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PROFITABILITY ANALYSIS USING THE DU PONT SYSTEM METHOD IN THE FAST-MOVING CONSUMER GOODS (FMCG) DISTRIBUTION SUBSECTOR OF GO PUBLIC COMPANIES IN PERIOD 2017-2021

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Abstract

The aim of this study is to analyze the profitability level of Fast-Moving Consumer Goods companies in the Retail and Distributor of Medicines (D111), Rental and Distributor of Food (D112), and Processed Food Distributors (D222) subsectors listed on the Indonesian Stock Exchange in the period 2017-2021 based on Du Pont system analysis. The Du Pont system is an analysis method used to show the interaction between Net Profit Margin (NPM), Total Asset Turnover (TATO), Return on Asset (ROA) and Equity Multiplier in determining the value of Return on Equity (ROE). This type of research is descriptive quantitative using the Du-Pont analysis method. The method used in this study is judgement sampling. Types of data and data sources use secondary data derived from financial statements published by companies that are samples of research and data from the Stock Exchange of Indonesia. Analysis shows that PT. Tigaraksa Satria Tbk has the highest profitability as a Fast-Moving Consumer Goods subsector distribution company. The company's ROE from 2017 to 2020 is higher than the industry average, by 2019 has increased and decreased by 2021. PT. Wicaksana Overseas International Tbk became a Fast-Moving Consumer Goods subsector distribution company with the lowest profitability performance of the five samples, based on an analysis carried out by the company's ROE from 2017 to 2020 experienced a decline below the industry average and by 2021 a decrease slightly above the industrial average.

Keywords: *Du Pont System, Net Profit Margin, Total Asset Turnover, Return on Investment, Return on Equity*

1. Introduction

The consumer goods industry is a manufacturing industry that produces products necessary for daily consumption by the public. This is the reason behind the rapid growth of this industry, enabling it to withstand any situation, such as an economic crisis (Rohmadin, 2018, p. 11).

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In the distribution of consumer goods, distributors play a crucial role in completing the production, distribution, and consumption cycle. Distribution companies act as intermediaries between manufacturers and consumers. Distributors are responsible for delivering commercial products, whether goods or services, to end consumers. They purchase products in large quantities directly from manufacturers, allowing them to obtain products at lower prices since they buy directly from the manufacturer and receive discounts when purchasing products from them.

In running a business, every party involved must have in-depth knowledge of the company's financial conditions and developments. Financial reports are essential sources of information used to determine a company's health and growth. Financial reports summarize all financial transactions carried out by a company or organization during a specific period. To make them informative, stakeholders must conduct an analysis. Financial statement analysis is the process of dissecting financial statements into their components and examining each component to gain a good and accurate understanding of the financial statements (Herry, 2015, p. 132). Through financial statement analysis, the level of profitability, risks, and the company's financial health are revealed. Financial statement analysis is essential for companies to identify their strengths and weaknesses.

Profiting and increasing wealth from business activities are the objectives of all companies. Increased profits signify good financial health, leading to increased company value. In each period, a company determines the amount of profit it will earn based on the targets it wants to achieve. Therefore, companies must manage their capital and utilize their assets effectively to achieve their objectives and profit targets. Effective asset management, investments, and cost utilization can affect a company's profit level. Financial statements describe the company's performance in generating profit, which is reflected in the income statement. A company's performance can be assessed through good financial performance, measured by indicators, including profitability ratios. These ratios can also be used to assess a company's income level and evaluate the company's ability to pay off debts to creditors based on the use of funds and other resources. The higher the indicator's result, the better the company is in terms of profitability.

Analysing a company's financial statements should be compared with the financial statements of similar companies in the same industry to see the level of competition, and can also compare it with the same company data from the previous year/period (Lubis, 2018). By using Du Pont System analysis as a measuring tool for the company's financial performance. In previous research based on the analysis conducted by Lubis (2018) using the Du Pont System, PT Astra International can be said to have failed because the company's management has not succeeded in improving its performance. It can be said that management has not been able to manage total assets and equity to achieve the desired rate of return with the appropriate sales volume to obtain sustainable income with a net profit target after deducting total costs and corporate taxes. The Du Pont analysis is a useful technique for breaking down the components of ROE into various specific ratios. The breakdown of these ROE components helps management understand why a company's ROE is better than its competitors. The Du Pont analysis model links relevant variables in financial statements to measure a company's performance. This technique can measure a company's efficiency in using assets and the profitability of the products sold during a specific period. Du Pont is used by managers to determine which factors have the most significant influence on ROA between net profit margin and asset turnover. Therefore, Du Pont analysis is suitable for understanding how effective a company is in measuring its profitability. This study aims to test the ability of Du Pont analysis to measure the performance of companies in the fast moving consumer goods industry. An industry that is able to survive in any

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situation such as the economic crisis (Rohmadin, 2018).

