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Financial Performance Evaluation : Empirical Evidence of Pharmaceutical Companies in Indonesia

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ABSTRACT
This study aims to evaluate the financial performance of a pharmaceutical company that has been listed on the Indonesia Stock Exchange (IDX). The sample objects that the authors use in this study are nine pharmaceutical companies listed on the Indonesia Stock Exchange during the 2014-2018 period. The method of evaluating financial performance that I use is to use financial ratio analysis consisting of; liquidity ratios, activity ratios, solvency ratios, and profitability ratios and have been supplemented by DuPont analysis. The results that the authors get in this study prove that all financial ratios during the observation period experienced quite fluctuating changes. The liquidity ratio shows a high enough number which means that under the company's ability to pay off short-term liabilities, it is quite strong. The results of the calculation of the activity ratio obtained by the author also gives results that show that some pharmaceutical companies are quite efficient in the use of their assets in a company. The solvency ratio obtained by the authors from observations in the study period shows that pharmaceutical companies also have a debt large enough to be risky because of high interest and principal costs in payments. Earnings obtained by shareholders are quite large as indicated by profitability ratios through the analysis of three analyzes namely the analysis of ROI, ROE and DuPont which have positive values.

Keywords: Financial performance, liquidity, activity, solvency, profitability DuPont

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INTRODUCTION

Background

The role of the manufacturing industry sector in the national economy is one of the important sectors among the sectors listed on the Indonesia Stock Exchange (IDX). The pharmaceutical companies sub-sector is included in the manufacturing industry sector group which has a strategic role to support public health services, especially in the condition of the corona virus outbreak (Covid-19), not only in Indonesia, but also throughout the world. Indonesia, as a country with high economic growth rates in ASEAN countries, places the pharmaceutical industry as a main pillar in maintaining the stability of the country through excellent health services.

To occupy the stability of these pillars, pharmaceutical companies are demanded to be able to survive by achieving the best possible goals and be able to compete for the global market, which is most important in improving the company's financial performance. To get the best financial performance is very dependent on the ability of financial management in analyzing the company's financial performance reports obtained from financial statements, because the financial statements function as the most basic source of information (Endri et al., 2020).

When evaluating the company's financial performance reports, there are several things that must be considered by management including; what is the company's liquidity, whether each management gets a sizable operating profit on each company's assets, then how does each company spend its assets and whether the owners can receive a suitable return for every investment they make, and many other questions arise. These questions can be answered if the company is able to analyze financial ratios properly and correctly, which consists of liquidity ratios, activities, solvency and profitability and Dupont analysis (Fathony et al., 2020).

LITERATURE REVIEW

Pharmaceutical Industry

The pharmaceutical industry is one of the industries rated by Eurostat in "High Technology" which provides examples of true entrepreneurship for all other sectors (Baltes and Minculete, 2016). Pharmaceutical Industry is a technology of medicines in the field of industry consisting of how to find, develop, produce, and market pharmaceutical drugs or medicines for use and consumption for those who need them as medicines to be given to patients, with the aim of curing everyone, vaccinating them, or reducing any particular pain symptoms they feel.

Financial Analysis

Financial statements are a form of report / financial performance that is used to indicate and see the responsibilities of managers or leaders of the company to interested parties. Any information contained in financial statements can be used to predict future income and dividends (Shahnia and Endri, 2010). According to Devi and Maheswari (2015) financial performance is a subjective measure of how well a company can use assets or assets from each of its main business modes and generate revenue. Financial ratio analysis is a number that can show the relationship between elements of each financial statement. Broadly speaking there are four types of financial ratios used in measuring financial performance according to (Herdiananda, 2017), including: analysis of liquidity ratios, activity ratios, solvency ratios and profitability ratios. Meanwhile, according to Majumder and Rahaman, (2011), the financial statements also consist of analysis of liquidity ratios, activity ratios, solvency ratios and profitability ratios and the DuPont system.

Liquidity Ratio

Liquidity ratio, a ratio that can show every relationship between a company's cash and other current assets with a company's current debt. According to Rinaldo and Endri (2020) this ratio is used to measure the company's ability to meet every financial obligation such as short-term obligations that can be seen from:

- Current Ratio, According to Herdiananda (2017) Current ratio is the ratio that can be used to measure each company's short-term liquidity capability by looking at the company's current assets relative to its current debt.
- Net Working Capital is the difference between current assets with current liabilities and what is also called the ratio of net working capital which if the increasing number of NWC (Net Working Capital) can show a high level of liquidity (Rahaman, 2014)

Activity Ratio

Activity ratio is a financial ratio that can be used to measure how a company can effectively manage its assets. This ratio is also used to see how much the level of assets owned by the company, whether it is appropriate and reasonable, very high or very low when viewed from the current level of sales. The higher the activity ratio, the more effective the company is in utilizing and utilizing its resources (Rusdana and Endri, 2020),

- Fixed Assets Turnover or in English called Fixed Assets Turnover Ratio is an activity ratio (efficiency ratio) that is used in measuring how effectively and efficiently a company uses its assets or fixed assets in generating revenue. This ratio also shows the productivity of fixed assets in generating income. A company that has a high fixed assets or fixed assets turnover ratio means that the company is capable and able to manage each of its fixed assets efficiently and effectively. Fixed assets are very important to be taken into account because these fixed assets are the largest component of total company assets (Endri, 2019).
- Inventory Turnover Ratio is used to measure whether the company is efficient in managing merchandise inventory. This ratio is also a form of information that is quite well known in assessing the operational efficiency of a company that shows how good the existing capital in inventory.

Solvency Ratio

Solvency ratio is a form of ratio that can indicate a company's ability to meet its long-term financial obligations, whether or not. According to Kasmir in the journal Comparative Analysis of Financial Performance Between Government-Owned Pharmaceutical Companies (SOEs) and Private-Owned Pharmaceutical Companies Listed on the Indonesia Stock Exchange (IDX) Period 2014-2016 (2017), Solvency Ratio is a ratio that can be used to measure the extent of company assets can be financed with debt and also to measure the company's ability to pay all of its obligations, both in the short and long term. Which can be seen in a way (Endri *et al.,* 2019) :

- Debt to Assets Ratio is a form of debt ratio that can be used to measure a comparison between total debt and total assets.
- Debt to Equity Ratio. Debt to equity ratio is the ability of a company to draw a comparison between liabilities and equity in the form of corporate funding and show how the company's capital itself in meeting all company obligations.

