

## Analysis of Financial Ratios to Measure the Company's Performance in the Sectors of Consumer Goods at Pt. Nippon Indosari Corpindo, Tbk and Pt. Mayora Indah, Tbk

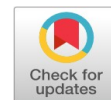
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**Abstract:** The aim of the research was to measure the performance of companies in the consumer goods sector listed in Indonesian Stock Exchange, based on the results of the analysis of financial ratios against the respective financial goods statements of the company for the period 2010-2014. Research method used is descriptive research by analyzing the financial statements using quantitative data and data analysis technique used by researchers are the financial ratios, consisting of liquidity ratio, solvency ratio, activity ratio, and profitability ratio. The study concluded that the liquidity ratio, activity ratio and profitability ratio of PT Mayora Indah, Tbk showed good performance analysis than PT. Nippon Indosari Corporindo, Tbk. but the solvency ratio of PT. Nippon Indosari Corporindo, Tbk is better than PT. Mayora Indah, Tbk. The company's performance at PT. Mayora Indah, Tbk is better than PT. Nippon Indosari Corporindo, Tbk because PT. Mayora has been long-standing, so they can prepare better than PT Nippon Indosari Corporindo. Researchers recommend to inspect other companies' consumer goods over the two companies and check the performance of companies for a longer period of time, so we can get a better paradigm.

**Keywords:** Analysis of financial ratios, Company's performance, Liquidity ratio, Solvency ratio, Activity ratio, and Profitability ratio

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### INTRODUCTION

Company's going concern is very rare because it indicates that the company can maintain its performance both in the production of distribution as well as finance. One thing that is most important to the survival of the company is the financial performance. To measure financial performance, we need to do an analysis of the financial condition of the company. It is done to find out the level of health, sustainability and the decisions to be taken by the company in the future.

Consumer goods sector industry in Indonesia is experiencing a pretty rapid progression. In Indonesia, the public consume rice as a main dish, but there have been many who consume the bread as the main food every day. In addition, today's modern society has slowly been switching from traditional snacks like cassava, getuk, sweet etc. So at the moment a lot of the companies produce snacks which are very liked by the community, including SARI ROTI and MAYORA product. Both kinds of these products have different characteristics, SARI ROTI is produced by PT Nippon Indosari Corpindo, Tbk which is one of the largest bread companies in Indonesia, while MAYORA is produced by PT Mayora Indah, Tbk. Both companies are public companies that have been listed on Indonesian Stock Exchange. The two companies have revenues that fluctuate annually.

### LITERATURE REVIEW

#### Financial statements

The financial report is the end result of the accounting process that includes a summary of the financial transactions that occurred during the financial year concerned and processed in such a way that it can provide information of the financial companies that can be beneficial for the parties concerned (Tangpornpaiboon & Puttanapong, 2016).

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### **Objectives of financial statements**

According to Cashmere (2010) destinations, the manufacture or preparation of the Financial report is as follows:

- Provide information on the type and total assets (property) owned by the company at this time;
- Provide information on the type and amount of liabilities and capital the company owned at this time;
- Provide information on the type and the amount of income earned in a certain period;
- Provide information on the number of costs and types of costs incurred by the company in a given period;
- Provide information about the changes that occur against assets, liabilities and capital of the company;
- Provide information about the performance of management of the company in a given period;
- Provide information about notes to financial statements;
- Other financial information.

### **Components of financial statement**

In general there are several updates in progress presentation of financial reports according to International Financial Reporting Standard (IFRS) consisting of Statement of Financial Position, Income Statement, Retained Earnings Statement, Cash Flow Statement and Statement of Comprehensive Income.

### **Analysis of financial ratios**

plz replace the statement with: According to James and van Horne (as cited in Cashmere, 2010) there is an index connecting the two numbers and accounting obtained by dividing one number with other numbers. Financial ratios are used to evaluate the condition of the financial performance of the company.

### **Types of financial ratios**

There are four financial ratios that can be used in analyzing the financial statements of the company (Cashmere, 2010; El-Dalabeeh, 2013; Brigham & Houston, 2010), they are:

#### *The liquidity ratios*

The ratios that describes the capabilities of the company in fulfilling a short term duty (debt). To determine the company's liquidity rate five liquidity ratios are used, that is:

#### Current ratio:

Current ratio is the ratio for measuring the ability of an enterprise to meet the obligations of the term in a nutshell or debt that is soon to fall the tempo at the moment billed as a whole with current assets. It is the comparison between the number of current assets and debt owed by the company.

#### Quick ratio:

This ratio indicates the ability of the company to pay debt smoothly (short term debt) that should immediately be filled with current assets available in the company without taking into account the value of inventories.

#### Cash ratio:

The ratio of cash or the cash ratio is a device used to measure how much cash money is available for paying the debt.

#### Cash turnover ratio:

Cash turnover ratio serves to measure the degree of sufficiency of working capital the company needs to pay bills (debts) and the finance costs - the costs associated with the sale.