2. Literature Review

2.1 Fast Moving Consumer Goods Distribution Company

To ensure the smooth operation of FMCG businesses, distribution is an aspect that should not be underestimated. The FMCG product marketing process has a relatively long distribution channel. FMCG distributors act as intermediaries between manufacturers and retailers or end-users. FMCG distributors also play a role as sales representatives who analyze the market or conduct research on opportunities. Distributors have the additional responsibility of ensuring that the products they deliver can be received and marketed by retailers.

2.2 Profitability Ratio

Sawir (2009) states that profitability is the end result of various management decisions and policies. Profitability is a company's ability to generate profits or earnings from its operational activities.

2.3 Du Pont Analysis

The Grant Theory of this study is Du Pont Analysis. Du Pont Analysis is a ratio used to provide an analysis of a company's ability to improve its return on equity (ROE). The main purpose of using Du Pont is a technique for analyzing a company's profitability. Du Pont analysis links three types of ratios: Return on Assets (ROA), Net Profit Margin, and Total Asset Turnover. The Du Pont system is a method of analysis used to present the financial condition and dissect the financial statements of a company. Du Pont combines the balance sheet and income statement into two profitability reports: ROA and ROE. (Gitman, 2009, p. 68-75)

2.4 Net Profit Margin

Net Profit Margin is a ratio for calculating the percentage of net profit to net sales. Investors use NPM to assess how effectively management runs the company and predict future profits based on the financial statements provided by management. Net Profit Margin is the ratio of net profit to net sales. The

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productivity of the company can be assessed by the high NPM. For operational managers, the accumulation of NPM values serves as a benchmark for determining COGS (Cost of Goods Sold) strategies and cost control (Bastian & Suhardjono, 2006, p. 299). The calculation of NPM is:

$$\textit{NPM} = \frac{\textbf{Net Profit}}{\textbf{Net Sales}}$$

2.5 Total Asset Turnover

The total asset turnover ratio can depict how efficient a company is in using assets to increase sales volume. (Lukman Syamsuddin, 2000, p. 62) The function of the total asset turnover ratio is:

1. To determine how effective the company is in managing its assets.
2. To determine the total assets and sales generated by the company.
3. The company can identify the resources used to increase sales.

The formula for Total Asset Turnover (Kasmir, 2016, p.186) is:

$$\textit{TATO} = \frac{\text{Net Sales}}{\text{Total Assets}}$$

impact of the company's flow of

2.6 Return on Asset

Return on Asset (ROA) is a profitability ratio that measures a company's credibility by examining the assets used to generate profit. ROA can measure a company's ability to generate profit in the past, which can be used to predict future profits.

ROA shows the company's ability to generate profits from the assets used. This ratio provides a superior measurement of profitability because it reflects management's effectiveness in managing assets to generate sales. (Eduarus Tandelilin, 2010, p. 372) The formula for calculating ROA is:

$$\textit{Return On Asset} = \frac{\text{Net Income}}{\text{Total Assets}}$$

2.7 Equity Multiplier

The Equity Multiplier is a ratio that compares total assets to the total capital of the company. Equity is used as a source of financing, and the level of debt financing for acquiring assets can

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be measured using the equity multiplier. A high equity multiplier indicates that the company uses debt to finance a portion of its assets. Conversely, a low result indicates that management avoids using debt to purchase assets. The equity multiplier is often referred to as financial leverage or leverage ratio.

2.8 Return on Equity

Return on Equity (ROE) is a profitability ratio that measures a company's ability to generate earnings from its shareholders' investment. ROE indicates how much profit a company can earn for every Rp 1 invested by its shareholders. ROE can be defined as a company's ability to earn profits for its shareholders. This ratio is influenced by the amount of debt a company holds. A high ratio is influenced by the company's debt level. (Agus Sartono, 2010, p.124).

ROE is calculated using the formula (Van Horne & Wachowicz, 2005, p. 225):

$$\text{ROE} = \frac{\text{Net Profit After Tax}}{\text{Equity of Shareholders}}$$

3. Research Methods

This research is using the Du Pont analysis technique with a quantitative approach. Quantitative research is a method that often uses numbers, from data collection to data analysis and presentation of results. (Suharsimi Arikunto, 2006, p. 12) The purpose of quantitative research is to develop and apply mathematical models, theories, or hypotheses related to other phenomena. The phenomenon addressed by the author is the impact of the COVID-19 pandemic on the profitability of Fast-Moving Consumer Goods (FMCG) distribution sector companies. The sampling technique used in this research is judgment sampling. Judgment sampling is a sampling method based on the identification of elements from the target population that align with the research objectives or questions. The data collected for this research is derived from the financial reports of companies or from the official websites of these companies. Data related to Du Pont calculations are taken

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from the income statement and the balance sheet of the companies.