Profitability Ratio

Profitability ratios are ratios that can show a company's ability to benefit from every use of its capital. This can be seen by measuring (Harahap, 2018):

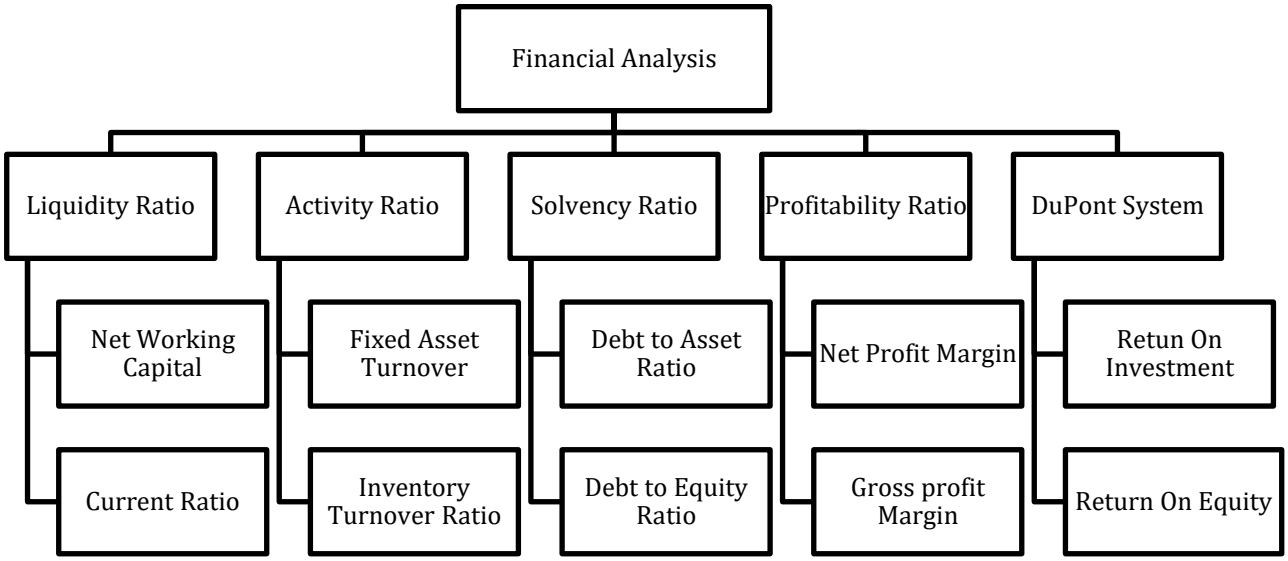
- Net Profit Margin, Net profit margin is a ratio that is used to measure how much each operational profit can be obtained from each amount of rupiah sales.
- Gross Profit Margin (Gross Margin Ratio), Gross profit margin is used to measure every efficiency of the calculation of cost of goods or can be called the cost of production. In this case, the greater the gross profit margin, the better (efficient) each operational activity is carried out by the company. Companies that show cost of goods sold are much lower than sales (sales) are also useful for conducting operational audits. If on the contrary.

DuPont System

DuPont analysis is a form of analysis of the financial ratio system that is designed to investigate what factors are determinants in returning shareholders' equity ratios and asset returns (Doorasamy, 2016; Sheela and Karthikeyan, 2012). The DuPont system is used to measure the effectiveness of a company in generating the amount of profit that can be obtained. Du Pont's analysis is a general form of financial statement analysis which divides the net return on operating assets into two multiplication components: profit margin and asset turnover (Shahnia and Endri, 2020). This system describes the factors that are interrelated and affect the company's return on investment (ROI) and return on equity (ROE). ROE is a significant indicator for assessing the company's economic and financial performance for internal diagnosis, as well as for analysis required by external partners (Doorrasamy, 2016), while according to Bashar and Islam (2014) and Dey *et al.,* (2013), ROE is used to measure how efficiently a company can use money from shareholders to generate profits and company growth.

The 5 Financial Analysis in the frame:

- Liquidity ratio
- Activity ratio
- Solvency ratio
- Profitability ratio
- DuPont system



RESEARCH METHOD

The form of research used by the author in this study is the form or type of research in quantitative descriptive. In accordance with the initial title, the company selected by the author in this study is a manufacturing company in the pharmaceutical sector which is listed on the Indonesia Stock Exchange starting from 2014-2018. Every data obtained from the financial statements in this study is data published by companies listed on the Indonesia Stock Exchange starting from 2014-2018.

For the object of this study, the authors chose to consist of 9 pharmaceutical sector companies. The sampling technique used by the author is purposive sampling method, which method is used in a sample based on a certain criterion. The criteria used by the author are manufacturing companies listed on the Indonesia Stock Exchange starting from 2014-2018 in a row during this study. Each ratio used by the author in this study is the analysis of liquidity ratios consisting of NWC (Net Working Capital) and Current Ratio, for the activity ratio that the writer chooses consists of Inventory Turnover Ratio and Fix Asset Turnover, for the solvency ratio that the author uses consists of Deb Ratio and Debt to Equity Ratio, and for the profitability ratios chosen the author consists of Gross Profit Margin and Gross Profit Margin and finally the author also uses a DuPont analysis system consisting of ROI and ROE. Among the following, the writer presents the name and Company Code of the Pharmaceutical sector which is the sample of the author in this study. between the alleged value or the regression line with sample data (Suharyadi & Purwanto, 2009: 162). The small R^2 of the value means that ability of the independent variables to describes the variation of the dependent variable is very limited. The variables in cases are Dependent variables namely Profitability (ROA) and Independent variables consisting of CR, FATO, TATO, and DER. The data by using the author in this research are the secondary data. The sampling technique by using the writer is purposive sampling method, which method is used in the form of samples based on certain criteria. The criteria used by the writer as a sample in this case are pharmaceutical sub sector industrial company that had been listed IDX that have approved financial reports and notes to financial statements analysis as December 31 on a regular basis for the last five years in accordance with the year of research required in 2014 -2018. The following authors present the names and company codes of the pharmaceutical sub-sector which are the sample authors in this study:

Table 1: Companies Code and Companies Name

1	DVLA	DARYA VARIA LABORATORIUM TBK
2	INAF	INDOFARMA TBK
3	KLBF	KALBE FARMA TBK
4	KAEF	KIMIA FARMA TBK
5	PHAPROS	PHAPROS TBK
6	PYFA	PIRIDAM FARMA TBK
7	SQBI	TAISHO PHARMACEUTICAL INDONESIA TBK
8	TSPC	TEMPO SCAN PASIFIC TBK
9	MERCK	MERCK SHARP DOHME PHARMA

Source: Compiled by the Autor (2020)

