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Analyzing the Financial Efficiency and Stability of FMCG Companies in Indonesia: A Study of Inventory Turnover and Debt-to-Equity Ratios

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ABSTRACT: Fast Moving Consumer Goods (FMCG) companies tend to have rapid shelf turnover. It is identical with financial measurement on its inventory turnover rate. This is because FMCG companies typically have their inventory stored in warehouses in order to fulfill their customers' fast demands of their products. Hence; when a company has a low inventory turnover; it means that their products are not selling as fast as they should; affecting their inventory management efficiency as well as their expenses. Where a company has successfully balanced their inventory management, a manageable debt-to-equity ratio is also good to avoid excessive financial risk for the company. Company's solvability depends on how liquid is the company and how well they could pay off its debt; this also relates to how they finance their company which is where the calculation of D/E ratio is useful. This determines whether the company uses equity to finance their operations or instead rely on debt to finance their operational expenses. The result of analysis have shown that companies with high inventory turnover ratio like PT Buyung Poetra Sembada Tbk, PT Tigaraksa Satria Tbk, and PT Akasha Wira International Tbk with a positive net income and high inventory turnover rate tend to have stable and low numbers of D/E ratio while 64.37% of companies in Indonesia still have ITR that is way below nationwide average. A high inventory turnover translates to faster cash flow, allowing these companies to repay debt more quickly and maintain a low D/E ratio. This research will be designed qualitatively by using the quantitative numbers given from companies publicly posted financial statements and annual reports with complementary knowledge from secondary data derived from the company's website and other resources including reputable journals, mass media, and online articles. Research will then begin with a preliminary analysis to obtain listed FMCG companies in Indonesia, then curate them based on their current inventory and D/E Ratio. Comparison of the companies' financial performance is done by using their data from the year end 2022; the data obtained will then be calculated to produce numbers of inventory turnover ratio, D/E ratio, and ROA ratio to be able to draw the conclusion from the numbers produced. Three companies with the highest and lowest number of inventory turnover ratio and D/E ratio are then picked along with analyzing their financial statements to determine the companies' net income. Additional list of some of the biggest FMCG companies in Indonesia is also included in order to be able to see the overall strategy of performance of a company who had been long in the industry. Through the analysis, the correlation of inventory turnover and D/E ratio within the company indeed impact financial performance stability of the company in a way that a lower D/E which means that they will have less financial risk and more stability. Companies can be benefitted to be able to stay stable in the market facing the volatile economic conditions and industry downturns; lower D/E can also mean more flexibility for future investment. Lenders will more likely to lend more money when indeed to the companies who have lower D/E ratio compared to other companies with higher D/E. A high ITR and low DER can make a company more agile, reduce the burden of interest payments, which eventually will make it easier for the company to invest in profitable opportunities, and lead to higher ROA.

KEYWORDS: Debt-to-Equity Ratio, Financial Stability, FMCG, Inventory Turnover.

INTRODUCTION

The Fast-Moving Consumer Goods (FMCG) industry usually offers retail goods ranging from external used products to consumable products. As the fourth most populous country in the world, 276 million people according to *Badan Pusat Statistik* is the total population of the Indonesian citizens, Indonesia has a very good market potential for the FMCG industries to compete in Southeast Asia. Discounts and promotions from FMCG retailers are especially effective. With its strong potential for growth and strong competition; even when the pandemic strongly affects other businesses, the industry did not seem to be really affected even when COVID-19 was widely spreading and buying power was decreasing [1]. Demand for FMCG products will continue, even as the threat of the COVID-19 pandemic continues to gain public attention. Looking at the current outlook and trends, the FMCG business

