining and coal sectors with the period 2020-2022, there were significant differences in the focus and context taken. In addition, previous studies

[3] and [4] discussed the analysis of stock valuation in the healthcare sector using the Price Earnings Ratio method, but the number of issuers listed in the pharmaceutical sector has increased. The previous research covered the period 2015-2020 with 11 issuers, while this study covered the period 2020-2023 with 13 issuers. This study aims to determine the appropriate stock investment choices by applying the Price Earnings Ratio method and to assess the fairness of company prices in the pharmaceutical sub-sector on the IDX over the 2020–2023 timeframe.

LITERATURE REVIEW
A. Investment
Investment is the process of putting money into certain assets with the expectation that their value would rise over time. Examples of these assets include gold, equities, bonds, and mutual funds that are overseen by investment managers [1]. Making investment selections entails allocating funds today in order to increase cash flow later on, while also considering the selected industry and the capital owner's desire to increase wealth [7]. According to [8], In order to achieve effectiveness and efficiency in decision-making, there are six key goals in investing that is The first is investment sustainability, with a focus on capital gains and dividends to encourage long-term investment; the second is increasing the company's profitability by using investor funds to achieve optimal operating profits; the third is making sure that dividends are distributed to shareholders for their welfare; the fourth is using and investing to increase operating profits that contribute to state tax revenue and national development; the fifth is maintaining asset values from depreciation due to high inflation; and lastly, tax reduction incentives are offered to promote investment growth. These objectives highlight how crucial it is to preserve equilibrium between the interests of investors and companies and their effects on the national economy. Real assets, like real estate and precious metals, and financial assets, like bonds and mutual funds, are the two categories of investments [9]. Direct and indirect investments are the two categories into which financial assets can be divided. Buying assets that are traded on different marketplaces, including the money and capital markets, is referred to as direct investing. In contrast, indirect investment is buying stock from investment firms that oversee asset portfolios from different businesses [10].

B. Stock
Stocks are frequently traded capital market assets with appealing potential. As shareholders, investors are entitled to co-own the company and attend the General Meeting of Shareholders (GMS) [1]. One of the most important factors in the capital market is the price of stocks. Stock prices in the capital market are always subject to change based on market conditions. Unpredictable fluctuations in foreign exchange values, abrupt shifts in interest rates, and political and economic instability can all have a big impact on stock prices [11]. Furthermore, the degree of supply and demand in the market can affect stock values, which can change [12], [13]. A rise in the stock price can boost sales profits and typically indicates that the company is performing well. On the other hand, a drop in stock prices can result in losses for investors and indicate a drop in investor confidence in the company's long-term prospects as well as a reduction in demand. This is why stock price valuation research is conducted, which entails evaluating significant factors including the possibilities for future cash flow. Given that cash flow is a fact, it is also essential to consider the dangers. This is due to the fact that future cash flows are inherently uncertain and risky [14]. Finding information about a stock's intrinsic value and comparing it to the current market price is the aim of stock price valuation.

C. Price Earnings Ratio (PER)

A comparison of the stock price and the net profit of the company is known as the price earnings ratio. This ratio illustrates the connection over a one-year period between the issuer's share price and the company's net profit [15]. In the meanwhile, according to [16] and [17], PER or price to earnings ratio is interpreted as a measure of market evaluation of the company's ability to create profits. By dividing the company's share price by its revenue, this ratio is calculated. Despite using somewhat different wording, both definitions agree that the price earnings ratio is a metric that links a stock's price to the company's earnings performance.

D. Investment Decision Making

Investment decisions are the steps made while deciding to use present investors' assets in the hopes of turning a profit later on [18]. In making an investment decision, an investor must first look at the condition of the stock's valuation. Something is undervalued if its intrinsic value exceeds its current price; consequently, purchasing or holding the stock in the expectation that its price would rise in the future is the wisest course of action. The stock is overvalued if its intrinsic worth is less than the current market price. For investors who are focused on the short term, selling the stock before the price drops is the best course of action. Additionally, the last one is correctly evaluated if the stock's intrinsic worth is equal to the current market price. In this case, there may be no reason to make an investment because there is no possibility of making money off of the price movement.

MATERIALS & METHODS

The quantitative descriptive approach was adopted for this study in order to give a clear image of the stock price valuation outcomes, which are subsequently examined using the Price Earnings Ratio (PER) approach.