Inventory to net working capital:

This ratio is used to measure or compare between the number of preparations and the company's working capital.

*The solvency ratios or leverage*

According to Cashmere (2010) and Martono and Harjito, (2010) solvency ratios or leverage ratios are the ratios is a ratio used to measure the extent to which the company's assets are financed with debt. That is to say how big the load debt the company incurred compared with its assets. Solvency ratios measurement consists of:

Debt to assets ratio:

This ratio shows how the overall assets of the company are funded by debt or how large is the proportion between the obligations owned by wealth.

Debt to equity ratio:

This ratio is used to assess the debt with equity so this ratio is useful to know the amount of funds provided by loans (creditors) and the owner of the company.

Long-term debt to equity ratio:

The ratio between the long term debt with private equity and the results of calculations indicates how big a part is of any capital or any warranty for owning long term debt.

Times interest earned:

The ratio is used to know how big the company's ability is for meeting interest payments for creditors.

*Activity ratios*

Activity ratios are the ratios used to measure the effectiveness of companies using assets that they have. Measurement of the ratios of the activity consists of:

Receivable turn over:

This ratio shows how old billing accounts receivable is during a period or how many times the funding was planted in the accounts receivable spinning in one period.

Inventory turn over:

This ratio is used to measure the how many times funds that are planted in inventory rotate in a given period.

Working capital turn over:

This ratio is the ratio used to measure or assess the effectiveness of the company's working capital during a certain period.

Fixed assets turn over:

This ratio is the ratio used to measure how many times the funds are invested in fixed assets rotating in one period.

Total assets turn over:

Total assets turnover is a ratio used to measure the rotation of all assets owned by companies and measure how many sales are gained from every asset.

### *Profitability ratios*

Profitability ratios is the ratio used to assess the company's ability in the search for profits. This ratios shows an overview of the level of effectiveness of the management of the company in generating profit during the period. Measurement of the profitability ratio consists of:

#### Net profit margin:

Net Profit Margin is the ratio used to measure the margin net profit after interest and taxes on net sales at a certain period.

#### Return on Investment/ROI:

This ratio measures the profit retrieved from the results of the activities of the company (net income) with the amount of investment or assets after deducting interest and taxes (EAIT) for producing the desired profit (total assets).

#### Return on Equity/ROE:

Equity returns or results return on equity or earning ratio of capital itself is a ratio to measure net profit (net income) after tax with its own capital.

### **Company performance**

According to Ikatan Akuntan Indonesia (2009) understanding financial performance based on the SAK ETAP is the relationship between income and the burden of the entity as presented in the report of earnings loss. Profit is often used as a measure of performance or as a basis for other measurements, such as the level of return on investment or profit per shares.

### **PRIOR RESEARCH**

1. Nilasari (2008) gave the study entitled "ratio analysis finance as tool for assessment of financial performance of PT. Unilever Indonesia Tbk from 2002-2007". In general the results of the research indicate that the financial condition of the PT Unilever Indonesia Tbk. fluctuated.
2. Anwar, Marliani and Gunawan (2016) conducted a study with the title "Financial Performance Analysis of PT. Mega Indah Sari Makassar", based on the results of the calculation of financial performance common i.e. the ratio of the activity and second, the ratio of profitability. After analysis, financial performance has increased.
3. Junita and Junita (2013) conducted a study entitled "analysis of the company's performance using analyzer financial ratios of a telecommunication company listed on Indonesian Stock Exchange". In general the results of the research indicate that the financial condition of the Telecommunications Companies listed on the Indonesian stock exchange fluctuated.

### **METHOD**

#### **Research approach**

This research was descriptive research because this research analyzed financial statements of PT. Nippon Indosari Corpindo, Tbk (2010) and PT. Mayora Indah, Tbk (2010).

#### **The object and subject of the research**

The object in this research are companies in the field of consumer goods which are listed on the Indonesian Stock Exchange such as PT. Nippon Indosari Corpindo, Tbk and PT. Mayora Indah, Tbk, (2010). Researcher chose both companies because the companies' performance fluctuates. While the subject of this research is the analysis of the financial statements of the companies from consumer goods sector. PT. Nippon Indosari Corpindo, Tbk expanded its business into the stock exchange in 2013, while PT. Mayora In Indah, Tbk in year 1990.

### Sampling techniques

In this research, sampling technique used is Purposive Sampling in which the research is not performed on the entire population, but focused on the target while considering specific criteria that have been made against the object in accordance with the research objectives. In terms of this, research was done at companies listed on the Indonesian Stock Exchange.

### Data types

The research data used are secondary data. Data were obtained indirectly from a third party or through a document (Nazir, 2011). The data source of this research was obtained from the internet via the website [www.idx.co.id](http://www.idx.co.id), in the form of balance sheet and profit / loss of the telecommunication company (PT. Telkomsel Tbk, PT. Indosat Tbk and Smartfren) in 2009-2013 (Ilias, Razak & Rahman, 2015).