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still has the highest potential for further growth. There are 87 FMCG companies listed publicly on the Indonesian Stock Exchange according to Stockbit [2]. A lot of factors determine the company's profitability of one company which is often but not limited to their financial performance as an indicator to how well a company is doing. Factors such as market conditions and consumer demands where FMCG markets depend on the customer retention rate and perhaps maybe the products churn rate as well. Inventory turnovers are one of the most important considerations for retailers, as nearly every retailer has an inventory management strategy in place. Too much inventory can result in spending a lot of capital on maintaining inventory or overstocking poorly selling products, while understocking can result in missed sales opportunities. The higher the inventory turnover rate, the faster the funds embedded in the financial turnover inventory which will describe the company's activities during a certain period. Financial reports are a very important tool for obtaining information regarding the objectives of certain parties with an interest in the financial reports. Financial performance in this particular debt-to-equity ratio is used to determine how the company is able to finance its operations on whether it is through debt or equity financing [3]. On the other hand, debt-to-equity (D/E) ratio calculates the amount of debt a company carries relative to the value of its assets, minus its liabilities. Through the results of D/E calculation, a company's way of financing could be determined whether it is through debt financing or equity financing. A debt financed company's growth can be used to boost profits, and if the incremental increase in profits exceeds the corresponding increase in the costs of borrowing, shareholders will benefit. However, if the additional cost of debt is greater than the additional revenue it generates, then the company is at loss. Also, if a company relies more on equity financing, its debt-to-equity ratio will be lower. This indicates a lower level of financial leverage, with more capital coming from shareholders or circulating capital from the company's retained earnings [3]. Sequentially, correlation between inventory turnover rate, D/E ratio, and return on assets (ROA) ratio. A balanced approach to inventory management and debt levels is essential for maximizing ROA. While efficient inventory turnover is beneficial, it should be complemented by a manageable debt-to-equity ratio to avoid excessive financial risk. Return on assets is a ratio that represents the results (profit) of a company's assets. In other words, companies with a high return on assets are good because the higher the ROA value, the more total assets available can generate greater profits. On the contrary, if the total assets used by a business do not generate profits, the business will suffer a loss [4]. The FMCG industry is an important component of the global economy, contributing significantly to a country's gross domestic product (GDP) and job creation. As a key driver of consumer spending, FMCG plays a vital role in various aspects of the economy, such as the retail and distribution sectors, creating demand for a wide range of products [5]. Additionally, with ever-evolving consumer trends, FMCG companies should have the ability to continuously improve, innovate, and most importantly adapt to maintain their competitive edge. This research aims to fundamentally analyze and assess financial performance of some companies within the FMCG Industries in Indonesia as well as to evaluate the inventory turnover ratio and debt-to-equity ratio of selected FMCG companies listed in Indonesia.

BUSINESS ISSUES

FMCG companies often aim for a low debt-to-equity ratio for several reasons, primarily related to their business characteristics and the risks associated with high debt levels. FMCG companies typically operate in industries with stable and predictable cash flows. Their products, such as food, household appliances and personal care items, are in steady demand regardless of economic conditions. This stability allows them to rely on internal sources of financing, such as retained profits, without having to borrow excessively [6]. The key factors that determine an organization's future are based on economic and business cycles. In addition, the business reputation of the company plays an important role in obtaining premium advances for capital and debt issues. Businesses need to be aware of the costs they are incurring in their portfolio along with the credits and advances that they are trying to obtain. Debt and equity depend on the supply and demand factors of the organization, respectively. There are also some benefits on why it is preferable that FMCG companies should have a low D/E ratio; this is because low D/E ratio will give FMCG companies greater financial flexibility. Companies can adapt to changing market conditions, invest in innovation, acquire competitors or return capital to shareholders without the burden of high interest payments. Initial skimmed through were conducted from the obtained 87 companies under the FMCG industry; where 64.37% of companies inventory turnover ratio (ITR) were far behind the nationwide industry average which is 3.31 (Figure 1). This means that a low inventory turnover often indicates excess inventory, leading to higher carrying costs like storage and insurance. This can drain cash flow and make it harder to repay debt, potentially causing an increment in D/E ratio. Additionally, low inventory turnover implies inefficient utilization of assets, as inventory is tied up for longer periods, generating less revenue and dragging down ROA. Similar to ROA, a low inventory turnover can negatively affect

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ROE through lower overall profitability. While the current ratio will most likely be impacted by the amount of debt that the company is borrowing, larger short-term borrowings will impact the current ratio and raise concerns about the company's short-term solvency. Above all, excessive inventory can lead to spoilage, obsolescence, or price markdowns due to pressure to clear stock, potentially pushing down the gross profit margin.