The population used in this study are Fast Moving Consumer Goods (FMCG) distribution sub sector companies that have listed.

Table 1. Population Sample

No.	Nama Perusahaan	Kode Saham	Jenis Usaha
1.	PT. Tigaraksa Satria Tbk	TGKA	Distribusi produk dari beberapa prinsipal
2.	PT. Wicaksana Overseas International Tbk	WICO	Distribusi dan perdagangan
3.	PT. Enseval Putera Megatrading Tbk	EPMT	Distribusi produk farmasi
4.	PT. Millennium Pharmacon International Tbk	SDPC	Distribusi produk farmasi, suplemen makanan dan produk diagnostik
5.	PT. Unilever Indonesia Tbk	UNVR	Manufaktur, pemasaran dan distribusi barang konsumsi.
6.	PT. Sekar Laut Tbk	SKLT	Distribusi produk makanan : saos sambal , dan bumbu masak siap jadi
7.	PT. Duta Intidaya Tbk	DAYA	Retail dan Distributor obat-obatan (Perusahaan Watson)
8.	PT. Segar Kumala Indonesia Tbk	BUAH	Perdagangan dan distribusi buah buahan segar
9.	PT. Diamond Food Indonesia Tbk	DMND	Produsen dan distributor produk makanan dan minuman

Source: processed in research (2023)

The sampling technique used in this study is judgement sampling. Judgement sampling is a sampling method based on the identification of target population elements that are in accordance with the research objectives or problems.

The following are the sample criteria set by researcher in:

1. Companies that are only engaged in the distribution of consumer goods.
2. The company has published financial reports from 2017 to 2021.

Based on these criteria, the samples used in this study are:

Table 2. Research Sample

No	Nama Perusahaan	Kode Saham
1.	PT. Tigaraksa Satria Tbk	TGKA
2.	PT. Wicaksana Overseas International Tbk	WICO
3.	PT. Enseval Putera Megatrading Tbk	EPMT
4.	PT. Millennium Pharmacon International Tbk	SDPC
5.	PT. Sekar Laut Tbk	SKLT

Source: processed in research (2023)

The Operational Variables are:

1. Net Profit Marin

   A ratio that measures the company's net profit against net sales. The higher the percentage obtained, the more productive the company is. A ratio that measures a company's net profit as a percentage of net sales. The higher the percentage obtained, the more productive the company.
2. Total Asset Turnover

   A ratio to determine how effective the overall use of assets is compared to the level of sales. The result of this ratio is an

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assessment of the company's ability to run daily operations. A ratio used to determine how effectively assets are used in relation to the level of sales. The result of this ratio provides an assessment of the company's ability to conduct day-to-day operations.

3. Return on Asset (ROA)

   Profitability ratio that shows how well the company can generate profits from the assets it uses. This ratio measures the company's ability to generate past profits, which serves as a forecast for the future. A profitability ratio that indicates how well a company can generate profit from the assets it uses. This ratio measures the company's ability to generate past profits, which serves as a forecast for the future.

4. Equity multiplier

   A ratio to measure how much debt financing a company uses to acquire assets, also known as a leverage ratio to compare a company's total assets to its total equity. A ratio used to measure how much debt financing a company uses to acquire assets, also known as the leverage ratio to compare the total assets of a company with its equity.

5. Return on Equity

   A ratio that shows how well the company can generate profits for shareholders. Return on Equity is one part of the profitability ratio that determines how well the company can generate profits from shareholders' investments. A ratio that indicates how well a company can generate profit for its shareholders. Return on Equity is one component of profitability ratios that determines how well a company can generate profit from shareholders' investments.

The analysis technique in this study uses the Du Pont System, with the following steps:

Step 1: Determine Net Profit Margin.

Step 2: Determine Total Asset Turnover.

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Step 3: Determining Return On Asset.

Step 4: Determine Equity Multiplier.

Step 5: Determine Return On Equity.

4. Results and Discussions

4.1 Results

4.1.1 Du Pont Analysis of PT. Tigaraksa Satria Tbk

Figure 1: Graph of Return on Equity of PT. Tigaraksa Satria Tbk compared to the 5-company average ROE

Source: processed in research (2023)

Table 1: Differences in ROA, Equity Multiplier, and ROE of PT. Tigaraksa Satria Tbk

Year	ROA (%)	ROA Difference	Equity Multiplier (X)	EM Difference	ROE (%)	ROE Difference
2017	8.72	-	2.71	-	23.66	-
2018	9.14	0.42	2.79	0.08	25.53	1.87
2019	14.30	5.16	2.15	(0.64)	30.78	5.24
2020	14.23	-0.07	2.10	(0.05)	29.93	-0.84
2021	14.13	-0.10%	1.93	(0.17)	27.33	-2.61

Source: processed in research (2023)

From the above graph, in terms of return on equity (ROE), the company is relatively better compared to the average of the 5 companies. From 2017 to 2018, the company's ROE experienced an increase, even though the average ROE of the 5 companies declined. Despite the COVID-19 pandemic (2019-2021), the company's ROE decreased, but the decrease was not as significant as the average ROE of the 5 companies.