The place to carry out this research is on the Indonesia Stock Exchange (IDX), by accessing the official website of IDX, and focusing on stocks in the pharmaceutical sub-sector listed on the IDX. The research lasted for three months, from October to December 2024.

This study employed the Purposive Sampling Technique for sampling. Shares of pharmaceutical sub-sector companies listed on the Indonesia Stock Exchange during the 2020–2023 research period, as well as shares of pharmaceutical sub-sector companies listed on the Indonesia Stock Exchange that regularly submit financial statements annually during the 2020–2023 research period, are the special criteria taken into consideration when determining the sample in this study. Only eight companies that met the sample criteria were DVLA, KAEF, KLBF, MERK, SIDO, TSPC, PYFA, and PEHA.

The data source used in this study is secondary data consisting of the financial statements of companies listed on the Indonesia Stock Exchange for the 2020-2023 period which can be obtained on the official website of the IDX and the website page of each company.

The stages of data analysis after data collection are as follows:

1. Determining the value of the Price Earnings Ratio (PER) can be done using the following formula:

$$PER = \frac{\text{Stock Price}}{\text{Earnings Per Share}}$$

Source: [19]

2. Calculating intrinsic value

$$\text{Intrinsic Value} = \text{Estimasi EPS x PER}$$

Source: [6]

By comparing intrinsic value and market value, one can assess whether a stock is classified as undervalued, overvalued, or correctly valued. This is done by analyzing the comparison between the two values. If the intrinsic value is higher than the current price, then the stock is considered undervalued, so investing by buying or holding the stock can be a wise choice. On

the other hand, if the intrinsic value is lower than the prevailing market price, it means that the stock is already overvalued. In this case, the best step is to sell stocks that already have a higher value than they should. However, if there are still doubts about your investment decision, you should delay buying stocks. If the intrinsic value of the stock matches the current market price, then the stock is valued at a fair price. In this circumstance, a wise decision is to postpone the purchase if you already own the stock.

RESULT

The Price Earnings Ratio approach is used in this study to determine the fair value of stocks by taking into account a number of criteria. The closing price of shares, earnings per share (EPS), and the quantity of outstanding shares are among the criteria that are examined. The following paragraph will provide further details on the data pertaining to the study's variables.

Stock Price
The value or price assigned to each unit of a company's stock that is traded on the stock market is known as the stock price.

Table 1. Sample company share price data for 2020-2023

No.	Stock Code	Stock Price			
		2020	2021	2022	2023
1	DVLA	2.420	2.750	2.370	1.665
2	KAEF	4.250	2.430	1.085	1.095
3	KLBF	1.480	1.615	2.090	1.610
4	MERK	3.280	3.690	4.750	4.180
5	SIDO	805	865	755	525
6	TSPC	1.400	1.500	1.410	1.835
7	PYFA	975	1.015	865	1.145
8	PEHA	1.695	1.105	685	640

Source: data processed in 2024

Earnings Per Share (EPS)
EPS is a financial measure that displays the profits of a business and how those profits are distributed among all outstanding common stock. The company's net profit is divided by the total number of outstanding shares to determine EPS.

Table 2. EPS data of sample companies for 2020-2023

No.	Stock Code	EPS (*Earning Per Share*)			
		2020	2021	2022	2023
1	DVLA	0,14	0,13	0,13	0,13
2	KAEF	0,03	0,54	0,34	266.899
3	KLBF	58,31	67,92	73,12	59,81
4	MERK	0,36	0,66	0,90	0,89
5	SIDO	0,03	0,000042	0,000037	0,000032
6	TSPC	13.111	15.715	23.579	9.168
7	PYFA	41	10	514	159
8	PEHA	0,06	0,01	0,03	0,01

Source: data processed in 2024

Number of shares outstanding
Over time, the issuer's share count and the number of shares held by external investors may fluctuate. As a result, a company's outstanding share count is not set and may change.