Conclusions above were calculated by obtaining the ratios data from Stockbit and dividing the total numbers by the amount of companies listed under the FMCG industry which is 87 companies.

	Inventory Turnover	Debt to Equity Ratio	Return on Assets	Return on Equity	Current Ratio	Gross Profit Margin
Nationwide Average Ratio Value	3.31	1.75	4.41%	-18.68%	2.15	15.26%
Percentage of Companies in Indonesia That Are Below the Ratio	64.37%	12.64%	49.43%	82.76%	72.41%	32.18%

Figure 1. Summary of Calculated Nationwide Average Ratio Value and Percentage of Companies in Indonesia That Are Below the Ratio.

As FMCG companies should normally have its inventory turning quickly aligned with its fast production, regularly most companies in Indonesia should have had their numbers above the industry average if they wanted to be classified as a healthy company. As summarized in Figure 1, it can be seen that instead a profusion number companies in Indonesia have inventory turnover, ROA, ROE, and current ratio that are below the average of the industry indicating that there might be several underlying issues affecting the overall business environment and potentially hindering economic growth.

METHODOLOGY

This research will be designed qualitatively by using the quantitative numbers given from companies publicly posted financial statements and annual reports. Figure 2 outlines the strategy that is chosen by the author to comprehensively elaborate all the aspects within the research in a logical and systematic manner to be able to analyze the topic of the study more clearly. The preliminary research would begin by obtaining names of companies under the list of consumer good shares based on sub-industry on the IDX which is divided into 11 sub-industry and a total of 87 companies listed. As preliminary research is conducted to skim through the levels of companies within the industry, below are some companies profiles from top, middle, and biggest FMCG companies in Indonesia according to an IDX posted article. A high inventory turnover ratio is typically considered advantageous; a company with a high inventory turnover ratio and low D/E ratio meaning that the company has a small amount of debt and relatively finances their operations with equity or their retained earnings instead of borrowing from other parties. Middle tier is defined for those who still maintain a high to medium turnover ratio, but still are able to keep their D/E ratio relatively low to medium. While, a company who falls into the low tier category means they have a low turnover ratio, with a small gross margin, and high debt-equity ratio. By having a low turnover ratio, it shows that the company often indicates that the company is not managing inventory effectively. The ideal inventory turnover ratio is between 5 and 10 [7]. To better identify and group 87 of the listed companies, the analysis began with classifying these companies into three sub categories according to their inventory turnover rate. As for the D/E ratio, the optimal D/E ratio will tend to vary by industry, but the general consensus is that it should not exceed 2.0 [8]. Preliminary sorting for all the companies under FMCG categories is done to simplify the analysis process, narrowing the number of companies to be analyzed, and picking out better correlations through the company's detailed annual financial reports in 2022. To ensure that the analysis will also have a comparative analysis from bigger and more successful companies; a list of biggest FMCG companies in Indonesia is obtained from IDX curated lists [9]. The process then is continued through these companies' published financial statements in the year of 2022 to be able to pick a sample of companies based on their net income and their overall performances. The top tier companies based on inventory turnover and debt to equity ratio can be seen in Figure 3. The middle tier companies based on inventory turnover and debt to equity ratio can be seen in Figure 4. The bottom tier companies based on inventory turnover and debt to equity ratio can be seen in Figure 5. The biggest and best performing FMCG companies in Indonesia based on inventory turnover and debt to equity ratio can be seen in Figure 6. This research paper will anchor and utilize secondary data derived from the companies' website within the investors segmentation where the companies have publicly posted their financial and annual reports

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of the related years of analysis. Other sources include reputable journals, mass media, and online articles related to the companies' current situation or recents news.