From the graph, it can be seen that in 2018, the ROE achieved a 25.53% increase compared to 23.66% in 2017, indicating a 1.87% increase. This was possible because the company achieved a 9.14% ROA due to an increase in Total Asset Turnover (TATO). The higher TATO was due to the company's ability to record consolidated sales revenue of Rp 12.94 trillion, representing a 28.80% growth over the 2017 sales revenue. This increase was driven by the Educational Product (EP) division, which consistently recorded sales revenue growth. The increase in sales revenue also came from the Consumer Product (CP) division, which is the largest division in the company, even though its percentage increase was lower. The equity multiplier also increased by 0.08 to 2.79, indicating lower capital due to low accounts receivable and inventory balances. The company's financial system stability was supported by strong banking capital, controlled credit risk, and increased credit distribution. Credit growth increased by 12.7% in working capital, investment, and consumption credit.

In 2019, the ROE increased by 5.24% to 30.78%. During this period, the company achieved a high ROA of 5.16%, driven by an increase in Net Profit Margin (NPM) of 0.74% and a Total Asset Turnover (TATO) increase of 0.75 times. As reported by the company, changes in the business model due to digital technology influenced the company's performance, particularly in the distribution of food and various household items. The company's sales revenue in 2019 reached Rp 13.372 billion, an increase of 3.34%. Although the revenue growth was relatively small, the company was able to increase its net profit significantly by 34.47% to Rp 428.4 billion. The increase in ROA was accompanied by a decrease in the equity multiplier by 0.64%. The company recorded that although the total assets decreased by Rp 489.64 billion, the quality of assets improved, as seen from the improved financial ratios compared to the previous year. The most significant decrease in asset value occurred in inventory, decreasing from Rp 1,353.69 billion in 2018 to only Rp 752.56 billion in 2019. Equity increased by Rp 144.15 billion thereafter a dividend payment of Rp 187.37 billion occurred in May 2019.

However, in 2020, the company's ROE dropped to 29.93%, a decrease of 0.84%. This decrease was associated with a decrease in both ROA and the equity multiplier. The decrease in ROA was due to a decrease in Total Asset Turnover (TATO) by -0.75, despite Net Profit Margin (NPM) increasing by 0.63%. Sales revenue slightly decreased in 2020. A review of the financial statements revealed that the company generated approximately Rp 12.48 trillion in revenue, a decrease of 6.60% compared to the revenue in 2019, primarily due to the closure of the S&D Digital Platform Business Unit.

In 2021, the company's ROE decreased to 27.33%, which was due to a decline in ROA and equity multiplier in that year. The decrease in ROA was caused by a relatively insignificant increase in NPM compared to the previous year. In 2021, there was a 0.2% increase in NPM, while in 2020, NPM increased by 0.63%. The decrease in TATO was because the total assets were larger compared to the total revenue, with total assets increasing by 1.25%, and revenue declining by -4.51%. The equity multiplier experienced a decrease of -0.17%, indicating a reduced use of loans in asset purchases. As a result, the decline in ROA and equity multiplier ratios contributed to the decrease in ROE. The company's performance in 2021 was less satisfying, as reflected in the failure to achieve the revenue growth target. Based on the audited financial report for the year 2021, the company's revenue amounted to Rp 11.93 billion, representing a decrease of -4.51%. However, the current-year profit increased slightly, by Rp 481.11 billion or only 0.53%.

4.1.2 Du Pont Analysis of PT. Enseval Putera Megatrading Tbk

Figure 2: Comparison Graph of Return on Equity (ROE) of PT. Enseval Putera Megatrading Tbk with the 5-company average ROE

Source: processed in research (2023)

Table 2: Differences in ROA, Equity Multiplier, and ROE for PT. Enseval Putera Megatrading Tbk

Year	ROA (%)	ROA Difference	Equity Multiplier (X)	EM Difference	ROE (%)	ROE Difference
2017	6.97	-	1.45	-	10.09	
2018	7.85	0.88	1.44	(0.01)	11.29	1.19
2019	6.67	-1.18	1.42	(0.02)	9.48	-1.81
2020	7.38	0.71	1.40	(0.02)	10.36	0.89
2021	8.70	1.32	1.42	0.02	12.36	1.99

Source: processed in research (2023)

The graph above shows that the company's ROE tends to be stable because when compared to the ROE graph of the 5-company average, the company's ROE graph remains relatively flat with no significant increase or decrease. During the COVID-19 pandemic (2019-2021), PT. Enseval Putera Megatrading Tbk had a higher

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ROE compared to the 5-company average.