RESEARCH RESULTS AND DISCUSSION

Liquidity Ratio there is two

1. Net Working Capital (NWC)

Table 2: Table NWC

No	Companies Code	NWC (Net Working Capital)= Curret Asset-Current Liability (in millions of rupiah)				
		2014	2015	2016	2017	2018
1	DVLA	746.710.331	747.531.916	694.539.584	734.032.736	786.835.006
2	INAF	182.231.050.054	221.426.267.905	148.576.747.889	37.693.194.693	40.255.274.568
3	KLBF	5.734.885.197.703	6.382.611.117.839	7.255.367.980.797	7.816.614.488.863	8.362.120.915.132
4	KAEF	1.185.619.176.479	1.012.490.446.727	1.210.528.590.707	1.292.582.767.216	1.595.242.244.595
5	PHAPROS	282.148.366	330.786.574	374.172.250	580.780.317	37.128.551
6	PYFA	30.082.797.570	36.211.938.025	45.172.864.020	56.119.196.827	58.245.489.362
7	SQBI	282.373.611	263.196.467	270.082.106	280.554.161	271.877.791
8	TSPC	2.477.368.784.856	2.608.435.487.279	2.731.670.696.170	3.046.742.460.790	3.091.587.234.510
9	MERCK	465.518.574	351.244.076	387.993.248	384.918.424	263.872.502
Avegare 9 Company in 1 years		1.067.995.973.060	1.140.318.668.534	1.265.893.740.752	1.361.303.599.336	1.460.978.985.780
Average 9 Company in 5 years		1.259.298.193.493				

Source: Author Processed, 2020

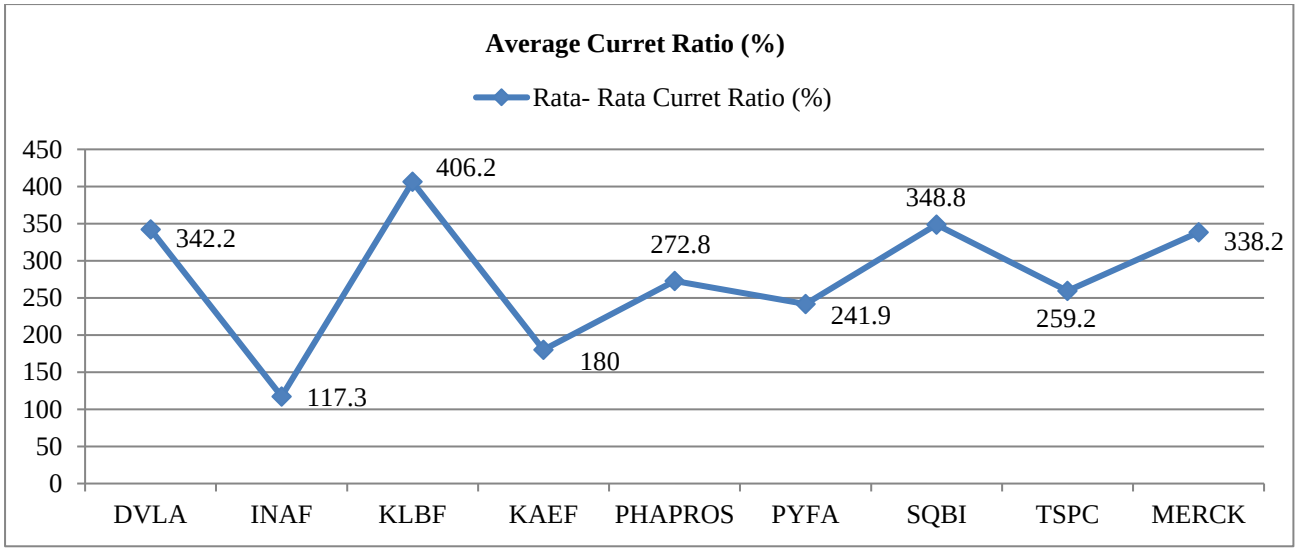
Based on the above data it can be concluded that from 2016-2018 the NWC of pharmaceutical companies showed an increasing number of NWC, namely Rp.1,265,893,740,752 (2016), Rp.1,361,303,599,336 (2017), Rp.1,460,978,985,780 (2018) of the industry average of Rp. 1,259,298,193,493 which also shows that the high level of liquidity was in 2016-2018, while in 2014-2015 it was below the industry average which resulted in a low level of liquidity.

2. Current Ratio

Table 3: Current Ratio

Current Ratio (%)							
No.	Companies Code	Current Ratio (CR)					Average CR one companies in 5 years
		2014	2015	2016	2017	2018	
1	DVLA	518,1	352,3	285,5	266,2	288,9	342,2
2	INAF	130,3	126,2	121,1	104,2	104,9	117,3
3	KLBF	340,4	369,8	413,1	450,9	456,8	406,2
4	KAEF	238,7	193,0	171,4	154,6	142,3	180,0
5	PHAPROS	257,4	287,8	300,7	414,4	103,8	272,8
6	PYFA	162,7	199,1	219,7	352,3	275,7	241,9
7	SQBI	437,3	357,4	336,9	332,5	279,7	348,8
8	TSPC	300,2	253,8	265,2	225,1	251,6	259,2
9	MERCK	458,6	365,2	421,7	308,1	137,2	338,2
Average 9 Companies in 1 Year		316,0	278,3	281,7	289,8	226,8	
		Average CR 9 Companies of 5 years					: 278,5

Source: Author Processed, 2020



Source: Author Processed, 2020

Based on the above data, the writer can conclude that the company with the highest ratio is the pharmaceutical company Kalbe Farma, Tbk with an average CR for 5 (five) years is 406.2% and is located above the industry average of 227.5%. And the lowest ratio lies in the pharmaceutical company Indofarma Tbk, with a ratio of 117.3% which is located below the average of the industry industry, which is 278.5%. This situation means showing that, the high curret ratio means the better the company's ability to cope with short-term obligations or debt. Lower Current Ratios indicate that many companies are experiencing hard times in meeting their obligations or debts.