Table 3. Data on the number of shares outstanding by sample companies in 2020-2023

No.	Stock Code	Number of shares outstanding			
		2020	2021	2022	2023
1	DVLA	1.120.000.000	1.120.000.000	1.120.000.000	1.120.000.000
2	KAEF	555.400.000	555.400.000	555.400.000	5.566
3	KLBF	46.872.947.110	46.872.947.110	46.255.641.410	46.255.641.410
4	MERK	448.000.000	448.000.000	448.000.000	448.000.000
5	SIDO	29.770.221.800	30.000.000.000	30.000.000.000	30.000.000.000
6	TSPC	60.084.500	52.416.700	42.478.900	128.418.300
7	PYFA	535.080.000	535.080.000	535.080.000	535.080.000
8	PEHA	840.000.000	840.000.000	840.000.000	840.000.000

Source: data processed in 2024

Price Earnings Ratio (PER)

One way to assess a company's stock price is to look at its Price Earnings Ratio. The better the company's financial performance, the greater the value of this ratio, which can eventually boost investor interest in making an investment.

Table 4. PER sample company data for 2020-2023

No.	Stock Code	PER (*Price Earnings Ratio*)			
		2020	2021	2022	2023
1	DVLA	16.723,33	20.991,56	17.770,04	12.743,24
2	KAEF	133.821,20	4.464,90	3.163,76	0,004
3	KLBF	25,38	23,78	28,58	26,92
4	MERK	9.184,00	5.622,86	5.306,73	4.705,13
5	SIDO	25.658,05	20.580.570,36	20.503.044,23	16.567.646,49
6	TSPC	0,11	0,10	0,06	0,20
7	PYFA	23,60	99,13	1,68	7,19
8	PEHA	29.364,05	83.841,37	20.498,85	90.211,51

Source: Data processed in 2024

from Table 5. In 2020, TSPC had the lowest Price Earnings Ratio (PER) value at 11%, while KAEF had the highest at 133%. SIDO had the greatest PER in 2021 at 20%, while TSPC had the lowest at 10%. SIDO continues to have the greatest PER in 2022 at 20%, while TSPC has the lowest at 6%. The highest PER of 16% and the lowest KAEF of 0% were achieved by SIDO in 2023.

Intrinsic value of stocks

Investors can determine the true price of a company and determine whether stock categories are inexpensive, costly, or fairly priced by examining the intrinsic value of stocks. Making the best investment choices can be based on this information. The following are the results of the calculation of the intrinsic value of the stocks of the research sample for the 2020-2023 period.

Table 5. Data on the intrinsic value of sample companies' shares in 2020-2023

No.	Stock Code	Intrinsic Value of Stocks			
		2020	2021	2022	2023
1	DVLA	2.420	2.750	2.370	1.665
2	KAEF	4.250	2.430	1.085	1.095
3	KLBF	1.480	1.615	2.090	1.610
4	MERK	3.280	3.690	4.750	4.180
5	SIDO	805	865	755	525
6	TSPC	1.400	1.500	1.410	1.835
7	PYFA	975	1.015	865	1.145
8	PEHA	1.695	1.105	685	640

Source: data processed in 2024

DISCUSSION

Assessment of the Fairness of Stock Prices Using the *Price Earnings Ratio* (PER) Method

After calculating the intrinsic value of the stock, the next step is to compare the value with the stock price in the market. Through this comparison, we can determine the condition of the company, whether the stock is classified as overvalued, undervalued, correctly valued. Below is a summary of the results of the calculation of the Price Earnings Ratio and the intrinsic value of the shares which can be seen in Table 6, as well as the results of the comparison between the intrinsic value of the shares and the stock market price as of December 2023 as stated in Table 7.

Table 6. Results of the calculation of the average *Price Earnings Ratio* (PER) and intrinsic value of stocks in the pharmaceutical sub-sector for the 2020-2023 period

NO	Stock Code	EPS	PER	NILAI INTRINSIK EPS X PER
1	DVLA	0,13	17.057,04	2.302
2	KAEF	66.725	35.362	2.359
3	KLBF	64,79	26,16	1.695
4	MERK	0,70	6.204,68	4.338
5	SIDO	0,01	14.419.229,78	113.496
6	TSPC	15.393,87	0,12	1.779
7	PYFA	181,30	32,90	5.965
8	PEHA	0,03	55.978,95	1.559

Source: data processed in 2024

Table 7. Results of comparison of intrinsic value of shares and stock market prices (December 2023) in pharmaceutical sub-sector companies for the 2020-2023 period