In 2018, the company achieved a 1.2% increase in ROE compared to 2017, reaching 11.29% from 10.09%. This increase was due to an improvement in ROA, while the equity multiplier value decreased. During this period, it is evident that the company managed to achieve an increase in ROA of 0.88%, driven by a 0.54% increase in NPM and a -0.17% decrease in TATO. The increase in NPM was attributed to increased net sales of the company, which grew by 4.76% and was accompanied by recognition from the National Agency of Drug and Food Control of the Republic of Indonesia as a Pharmaceutical Wholesaler and Good Distribution Practice (GDP) certification (Central and Branch).

However, in 2019, the company's ROE decreased to 9.48%, a difference of -1.81%. This difference indicates that the company only earned a 9.48% return on the net income generated from the capital used. The declining ROE was due to a decrease in ROA by -1.18%, primarily because the company couldn't generate a significantly higher net income from increased sales. Despite a 7.87% increase in revenue, profits declined by -11.09%, which was caused by several increased expenses. Increased expenses included higher Cost of Goods Sold (COGS), Operating Expenses, and Net Income Tax Expenses. COGS increased due to the higher quantity of distributed products, which amounted to 8.59% or approximately Rp 19,771.99 billion. The company's operating expenses, consisting of selling expenses and general administrative expenses, amounted to Rp 1,727.31 billion in 2019, an increase of 10.1%. In 2019, the Net Income Tax Expense increased by 2.60% to Rp 220.58 billion.

In 2020, ROE increased by 0.88% to 10.36%. This 0.88% increase was driven by a 0.71% increase in ROA. The increase in ROA was due to a 0.40% increase in NPM and a -0.11 decrease in TATO. The rise in ROA was accompanied by a -0.02% decrease in the equity multiplier. The increase in NPM in 2020 was attributed to increased sales

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stemming from the company's operational activities, including the distribution of consumer goods, over-the-counter drug distribution, and sales. In 2020, sales of consumer goods reached Rp 9,981.63 billion, reflecting a 4.72% increase compared to 2019, which was Rp 9,531.47 billion. Additionally, sales of over-the-counter drugs in 2020 reached Rp 3,143.29 billion, marking a 7.14% increase from the 2019 figure of Rp 2,933.92 billion. Simultaneously, the company's total assets increased by 5.82% to Rp 9,211.73 billion by the end of 2020, up from Rp 8,704.96 billion in 2019.

In 2021, the company achieved its highest performance in five years, with an ROE of 12.36%. This increase was driven by improved NPM and TATO. The NPM increased by 0.28%, accompanied by a 0.19 increase in TATO. The rising ROE was also due to a 0.02 increase in the equity multiplier. The value of ROE is influenced by the company's total assets and total equity. The increased NPM and TATO in 2021 were the result of higher sales percentages, including increased distribution and sales of consumer goods, prescription drugs, over-the-counter drugs, as well as animal and livestock medicines. Sales of consumer goods in 2021 increased by 5.50% to Rp 10,530.45 billion from 2020, which was Rp 9,981.63 billion. By the end of 2021, sales of prescription drugs reached Rp 7,692.50 billion, reflecting a 25.70% increase compared to 2020, when it was Rp 6,119.88 billion. Over-the-counter drug sales in 2021 reached Rp 3,822.60 billion, an increase of 21.61% compared to 2020 when it was Rp 3,143.29 billion. Sales of animal and livestock medicines in 2021 reached Rp 49.54 billion, an increase of 19.66% compared to 2020.

4.1.3 Du Pont Analysis of PT. Wicaksana Overseas International Tbk

Figure 3: Comparison Graph of Return on Equity (ROE) of PT. Wicaksana Overseas International Tbk with the 5-company average ROE

Source: processed in research (2023)

Table 3: Differences in ROA, Equity Multiplier, and ROE for PT. Wicaksana Overseas International Tbk

Year	ROA (%)	ROA Difference	Equity Multiplier (X)	EM Difference	ROE (%)	ROE Difference
2017	41.10	-	1.39	-	56.96	
2018	-5.48	-46.58	1.39	0.00	-7.62	-64.58
2019	-3.96	1.52	2.81	1.42	-11.14	-3.51
2020	-6.05	-2.09	3.25	0.44	-19.65	-8.52
2021	-18.77	-12.72	6.55	3.31	-123.04	-103.39

Source: processed in research (2023)

The chart in Picture 3 indicates that the company's ROE has been consistently below the 5-company average ROE for the past 5 years. It's evident that the ROE is lower when compared to the average ROE of those 5 companies.