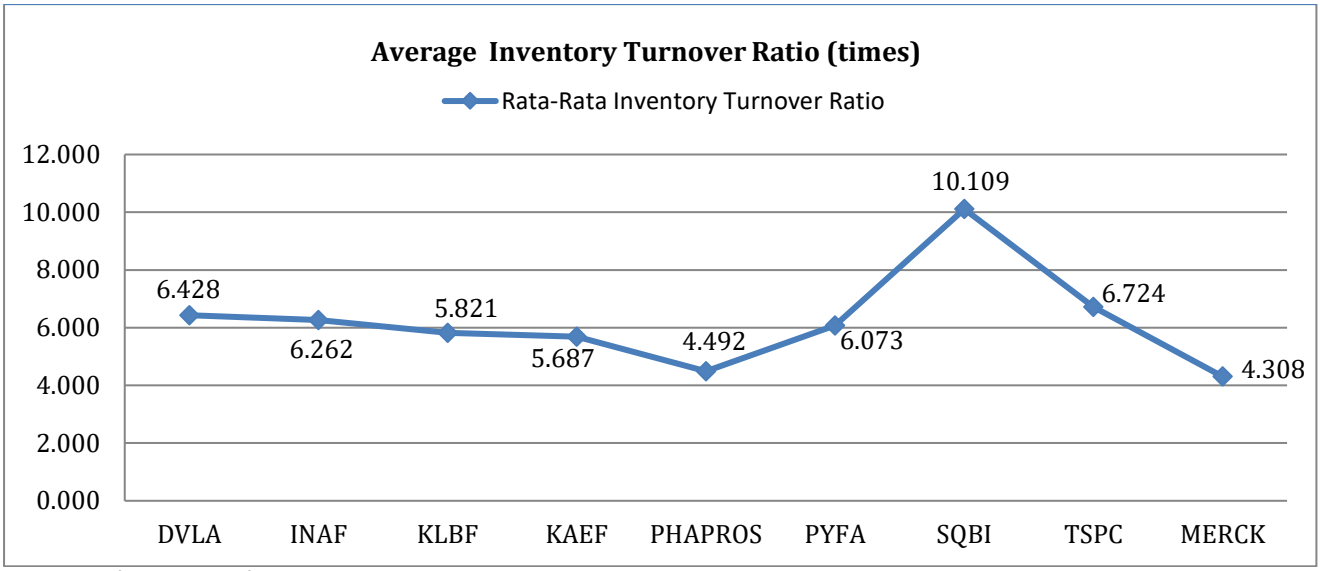
Activity Ratio there is two

1. Inventory Turnover Ratio

Table 4: Inventory Turnover Ratio

No.	Companies Code	Inventory Turnover Ratio (times)					Average ITR 1 Company in 5 Years
		2014	2015	2016	2017	2018	
1	DVLA	4,862	6,575	6,919	7,729	6,055	6,428
2	INAF	6,384	5,401	5,727	6,405	7,392	6,262
3	KLBF	5,620	5,956	5,793	5,673	6,065	5,821
4	KAEF	6,577	6,584	6,008	5,139	4,128	5,687
5	PHAPROS	4,313	4,500	4,138	6,317	3,194	4,492
6	PYFA	6,891	6,024	5,383	6,045	6,022	6,073
7	SQBI	11,470	9,006	9,903	9,009	11,157	10,109
8	TSPC	7,113	6,639	6,709	6,469	6,690	6,724
9	MERCK	4,698	6,104	4,476	4,001	2,262	4,308
Average ITR 9 companies in 1 years		6,44	6,31	6,12	6,31	5,89	
		Average ITR 9 companies in 5 years 6,212					

Source: Author Processed, 2020



Source: Author Processed, 2020

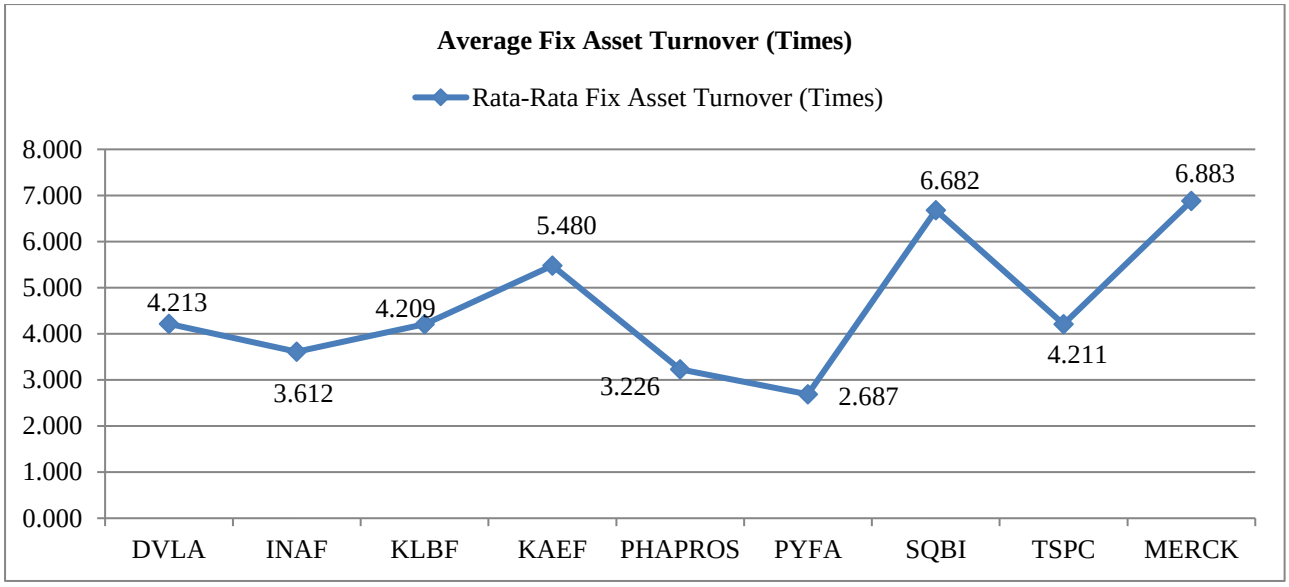
In accordance with the above data, the writer can conclude that the company with the highest ratio is SQBI pharmaceutical company, Tbk with an average ITR for 5 (five) years is 10.109 and is above the industry average of 6.212 and the lowest ratio lies with the company Merck Tbk, with a ratio of 4.308 which is located below the industry average of 6.212. In this case the lower a company's inventory turnover, the more inefficient the company is to run its operating work system and vice versa, a low inventory turnover ratio indicates that sales are not smooth or low. Conversely, the higher ratio shows that sales made by the company are strong because the company produces many products to maintain the stability of an inventory, so that market needs can be met. If sales go well, profits will increase.

2. Fixed Asset Turnover

Table 5: Fixed Asset Turnover

No.	Companies Code	Fix Asset Turnover (times)					Average FAT 1 Company in 5 years
		2014	2015	2016	2017	2018	
1	DVLA	4,134	5,057	3,587	3,979	4,306	4,213
2	INAF	3,501	4,071	3,934	3,347	3,207	3,612
3	KLBF	5,102	4,542	4,253	3,778	3,370	4,209
4	KAEF	8,103	7,129	5,773	3,630	2,767	5,480
5	PHAPROS	3,980	4,906	2,868	2,730	1,646	3,226
6	PYFA	2,424	2,589	2,713	2,937	2,771	2,687
7	SQBI	5,707	5,699	6,586	7,208	8,210	6,682
8	TSPC	4,833	1,900	5,058	4,821	4,441	4,211
9	MERCK	7,792	8,877	7,961	6,508	3,277	6,883
Average FAT 9 Companies in 1 year		5,06	4,97	4,75	4,33	3,78	
		Average FAT 9 Companies in 5 years 4,578					

Source: Author Processed, 2020



Source: Author Processed, 2020

Regarding the above data the authors conclude that the company with the highest ratio is the pharmaceutical company Merck, Tbk with an average of 5 (five) years is 6.883 and is above the industry average of 4.578 and the lowest ratio lies with the company PYFA Tbk, with a ratio of 2,687 which has an average below the industry of 4,578. In accordance with the previous explanation, high asset turnover shows that fixed assets can be used more efficiently, and the amount of each sale that can be generated can only use a small amount of assets or assets. Conversely, low-value ratios can be caused by various factors, such as overproduction. However, there is no demand for the product, which can be caused by constraints in the supply chain so that the number of products cannot meet the company's target