NO	Stock Code	Intrinsic Value (Rp)	Stock Market Price (Rp)	Stock Condition
1	DVLA	2.302	1.665	*undervalued*
2	KAEF	2.359	1.095	*undervalued*
3	KLBF	1.695	1.610	*undervalued*
4	MERK	4.338	4.180	*undervalued*
5	SIDO	113.496	525	*undervalued*
6	TSPC	1.779	1.835	*overvalued*
7	PYFA	5.965	1.145	*undervalued*
8	PEHA	1.559	640	*undervalued*

Source: data processed in 2024

Based on table 7, it can be seen that:

a. Seven of the eight research sample companies are undervalued, meaning that at the end of 2023, their intrinsic value will be higher than their share price. Investors' perception of the company's poor performance is one factor contributing to a market-wide drop in stock prices. As a result, less people were interested in purchasing the company's stock, which eventually caused the price of the stock to drop. PT Darya-Varia Laboratoria Tbk, PT Kimia Farma Tbk, PT Kalbe Farma Tbk, PT Merck Tbk, PT Industri Jamu dan Farmasi Sido Muncul Tbk, PT Pyridam Farma Tbk, and PT Phapros Tbk are among the companies in undervalued positions.

b. Out of the eight research sample companies, one is in an overvalued state, meaning that, at the end of 2023, its intrinsic worth will be less than the market price of its shares. High market stock prices frequently indicate that investors have faith in a company's capacity to generate strong financial results. Investors are more likely to purchase stock in a firm when they expect it to develop and be profitable in the future. Ultimately, the stock price increased dramatically as a result of this increase in demand. PT Tempo Scan Pacific is a company that is overvalued.

Investment Decision Making Using *the Price Earnings Ratio* (PER) Method

There are a few stages that must be followed when using the Price Earnings Ratio (PER) method in fundamental analysis to make investment decisions. Investors need to first determine the stock's intrinsic worth. The value is then contrasted with the market's current stock price. Investors can use this comparison to group stocks into three categories based on their current status: *undervalued, overvalued,* or *correctly valued.*

In fundamental research, the Price Earnings Ratio technique is used as a reference to determine whether or not the market's stock prices are reasonable. By using this technique, investors can evaluate the stock price's fairness in relation to its intrinsic worth, leading to more accurate and knowledgeable investing selections.

The following is presented a table of investment decision-making in the pharmaceutical sub-sector listed on the Indonesia Stock Exchange during the 2020-2023 period.

Table 8. Investment Decision Making in Pharmaceutical Sub-Sector Stocks in 2023

No	Stock code	Stock Conditions	Investment Decision
1	DVLA	*undervalued*	Buy Shares
2	KAEF	*undervalued*	Buy Shares
3	KLBF	*undervalued*	Buy Shares
4	MERK	*undervalued*	Buy Shares
5	SIDO	*undervalued*	Buy Shares
6	TSPC	*overvalued*	Sell Shares
7	PYFA	*undervalued*	Buy Shares
8	PEHA	*undervalued*	Buy Shares

Source: Data processed 2024

Table 9. Investment Decision Making in Pharmaceutical Sub-Sector Stocks in 2020-2023.

No	Stock Code	Intrinsic Value	Year 2020		Year 2021		Year 2022	
			Market price	Stock Conditions	Market price	Stock Conditions	Market Price	Stock Conditions
1	DVLA	2.302	2.420	overvalued	2.750	overvalued	2.370	overvalued
2	KAEF	2.359	4.250	overvalued	2.430	overvalued	1.085	undervalued
3	KLBF	1.695	1.480	undervalued	1.615	undervalued	2.090	overvalued
4	MERK	4.338	3.280	undervalued	3.690	undervalued	4.750	overvalued
5	SIDO	113.496	805	undervalued	865	undervalued	755	undervalued
6	TSPC	1.779	1.400	undervalued	1.500	undervalued	1.410	undervalued
7	PYFA	5.965	975	undervalued	1.015	undervalued	865	undervalued
8	PEHA	1.559	1.695	overvalued	1.105	undervalued	685	undervalued

Source: data processed in 2024

Based on table 8, it can be seen that the right stock investment decisions are as follows:

a. Seven of the eight companies in the research sample are listed in an undervalued state, which indicates that their shares' intrinsic value is more than the stock market price at the end of 2023. Therefore, as this is a great investment opportunity, it is advised to think about buying these stocks. Investors who currently own stock are advised to hold onto their ownership and not sell their shares at this time. PT Darya-Varia Laboratoria Tbk, PT Kalbe Farma Tbk, PT Merck Tbk, PT Industri Jamu dan Farmasi Sido Muncul Tbk, PT Pyridam Farma Tbk, and PT Phapros Tbk are the stocks that are advised to be purchased.

b. In contrast, one of the eight firms in the study sample was overvalued, meaning that at the end of 2023, the intrinsic value of its shares was less than the stock market price. The best course of action in this case is to sell the shares

you currently possess before the price drops further. Delaying the acquisition is advised for prospective investors who do not currently own the shares. Given the forecast that the price will decline in the future, the current situation is deemed unfavorable. It is recommended that PT Tempo Scan Pacific be sold.