In 2018, the ROE dropped to -7.62%, primarily due to a significant decrease in NPM by -19.20%, resulting in -2.18% in 2018 compared to 17.02% in 2017. In 2018, the company's total revenue decreased by -2.06%, accompanied by an increase in expenses by 280.89%, leading to a sharp decrease in net profit of -112.53%. The company's net sales decreased by Rp 20.4 billion or 2.1% to Rp 972.3 billion in 2018. The company reported a total loss of Rp 18.9 billion in 2018 compared to a total profit of Rp 167.6 billion. This was primarily because the gain from the sale of fixed assets was Rp 185.9 billion in 2017 compared to only Rp 50 million in 2018.

In 2019, there was a further decrease in ROE to -11.14%, representing a decline of -3.51%. This decrease was mainly due to a -27.74% drop in ROA. The reduced ROA was influenced by a decrease in NPM by 0.69% to -1.49%. The operating profit decreased by Rp 3.2 billion, shifting from an operating loss of Rp 28.6 billion in 2018 to an operating loss of Rp 31.9 billion in 2019. This was attributed to an increase in sales expenses in 2019. The company's net sales increased by Rp 883 billion or 90.8%, reaching Rp 1.86 trillion. The company's selling expenses increased by Rp 14.1 billion to Rp 49.6 billion. Furthermore, general and administrative expenses increased by Rp 53.2 billion to Rp 151.3 billion. The increase in general and administrative expenses was primarily due to increased salaries and allowances by Rp 29.9

billion, employee compensation by Rp 4.9 billion, rent by Rp 2.9 billion, depreciation of fixed assets by Rp 4.1 billion, and IT licensing, maintenance, and support costs by Rp 4.6 billion.

By 2021, the company had reached its lowest ROE in 5 years at -123.04%. This significant decrease was attributed to a -12.72% decrease in ROA in 2021. This was primarily due to a -3.16% decrease in NPM, resulting in -4.48%, and an increase in total assets compared to total equity, leading to an increase in the equity multiplier to 9.80 times. The company's profitability significantly deteriorated, with operating losses increasing by 169.47% to Rp 106 billion from the previous year's Rp 39.34 billion. Operating expenses expanded to Rp 309.7 billion, representing a 5.50% increase from the previous year.

4.1.4 Du Pont Analysis of PT. Millennium Pharmacon International Tbk

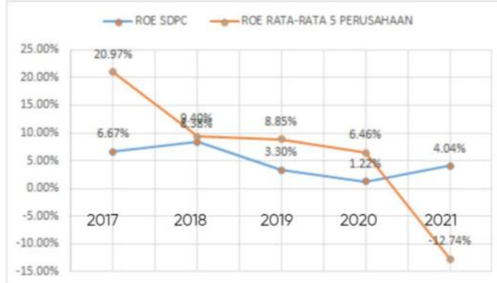

Figure 4: Comparison Graph of Return on Equity (ROE) of PT. Millennium Pharmacon International Tbk with the 5-company average ROE
Source: processed in research (2023)

Table 4: Differences in ROA, Equity Multiplier, and ROE for PT. Millennium Pharmacon International Tbk

Year	ROA (%)	ROA Difference	Equity Multiplier (X)	EM Difference	ROE (%)	ROE Difference
2017	1.51	-	4.41	-	6.67	
2018	1.63	0.12	5.14	0.73	8.38	1.71
2019	0.64	-0.99	5.16	0.02	3.30	-5.07
2020	0.24	-0.40	5.08	(0.08)	1.22	-2.08
2021	0.79	0.55	5.09	0.01	4.04	2.82

Source: processed in research (2023)

In Picture 4 above, it can be explained that the company's ROE has remained relatively stable when compared to the 5-company average ROE. From 2017 to 2020, the company's ROE has been lower compared to the 5-company average ROE.

In 2018, the ROE increased by 1.71% compared to 2017. This increase was due to an increase in ROA and equity multiplier. The rise in ROA was caused by a 0.15% increase in NPM, accompanied by a decrease in TATO by 0.26. The increase in the equity multiplier value was a result of a higher percentage of total assets compared to total equity. This indicates that the company tends to use more debt or loans than its own capital to purchase assets. It is evident that the increase in ROE in 2018 was primarily due to the rise in the equity multiplier.

However, in 2019, the ROE decreased significantly to 3.30%, representing a decrease of 5.08%. This substantial decrease was due to a -0.99% drop in ROA and an increase in the equity multiplier by 0.02 times. It is clear that the decrease in ROE was caused by the decline in ROA. The decrease in ROA was influenced by a -0.53% decrease in net profit, even though revenue was higher than total expenses. It was also due to the suboptimal asset turnover in generating sales, as indicated by the -0.26 times decrease in TATO. The pharmaceutical industry's growth in Indonesia from 2017 to 2019 did not reach 5%, partly due to the impact of implementing the National Health Insurance (BPJS Kesehatan). Although the use of drugs increased in quantity, their selling prices decreased. The government, through the National Public Procurement Policy Agency (LKPP), set the lowest possible prices for drugs listed in the e-catalog.