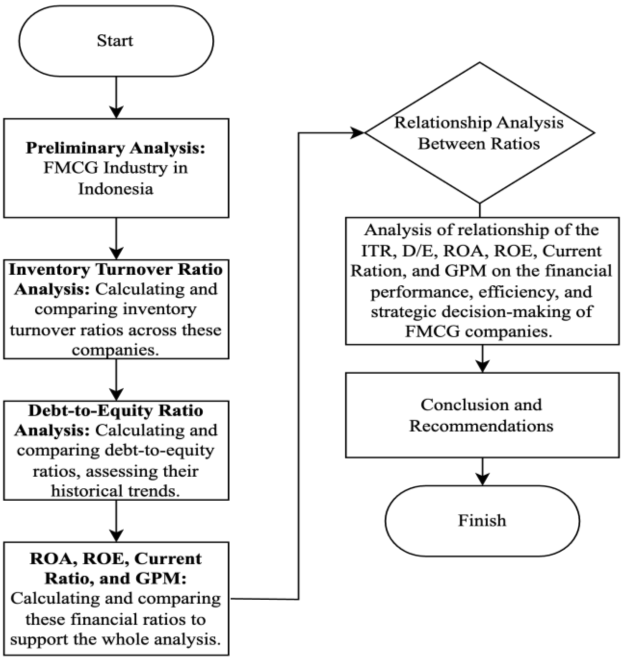

Figure 2. Flowchart Methodology and Research Design (Author, 2023)

Company's Name	Inventory Turnover	Debt to Equity Ratio	Return on Assets	Return on Equity	Current Ratio	Gross Profit Margin
PT Andira Agro Tbk.	15.13	0.73	-11.05%	-21.04%	1.07	-0.32%
PT Estika Tata Tiara Tbk.	16.23	1.63	2.68%	14.63%	0.58	23.36%
PT Buyung Poetra Sembada Tbk	10.37	0.22	-1.43%	-1.94%	2.29	9.28%
PT Prima Cakrawala Abadi Tbk.	9.76	0.27	6.83%	10.12%	11.74	11.02%

Figure 3. Top Tier Companies Based on Inventory Turnover and Debt to Equity Ratio [2]

Company's Name	Inventory Turnover	Debt to Equity Ratio	Return on Assets	Return on Equity	Current Ratio	Gross Profit Margin
PT FKS Food Sejahtera Tbk.	5.29	0.50	-0.49%	-1.06%	0.69	39.13%
PT Austindo Nusantara Jaya Tbk.	5.81	0.35	0.24%	0.35%	1.18	21.61%
PT Nippon Indosari Corpindo Tbk.	6.02	0.42	9.72%	17.33%	1.37	55.04%
PT Tigaraksa Satria Tbk.	5.45	0.01	11.15%	24.86%	1.96	9.30%

Figure 4. Middle Tier Companies Based on Inventory Turnover and Debt to Equity Ratio [2]

Company's Name	Inventory Turnover	Debt to Equity Ratio	Return on Assets	Return on Equity	Current Ratio	Gross Profit Margin
PT Duta Intidaya Tbk.	1.88	7.46	-7.69%	-911.26%	0.76	31.70%
PT Jaya Agra Wattie Tbk.	2.7	32.65	-10.11%	-440.92%	0.44	2.07%
PT Matahari Putra Prima Tbk.	2.29	44.13	-11.45%	-142.06%	0.73	16.84%
PT Panca Mitra Multiperdana Tbk	0.48	2.14	1.31%	4.54%	1.19	19.03%

Figure 5. Bottom Tier Companies Based on Inventory Turnover and Debt to Equity Ratio [2]