While in table 9, it can be seen that the right stock investment decisions are as follows:

a. Five companies were deemed undervalued in 2020, indicating that their intrinsic value outweighs their share price at the end of 2023. Purchasing those shares is the advised course of action in this case. PT Kalbe Farma Tbk, PT Merck Tbk, PT Industri Jamu dan Farmasi Sido Muncul Tbk, PT Tempo Scan Pacific Tbk, and PT Pyridam Farma Tbk are the stocks that ought to be purchased. Three further businesses, meanwhile, are in overvalued positions, indicating that their shares' intrinsic worth is less than the stock market price at the end of 2023. Thus, selling the shares of PT Darya-Varia Laboratoria bk, PT Kimia Farma Tbk, and PT Phapros Tbk is the appropriate course of action in this case.

b. Six companies were found to be in undervalued positions in 2021, indicating that their shares had a greater intrinsic value at the end of 2023 than the stock market price. Consequently, purchasing these stocks is advised. PT Kalbe Farma Tbk, PT Industri Jamu dan Farmasi Sido Muncul Tbk, PT Tempo Scan Pacific Tbk, PT Pyridam Farma Tbk, and PT Phapros Tbk are the stocks that are advised to be purchased. On the other side, two businesses are overvalued; that is, their shares' intrinsic worth is less than the market price as of the end of 2023. Therefore, selling these shares PT Kimia Farma Tbk and PT Darya-Varia Laboratoria Tbk is the advised course of action.

c. Five companies are undervalued in 2022, which means that their shares' intrinsic value is more than the stock market price at the end of 2023. Purchasing these shares is advised under these circumstances. PT Kimia Farma Tbk, PT Industri Jamu dan Farmasi Sido Muncul Tbk, PT Tempo Scan Pacific Tbk, PT Pyridam Farma Tbk, and PT Phapros Tbk are the stocks that ought to be purchased. Additionally, three companies are overvalued, meaning that at the end of 2023, the intrinsic value of their shares is less than the stock market price. Selling these shares PT Darya-Varia Laboratoria Tbk, PT Kalbe Farma Tbk, and PT Merck Tbk is the advised course of action in this case.

CONCLUSION

Based on a fundamental analysis of the price value of stocks in the pharmaceutical sub-sector listed on the Indonesia Stock Exchange (IDX) during the 2020-2023 research period using the Price Earnings Ratio (PER) method, it can be concluded that there are two companies in undervalued positions, namely PT Industri Jamu dan Farmasi Sido Muncul Tbk, and PT Pyridam Farma Tbk. While the other six companies are in a variable or fluctuating position Every year, PT Darya-Varia Laboratoria Tbk shares were recorded to be in an overvalued position from 2020 to 2022, but changed to undervalued in 2023. Shares of PT Kimia Farma Tbk and shares of PT Merck Tbk also experienced a similar thing, with overvalued positions from 2020 to 2021, then falling to undervalued positions in 2022 to 2023. Furthermore, PT Kalbe Farma Tbk shares were in an overvalued position in 2022, but again in an undervalued position in 2020, 2021, and 2023. PT Tempo Scan Pacific Tbk shares show a different trend, where in 2020-2022 it was in an undervalued position and switched to an overvalued position in 2023. Finally, PT Phapros Tbk shares were identified as being overvalued in 2020, and then changed to undervalued in 2021-2023. For potential investors, a wise investment decision for stocks that are in undervalued positions is to make a purchase, because it is

expected that the price will increase in the future. For investors who already own shares, the right investment decision is to increase ownership to get capital gains and maintain the shares to earn dividends. On the other hand, for stocks that are overvalued, the recommended step is to sell them before the price declines, especially for investors who are short-term oriented and want to achieve capital gains.

Declaration by Authors
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