By 2020, there was a decrease in ROE by 2.08% to 1.22%, which was the lowest point in 4 years. The decrease in ROE was due to a decline in both ROA and the equity multiplier. The reduction in ROA was caused by a decrease in NPM by 0.18% due to total expenses exceeding the increase in revenue. Overall expenses increased by 3.01%, while revenue decreased by -3.05%, resulting in a sharp drop in net profit of -64.41%. In the midst of the economic challenges in Indonesia in 2020 due to the pandemic, the company recorded a profitability performance with a 3.05% decrease in sales to Rp 2.64 trillion. This was mainly because of reduced demand for prescription drugs, which was in line with the focus on managing COVID-19 patients. This affected the company's net profit, which decreased by Rp 2.8 billion

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in 2020. The company's sales and net profit achievements were below the respective targets of Rp 3.19 trillion and Rp 16.68 billion. This profitability situation affected the company's financial position, with equity decreasing by 2.65% to Rp 229.20 billion, lower than the set target of Rp 278.07 billion. Total assets also decreased by 5.36% to Rp 1.16 trillion.

In 2021, there was an improvement with the ROE increasing by 2.82% compared to 2020. This improvement was due to an increase in ROA by 0.55% and a minor increase in the equity multiplier by 0.01 times. The company reported total revenue of Rp 2.98 trillion, a 13.06% increase from the previous year. The growth in revenue was driven by sales growth from the company's top 5 customers: PT. Nulab Pharmaceutical Indonesia by 32.07%, PT. Lapi Laboratories Indonesia by 23.74%, PT. Promedrahajdo Farmasi Industri by 18.88%, PT. Global Dispomedika by 13.32%, and PT. Meprofarm.

4.1.5 Du Pont Analysis of PT. Sekar Laut Tbk

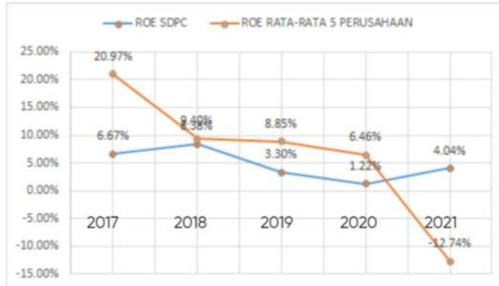

Figure 5: Comparison Graph of Return on Equity (ROE) of PT. Sekar Laut Tbk with the 5-company average ROE
Source: processed in research (2023)

Table 5: Differences in ROA, Equity Multiplier, and ROE for PT. Sekar Laut Tbk

Year	ROA (%)	ROA Difference	Equity Multiplier (X)	EM Difference	ROE (%)	ROE Difference
2017	3.61	-	2.07	-	7.47	
2018	4.28	0.67	2.20	0.13	9.42	1.95
2019	5.68	1.41	2.08	(0.12)	11.82	2.40
2020	5.49	-0.19	1.90	(0.18)	10.45	-1.37
2021	9.51	4.01	1.64	(0.26)	15.60	5.15

Source: processed in research (2023)

Based on Picture 5, the company's ROE has shown relative improvement compared to the 5-company average ROE. The company's ROE has been better, and it's evident that during the COVID-19 pandemic, the ROE percentage was higher compared to the 5-company average ROE.

In 2018, there was an increase in ROE by 1.95% to reach 9.42%. This increase was due to an increase in ROA

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by 0.67%, mainly due to the NPM increasing to 3.06% and the TATO decreasing by 0.04 times. The rise in NPM was a result of a 14.31% increase in sales while total expenses were lower than sales by 8.91%. This increase in sales led to a 39.11% increase in net profit. In 2018, the company's sales increased by 14.3%, which was a good growth rate, surpassing the target set in an economic slowdown. This growth rate was higher than the 9.6% growth in 2017, and total sales reached Rp 1 trillion. With this growth, the company's net profit exceeded expectations by reaching a 39% increase, surpassing the estimated 20%. The net profit in 2018 was Rp 32 billion, up from Rp 23 billion in 2017.

By 2019, there was a further increase in ROE to 11.82%, resulting from an increase in ROA and a decrease in the equity multiplier. The increase in ROA was due to a rise in NPM and TATO, with a 0.45% increase in NPM and 0.22 times increase in TATO. Amid the global economic conditions and high competition in the product market, the company continued to innovate and expand its local and export market share. This was evident with a 23% increase in the company's revenue to Rp 1.2 trillion compared to Rp 1.04 trillion in 2018. This revenue growth was seen across all of the company's major products, including chips, chili sauce, and bread. Chips contributed 13.62% of total sales in 2019, amounting to Rp 292 billion. Chili sauce and sambal products increased by 22.32% or Rp 274 billion. Bread products contributed the highest sales at 42.11%, with net sales reaching Rp 81 billion.