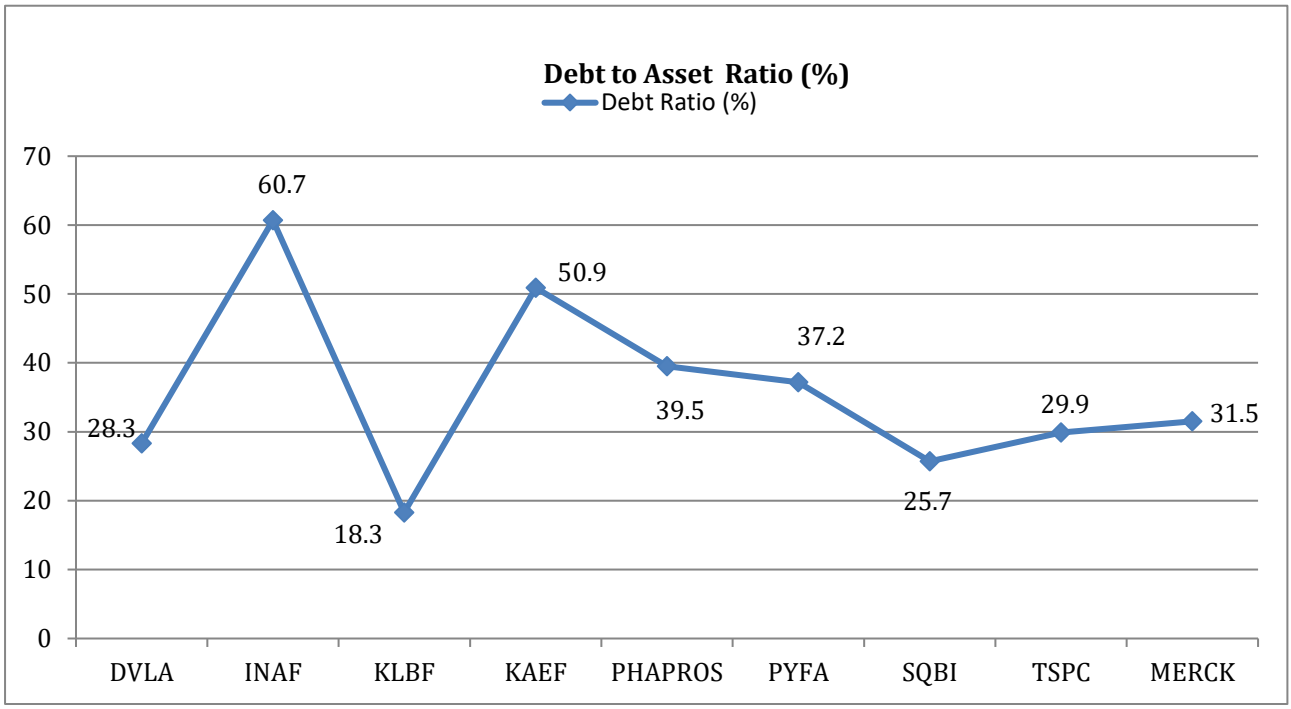
Solvency Ratio there is two

1. Debt To Asset Ratio

Table 6: Debt to Asset Ratio

No.	Companies Code	Debt to Asset Ratio (%)					Average DR 1 company in 5 years
		2014	2015	2016	2017	2018	
1	DVLA	22,1	29,3	29.5	32,0	28,7	28,3
2	INAF	52,6	61,4	58,3	65,6	65,6	60,7
3	KLBF	21,0	20,1	18,1	16,4	15,7	18,3
4	KAEF	39,0	42,5	50,8	57,8	64,5	50,9
5	PHAPROS	36,0	33,9	29,6	40,4	57,7	39,5
6	PYFA	44,1	36,7	36,8	31,8	36,4	37,2
7	SQBI	19,7	23,7	26,0	27,2	32,0	25,7
8	TSPC	26,1	31,0	29,6	31,6	31,0	29,9
9	MERCK	23,5	26,2	21,7	27,3	59,0	31,5
Average DR 9 companies in 1 year		32	34	33	37	43	
		Average DR 9 companies in 5 years					35,8

Source: Author Processed, 2020



Source: Author Processed, 2020

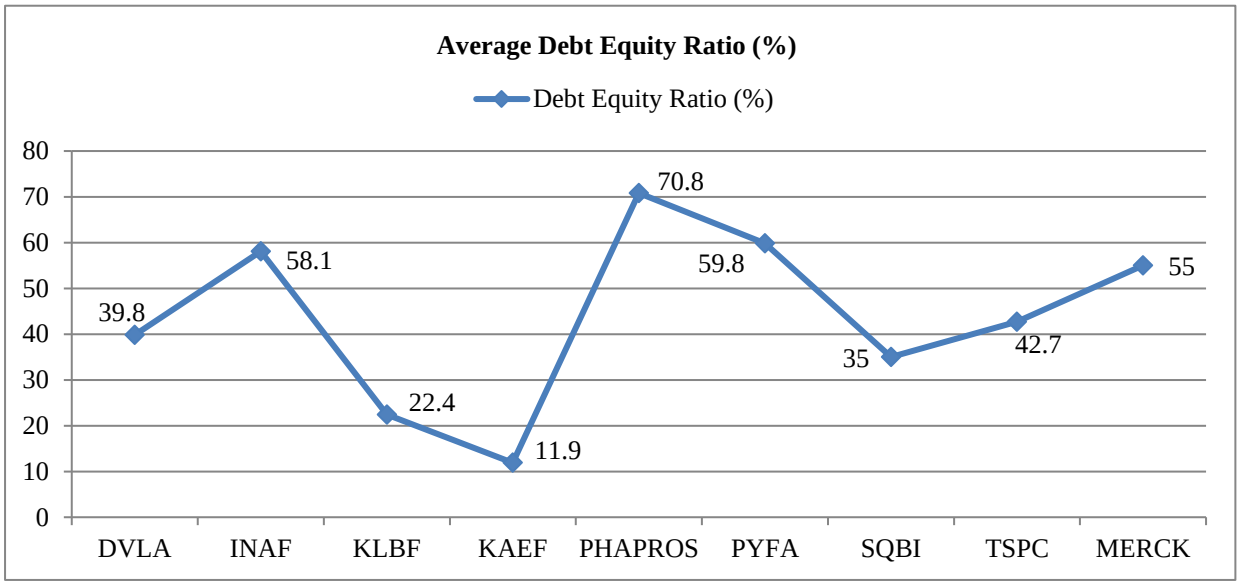
In accordance with the above data the authors can conclude that the company that has the highest ratio lies in the pharmaceutical company INAF, Tbk with an average of 5 (five) years is 60.7% and is above the industry average of 35.8% and the lowest ratio located in the KLBF Tbk company, with a ratio of 18.3% which is below the industry average of 35.8%. In this case, the higher the ratio, the greater the risk of the company, which is associated with the company in its operating system. The lower the ratio, the smaller the company's assets are financed with debt.