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Company's Name	Inventory Turnover	Debt to Equity Ratio	Return on Assets	Return on Equity	Current Ratio	Gross Profit Margin
PT Akasha Wira International Tbk.	2.42	-	21.45%	25.58%	4.34	53.26%
PT Indofood CBP Sukses Makmur Tbk.	3.44	1.09	7.01%	20.36%	3.49	36.10%
PT Mayora Indah Tbk	2.72	0.38	12.31%	20.79%	2.8	26.87%
PT Unilever Indonesia Tbk.	4.08	-	26.12%	91.84%	0.73	50.49%

Figure 6. Biggest and Best Performance FMCG Companies in Indonesia Based on Inventory Turnover and Debt to Equity Ratio [2]

RESULT AND DISCUSSION

A. *Analysis of FMCG Companies with Positive Net Income*

From the curated lists as a result of the preliminary analysis and investigated through intermediary media by browsing the official website of the companies, only companies that have issued a complete and audited financial statements, do not experience losses in the financial statements during the observation period, and have complete data relating to the variables in this study will be chosen to compare the inventory turnover ratio, D/E, and ROA for the study. The relationship between the value of inventory turnover ratio and D/E ratio could then be integrated through using the calculation of the ROA to clearly see the impact of inventory turnover and D/E ratio. Taken from the representative of companies from each tier are the snippets of the company's 2022 income statements and balance sheet to be able to calculate the ROA value by dividing the net income and the total assets of the year. The calculation of inventory turnover Ratio, DER, ROA, ROE, CR, and GPM can be seen from Figure 7 to Figure 14.

Company's Name	2022			2021		
	COGS	Inventory	ITR	COGS	Inventory	ITR
PT Buyung Poetra Sembada Tbk	Rp823,698,275,632	Rp43,372,601,848	18.99	Rp820,501,051,093	Rp149,626,654,775	5.48
PT Tigaraksa Satria Tbk	Rp11,567,909,794,3	Rp1,010,532,628,845	11.45	Rp10,410,532,187,393	Rp905,217,754,055	11.50
PT Akasha Wira International Tbk	Rp620,240,000,000	Rp148,141,000,000	4.19	Rp435,507,000,000	Rp98,316,000,000	4.43

Figure 7. Calculation of Inventory Turnover Ratio

Company's Name	2022			2021		
	Total Liabilities	Total Shareholders' Equity	DER	Total Liabilities	Total Shareholders' Equity	DER
PT Buyung Poetra Sembada Tbk	Rp142,744,113,133	Rp668,859,547,083	0.21	Rp313,387,193,288	Rp674,176,387,075	0.46
PT Tigaraksa Satria Tbk	Rp2,136,471,733,07	Rp2,045,289,129,558	1.04	Rp1,643,370,252,313	Rp1,760,590,755,177	0.93
PT Akasha Wira International Tbk	Rp310,746,000,000	Rp1,334,836,000,000	0.23	Rp334,291,000,000	Rp969,817,000,000	0.34

Figure 8. Calculation of D/E Ratio

Company's Name	2022			2021		
	Net Income	Total Assets	ROA	Net Income	Total Assets	ROA
PT Buyung Poetra Sembada Tbk	Rp21,068,111,272	Rp811,603,660,216	2.60%	Rp36,702,247,715	Rp987,563,580,363	3.72%
PT Tigaraksa Satria Tbk	Rp478,266,312,889	Rp4,181,760,862,637	11.44%	Rp481,109,483,989	Rp3,403,961,007,490	14.13%
PT Akasha Wira International Tbk	Rp364,972,000,000	Rp1,645,582,000,000	22.18%	Rp265,758,000,000	Rp1,304,108,000,000	20.38%

Figure 9. Calculation of ROA

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Company's Name	2022			2021		
	ITR	DER	ROA	ITR	DER	ROA
PT Buyung Poetra Sembada Tbk	18.99	0.21	2.60%	5.48	0.46	3.72%
PT Tigaraksa Satria Tbk	11.45	1.04	11.44%	11.50	0.93	14.13%
PT Akasha Wira International Tbk	4.19	0.23	22.18%	4.43	0.34	20.38%