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However, in 2020, there was a decrease in ROE to 10.45%, with a difference of 1.37%. This decrease was due to a -0.19% decrease in ROA to 5.49%. The decline was attributed to a -0.12% decrease in NPM, coupled with no change in TATO. The drop in NPM was caused by total expenses exceeding total revenue. Total expenses increased by 6.66%, while sales decreased by -2.14%. This reduction in ROA was due to the decline in sales due to the plummeting hotel and restaurant businesses as a result of restrictions during the pandemic. Consumer spending shifted towards increased household consumption. The decrease in sales was due to the sale of traded products and bread to the hotel and restaurant market. Sales value decreased by 2%, reaching Rp 1.25 trillion from Rp 1.28 trillion in 2019.

In 2021, there was a significant increase in ROE by 5.15%, the highest increase over the 5 periods. This increase was due to a substantial rise in ROA by 4.01% and a decrease in the equity multiplier by 0.26%. The increase in ROA was caused by a 2.48% increase in NPM due to higher revenue compared to total expenses. Total revenue increased by 8.23%, while total expenses increased by 8%. The company managed to increase net profit by 98.79%. 2021 was a year in which the company breathed easier compared to the previous year. Although challenges were not completely over, the company achieved sales of Rp 1.36 trillion, an 8% increase from the previous year. This achievement was in line with the company's target to increase sales by 5-10%. The increase was due to increased purchasing power of the local

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population, as well as reduced regional restrictions and export constraints, along with improvements in the conditions of the export destination countries, as indicated by a 6% increase in export sales compared to the previous year.

5. Conclusions and Recommendation

5.1. Conclusions

The five companies used as research samples, the best in achieving the rate of return on equity for 5 years is PT. TIGARAKSA SATRIA Tbk. Due to the achievement of ROE for 5 years which is above the average of 5 companies. There is efficiency in the company's operational activities for 5 years, this is evidenced by the consistent increase in sales year after year accompanied by decreasing total costs so that the company can provide significant profit growth from 2017 to 2021. In terms of capital, the company can be said to be stable because the Equity Multiplier value tends to decrease from 2017 to 2021, this decrease is due to the growth in total equity tends to be greater than the growth in total assets owned. When compared to the average of the 5 companies sampled, PT TIGARAKSA SATRIA Tbk's ROE is superior due to the achievement of higher ROE for 5 years. During the covid-19 pandemic, ROE performance has decreased, even so this decline is still higher than the average ROE of 5 companies from 2019 to 2021.

Meanwhile, the worst performer of the five companies that became the research sample was PT Wicaksana Overseas International Tbk, due to its worsening achievements every year. The company's performance decreases every year with an average decrease in ROE of -20.90%. The decline in performance was caused by various factors such as: a decrease in the company's net sales in 2018 which triggered an increase in the company's comprehensive loss, an increase in selling costs in 2019, and the company's profitability performance which was negatively corrected with an operating loss of Rp 106 billion in 2021. The company's ROE performance for 5 years is below the average ROE of 5

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companies, 2017 was the company's best achievement because the ROE value was above average. When entering the covid-19 pandemic, the company's performance has decreased, where the ROE value in 2021 reached -123.04%.

5.2 Recommendation

Based on the analysis and conclusions drawn, and also with limitation of this study, which are this study used companies engaged in FMCG distribution that have been listed and also observation period from 2017 to 2021, here are some recommendations to improve the profitability of the companies and make future considerations:

1. For PT Wicaksana Overseas International in increasing the value of Net Profit Margin, financing that increases every year should be of more concern to the managerial side, because this increasing expense will make the net profit earned less than the sales generated. From the return on assets value, the graph shows a significant decrease, this is due to the small profit so that it must be a concern for the company to improve the company's operational performance in terms of sales.
2. For PT Sekar Laut Tbk, total financing must be a special concern for the company, even though from 2017 to 2021 the increase in sales was higher than the increase in total costs, in 2020 the company could not balance the amount of financing with the increase in sales. So that in 2020 the company suffered a loss of -5.39%. Therefore, the company must increase sales consistently, so that the profit earned is greater than the total costs.
3. In obtaining detailed information about profitability, the company should try to use the Du-Pont System method in measuring financial performance. Du-Pont makes it easy for company management to determine the calculation of ROE, ROA, NPM

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and TATO, allowing companies to improve their performance by looking at components that can add value to the four indicators.

4. For Academics, the results of this study can be used as a reference for further research so that it can add insight to the scientific community.
5. For Regulators, the result of this study can help regulators in making decisions and improving company performance to measure the return on shareholder investment using Du Pont.

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