2. Debt to Equity Ratio

Table 7: Debt to Equity Ratio

No.	Companies Code	Debt to Equity Ratio (%)					Everage DER 1 company in 5 years
		2014	2015	2016	2017	2018	
1	DVLA	28,5	41,4	41,8	47,0	40,2	39,8
2	INAF	10,9	58,8	40,0	90,6	90,4	58,1
3	KLBF	26,6	25,2	22,2	19,6	18,6	22,4
4	KAEF	63,9	73,8	03,1	37,0	81,9	11,9
5	PHAPROS	56,3	51,4	42,0	67,7	36,6	70,8
6	PYFA	78,9	58,0	58,3	46,6	57,3	59,8
7	SQBI	24,5	31,1	35,1	37,4	47,0	35,0
8	TSPC	35,3	44,9	42,1	46,3	44,9	42,7
9	MERCK	30,7	35,5	27,7	37,6	43,7	55,0
Average DER 9 Companies in 1 years		51	58	57	70	96	
		Average DER 9 Companies in 5 years					
		66,2					

Source: Author Processed, 2020



Source: Author Processed, 2020

In accordance with the above sata the authors concluded that the company that has the highest ratio lies in the pharmaceutical company PHAPROS, Tbk with an average of 5 (five) years is 70.8% and is an average above the industry that is 66.2% and the low ratio is located at KAEF Tbk company, with a ratio of 11.9% which is below the industry average of 66.2%. This is interpreted as the higher the results, the greater the financial risk of the company and debt. In the case of a company's ability to pay long-term debt, the smaller the ratio, the better the company's ability to pay off obligations. A large or high ratio indicates a large total debt, therefore, a company with a creditor burden will be even greater. The increasing burden of creditors shows that the source of the company's capital depends on outsiders. In this case, the greater the debt, the smaller the amount of profits earned by the company.

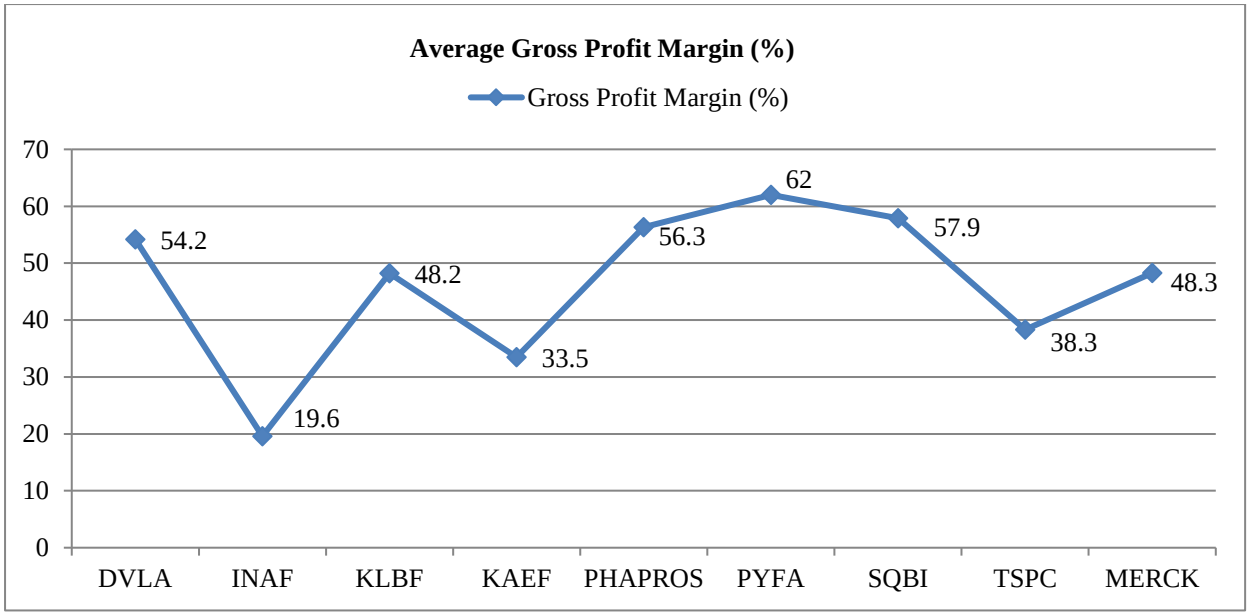
Profitability Ratio there is two

1. Gross Profit Margin

Table 8: Gross Profit Margin

No.	Companies Code	Gross Profit Margin (%)					Average GPM 1 Company in 5 Years
		2014	2015	2016	2017	2018	
1	DVLA	53,0	51,9	55,2	56,7	54,4	54,2
2	INAF	22,6	20,3	20,1	17,3	17,8	19,6
3	KLBF	48,8	48,0	49,0	48,6	46,7	48,2
4	KAEF	30,6	31,6	32,1	35,9	37,3	33,5
5	PHAPROS	57,8	56,2	55,9	56,4	55,0	56,3
6	PYFA	63,6	63,3	62,4	60,5	60,3	62,0
7	SQBI	59,4	57,5	56,0	59,0	57,7	57,9
8	TSPC	39,1	38,1	38,1	38,2	38,1	38,3
9	MERCK	53,1	50,5	52,4	50,8	34,6	48,3
Average GPM 9 companies in 1 years		48	46	47	47	45	
		Average GPM 9 companies in 5 years					
		46,5					