### Data collection techniques

The data collection techniques are as follows:

- The study of the literature that is doing the review, exploration, and examination of the various libraries for literature relevant to the research.
- Documentation, by finding and collecting data from the annual report of each company.

## RESULTS AND DISCUSSION

Table 1: Financial Ratio Analysis PT. Nippon Indosari Corporindo, Tbk (2010)

Liquidity ratios					
Ratio	Year				
	2010	2011	2012	2013	2014
Current Ratio	2.30	1.28	1.12	1.14	1.37
Quick Ratio	2.20	1.17	1.01	1.02	1.23
Cash Ratio	130.31%	32.65%	19.38%	31.59%	52.85%
Cash Turn Over	6.05	8.03	11.76	14.87	18.57
Inventory to Net Working Capital	7.98%	38.76%	92.76%	83.61%	36.20%

Solvency ratios					
Ratio	Year				
	2010	2011	2012	2013	2014
Debt to Asset Ratio	20%	28%	45%	57%	55%
Debt to Equity Ratio	41%	78%	196%	378%	431%
Long Term to Equity Ratio	7.4%	23.5%	125.0%	260.8%	319.1%
Time Interest Earned	26.55 times	178.23 times	18.41 times	4.56 times	3.59 times

Activity ratios					
Ratio	Year				
	2010	2011	2012	2013	2014
Inventory Turn Over	63.75 times	49.88 times	52.69 times	41.22 times	46.09 times
Working Capital Turn Over	63.75 times	49.88 times	52.69 times	41.22 times	46.09 times
Fixed Asset Turn Over	1.77 times	1.49 times	1.33 times	1.28 times	1.12 times
Total Asset Turn Over	1.08 times	1.07 times	0.99 times	0.83 times	0.88 times

Profitability ratios					
Ratio	Year				
	2010	2011	2012	2013	2014
Net Profit Margin	16.3%	16.3%	12.5%	10.5%	10.0%
Return on Investment	17.6%	15.3%	12.4%	8.7%	8.8%
Return on Equity	36.4%	42.3%	54.4%	57.6%	68.8%

Table 2: Financial ratio analysis PT. Mayora Indah, Tbk (2010)

Liquidity Ratios					
Ratio	Year				
	2010	2011	2012	2013	2014
Current Ratio	2.58 times	2.22 times	2.76 times	2.44 times	2.09 times
Quick Ratio	2.1 times	1.49 times	1.98 times	1.89 times	1.46 times
Cash Ratio	45.38%	17.62%	69.61%	70.70%	22.89%
Cash Turn	18.85 times	24.66 times	27.42 times	26.88 times	7.82 times
Inventory to Net Working Capital	30.31%	59.40%	44.23%	38.34%	57.94%

Solvency ratios					
Ratio	Year				
	2010	2011	2012	2013	2014
Debt to Asset Ratio	54%	63%	63%	59%	60%
Debt to Equity Ratio	53%	93%	12%	129%	138%
Long Term to Equity Ratio	66.2%	98.6%	110.6%	81.5%	76.8%
Time Interest Earned	6.5 times	4.06 times	3.3 times	4.28 times	0.93 times

Activity ratios					
Ratio	Year				
	2010	2011	2012	2013	2014
Inventory Turn Over	14.49 times	7.07 times	7.01 times	8.25 times	1.78 times
Working Capital Turn Over	18.85 times	24.66 times	27.42 times	28.94 times	7.82 times
Fixed Asset Turn Over	4.85 times	3.77 times	3.52 times	3.66 times	0.92 times
Total Asset Turn Over	1.64 times	1.43 times	1.27 times	1.24 times	0.34 times

Profitability ratios					
Ratio	Year				
	2010	2011	2012	2013	2014
Net Profit Margin	11.4%	5.1%	7.1%	8.8%	3.5%
Return on Investment	11.4%	7.3%	8.9%	10.9%	1.2%
Return on Equity	25.2%	20.5%	24.8%	27.3%	30.7%

## CONCLUSION

Based on calculation before, we can see in liquidity ratio, activity ratio and profitability ratio of PT Mayora Indah, Tbk having good performance analysis than PT. Nippon Indosari Corporindo, Tbk. But the solvency ratio of PT. Nippon Indosari Corporindo, Tbk is better than PT. Mayora Indah, Tbk. The company's performance at PT. Mayora Indah, Tbk is better than PT. Nippon Indosari Corporindo, Tbk because PT Mayora has been long-standing, so they can prepare better than PT Nippon Indosari Corporindo. Based on these results, the researcher recommended the following:

- Researchers recommend to inspect other companies' consumer goods over the two companies and check the performance of companies for a longer period of time, so we can get a better paradigm.
- For further research, researchers should examine more than two consumer goods companies and examine the performance of companies for a longer period of time, to get a better conclusion.

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