Source: Author Processed, 2020



Source: Author Processed, 2020

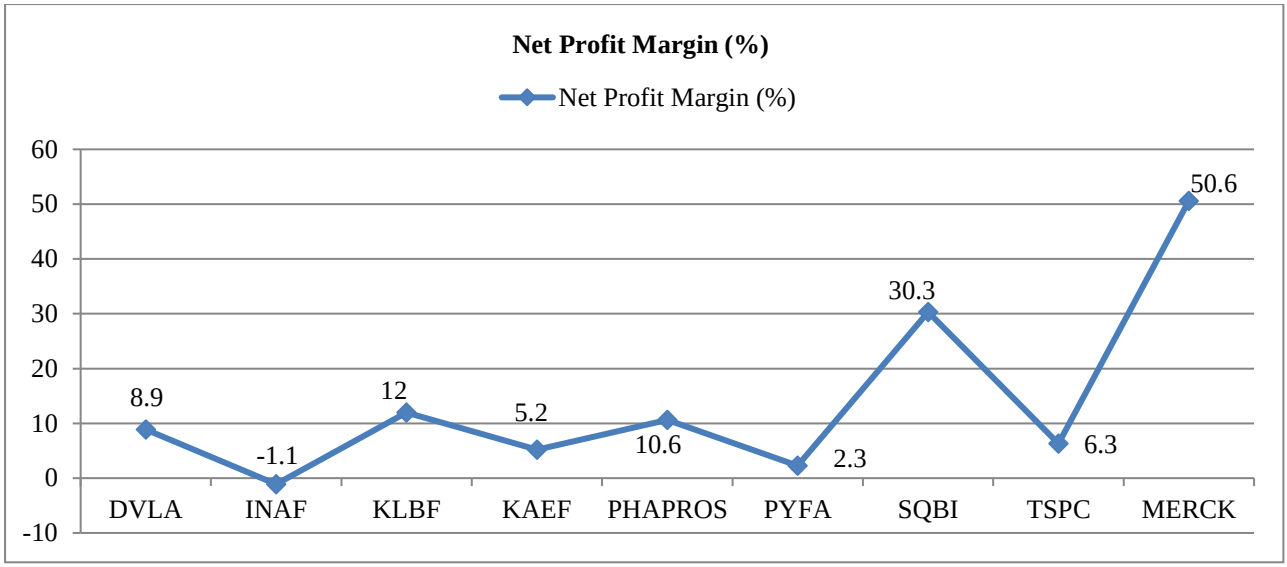
Based on the data above, the writer concludes that the company with the highest ratio is the pharmaceutical company PYFA Tbk with an average of 5 (five) years is 62.0% and is in a number that exceeds the industry average of 46.5% and the lowest ratio lies in the company INAF Tbk, with a ratio of 19.6% which is lower than the industry average of 46.5%. This means that in this case, the higher the ratio, the better the company's work system, because it proves that the cost of goods sold is smaller than the amount of sales. A large ratio proves that the company is able and able to do good management in minimizing the burden and maximizing raw materials. The company that has a high ratio will be more resistant to crisis compared to those who have a low ratio.

2. Net Profit Margin

Table 9: Net Profit Margin

No.	Companies Code	Net Profit Margin (%)					Average NPM 1 companie in 5 years
		2014	2015	2016	2017	2018	
1	DVLA	3,7	8,3	10,5	10,3	11,8	8,9
2	INAF	0,1	0,4	-1,0	-2,8	-2,1	-1,1
3	KLBF	12,2	11,5	12,1	12,2	11,8	12,0
4	KAEF	5,2	5,2	4,7	5,4	5,4	5,2
5	PHAPROS	7,9	9,1	10,7	12,5	13,0	10,6
6	PYFA	1,2	1,4	2,4	3,2	3,4	2,3
7	SQBI	33,1	29,2	29,2	31,0	28,9	30,3
8	TSPC	7,8	6,5	6,0	5,8	5,4	6,3
9	MERCK	21,1	14,5	14,9	12,5	90,1	50,6
Average NPM 9 companies in 1 year		10	10	10	10	30	
		Average NPM 9 companies in 5 years					
							13,9

Source: Author Processed, 2020



Source: Author Processed, 2020

In accordance with the data above, the writer concludes that the highest ratio of companies lies in the pharmaceutical company MERCK, Tbk with an average of 5 (five) years is 50.6% and is above the industry average of 13.9% and the lowest ratio lies with companies INAF Tbk, with a ratio of -1.1% which is located at a low which is below the industry average of 13.9%. That is, the lower the ratio, the worse the company's operational activities, because they cannot generate large profits after tax. This form of ratio is used to measure the overall level and success of a company. The high ratio shows that the company sets the price of the product accordingly and can control costs well. In addition, the higher the ratio the more efficient the operation, therefore the company can maximize the net profit obtained. The company will grow faster and have a large amount of equity because the company recorded a high net profit.

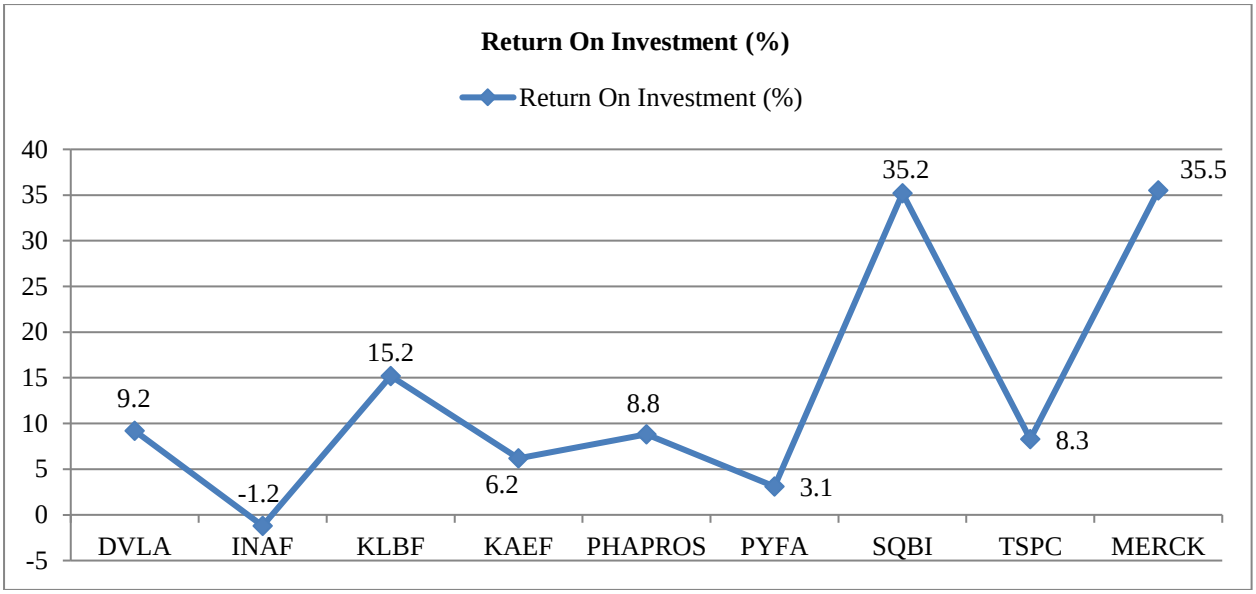
DuPont system there is two

1. Return On Invesment (ROI)

Table 10: Return On Investment

No.	Companies Code	Return On Invesment (ROI) (%)					Average ROI 1 company in 5 years
		2014	2015	2016	2017	2018	
1	DVLA	6,5	7,8	9,9	9,8	11,9	9,2
2	INAF	0,1	0,4	-1,2	-3,0	-2,2	-1,2
3	KLBF	17,0	15,0	15,4	14,7	13,7	15,2
4	KAEF	7,9	7,8	5,8	5,4	4,2	6,2
5	PHAPROS	7,1	9,3	9,8	10,7	7,1	8,8
6	PYFA	1,5	1,9	3,1	4,4	4,5	3,1
7	SQBI	35,9	32,4	34,5	36,3	7,1	35,2
8	TSPC	10,4	8,4	8,2	7,5	6,9	8,3
9	MERCK	25,6	22,2	20,7	17,1	92,1	35,5
Average ROI 9 Companies in 1 year		12	12	12	11	19	
		Average ROI 9 Companies in 5 years					13,4

Source: Author Processed, 2020



Source: Author Processed, 2020

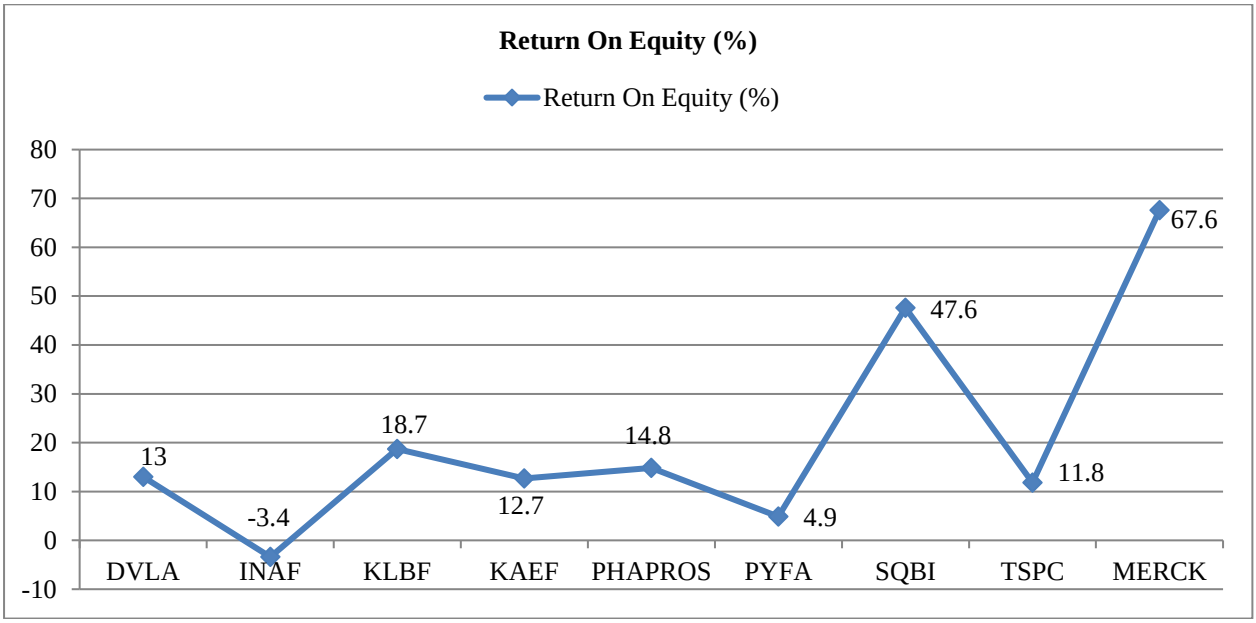
In accordance with the data above, the authors conclude that the company with the highest ROI is located in the pharmaceutical company MERCK, Tbk with an average of 5 (five) years is 35.5% and is above the industry average of 13.4% and the ROI ratio the lowest lies in INAF Tbk company, with a ratio of -1.2% with an average industry below that is 13.4%. This means, the decline is not good for the company because it proves that a pharmaceutical company has decreased in its ability to regulate the amount of assets or assets in generating profits or profits. The ratio that produces a positive value and has a high value shows that investment costs can be returned and can generate profits from the remaining investment. Meanwhile, a negative ratio value indicates that the income earned cannot cover the total investment costs. Any investment where the ROI ratio that has a positive return can be considered as an investment that gives a good return.

2. Return On Equity (ROE)

Table 11: Retun On Equity

No.	Companies Code	Return On Equity (%)					Average ROE 1 Company in 5 years
		2014	2015	2016	2017	2018	
1	DVLA	8,4	11,1	14,1	14,5	16,7	13,0
2	INAF	0,2	1,1	-3,0	-8,8	-06,6	-3,4
3	KLBF	21,6	18,8	18,9	17,7	16,3	18,7
4	KAEF	13,1	13,6	12,0	12,9	12,0	12,7
5	PHAPROS	11,1	14,0	14,0	17,9	16,9	14,8
6	PYFA	02,8	30	4,9	6,5	7,1	4,9
7	SQBI	44,7	42,4	46,6	49,9	54,5	47,6
8	TSPC	14,1	12,2	11,8	11,0	9,9	11,8
9	MERCK	33,5	30,1	26,4	23,5	24,5	67,6
Average ROE 9 Companies in 1 year		17	16	16	16	39	
		Average ROE 9 Companies in 5 years					20,8

Source: Author Processed, 2020



Source: Author Processed, 2020

In accordance with the above data, the authors conclude that the company with the highest ROE ratio lies in the pharmaceutical company MERCK, Tbk with an average of 5 (five) years is 67.6% and means it lies above the industry average of 20.8% and the ratio The lowest ROE is in INAF Tbk, with a ratio of -3.4% which is below the industry average of 20.8%. This means low ROE ROE is not good for the company because it shows that the level of net income received by the company from the invested capital decreases. Increased ROE ratio means that the company can meet the interests of shareholders. It also means that the company can maximize equity in order to produce greater profits. Therefore, the company can invest well. This ratio is an important indicator of value creation for stakeholders; because the greater the value of the number in the ROE ratio, the greater the value of a company, which ultimately will lure investors to invest.

CONCLUSIONS AND RECOMMENDATION

Conclusions

This study was used by the authors to examine the financial ratio analysis and DuPont analysis of manufacturing companies in the pharmaceutical sector which are listed on the Indonesia Stock Exchange. Based on the analysis and discussion that has been done by the author, the authors conclude: Liquidity Ratios namely the greater the percentage, the more profitable it is because the company's liquidity is in good condition, Activity Ratios namely low average company inventory, fixed asset turnover, and turnover total assets, this is more inefficient for the company. Solvency ratios, namely the higher the debt ratio, the ratio of debt to capital, and the ratio of debt to total capital, the worse it is for the company, because it will lead the company to a larger loan and risk. Profitability Ratios, namely the greater the margin in producing gross profit, then the operating profit margins, and the magnitude of the net profit margin the better the operating conditions of a company in generating profits. DuPont is the greater the numbers generated on the ROI and ROE of a company, the evidence is that a pharmaceutical company is getting better, because it means the company can manage assets related to the amount of operating profit very well. Based on the results of this study, the authors mean there are companies that have high and low ratio values. In addition, the ratio tends to fluctuate during the study period. Practically, investors can make the results of financial ratio analysis and DuPont analysis as a reference for investing and find out which company has the best performance. Usually companies that have relatively low ratio numbers must improve their performance and reduce their operational costs so that the company's sustainability can be maintained, and they can attract investors. For companies that have high ratio values, they can maintain and continuously improve the value of their performance in the future.

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