Figure 11. Comparison of Inventory Turnover Ratio, DER, ROA

Company's Name	2022			2021		
	Net Income	Total Equity	ROE	Net Income	Total Equity	ROE
PT Buyung Poetra Sembada Tbk	Rp21,068,111,272	Rp668,859,547,083	3.15%	Rp36,702,247,715	Rp674,176,387,075	5.44%
PT Tigaraksa Satria Tbk	Rp478,266,312,889	Rp2,045,289,129,558	23.38%	Rp481,109,483,989	Rp1,760,590,755,177	27.33%
PT Akasha Wira International Tbk	Rp364,972,000,000	Rp1,334,836,000,000	27.34%	Rp265,758,000,000	Rp969,817,000,000	27.40%

Figure 12. Calculation of ROE

Company's Name	2022			2021		
	Current Assets	Current Liabilities	Current Ratio	Current Assets	Current Liabilities	Current Ratio
PT Buyung Poetra Sembada Tbk	Rp389,697,575,028	Rp119,206,775,342	3.27	Rp450,325,961,390	Rp280,958,063,589	1.60
PT Tigaraksa Satria Tbk	Rp3,716,526,690,78	Rp1,806,905,964,718	2.06	Rp3,071,867,706,530	Rp1,319,656,849,510	2.33
PT Akasha Wira International Tbk	Rp815,319,000,000	Rp254,719,000,000	3.20	Rp673,394,000,000	Rp268,367,000,000	2.51

Figure 13. Calculation of Current Ratio

Company's Name	2022			2021		
	Gross Profit	Revenue	GPM	Gross Profit	Revenue	GPM
PT Buyung Poetra Sembada Tbk	Rp102,010,710,008	Rp925,708,985,640	11.02%	Rp113,096,136,491	Rp933,597,187,584	12.11%
PT Tigaraksa Satria Tbk	Rp1,409,619,499,65	Rp12,977,529,294,003	10.86%	Rp1,515,617,792,626	Rp11,926,149,980,019	12.71%
PT Akasha Wira International Tbk	Rp670,752,000,000	Rp1,290,992,000,000	51.96%	Rp499,568,000,000	Rp935,075,000,000	53.43%

Figure 14. Calculation of Gross Profit Margin

1) Debt Analysis of FMCG Company from Top Tier Lists

PT Buyung Poetra Sembada Tbk (HOKI) was established in 2003 with the main commodities of rice. The company's main rice products are Topi Koki Setra Ramos, Beras Harum, Slyp Kuning, Long Grain, HOK-1 Hijau, HOK-1 Pink, BPS Setra Ramos, Rumah Limas, Super Belida, etc. The Company also produces private label rice that is marketed through modern retail channels, including mini-markets and supermarkets. Amongst the other companies that were listed, HOKI is one of the companies who have positive net sales and operating profit for the year 2022 as shown in Figure 10.

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LAPORAN PENDAPATAN PER SEGMEN USAHA / STATEMENTS OF FINANCIAL POSITION

(Dalam Rupiah / In Rupiah)

Keterangan / Description	31 Desember			
	2022	2021	2020	2019
Penjualan Beras / Rice Sales	903.817.633.740	919.197.187.584	1.167.189.488.886	1.653.031.823.505
Sewa Mesin Pembangkit Listrik / Rent a Power Plant Machine	14.400.000.000	14.400.000.000	6.000.000.000	-
Industri Lainnya / Other Receivables	7.491.351.900	-	-	-
Total Penjualan / Total Sales	925.708.985.640	933.597.187.584	1.173.189.488.886	1.653.031.823.505

LAPORAN LABA RUGI KOMPREHENSIF/ STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

(Dalam Rupiah / In Rupiah)

Keterangan / Description	31 Desember			
	2022	2021	2020	2019
Penjualan Bersih / Net Revenues	925.708.985.640	933.597.187.584	1.173.189.488.886	1.653.031.823.505
Beban Pokok Penjualan / Cost of Goods Sold	(823.698.275.632)	(820.501.051.093)	(1.029.660.122,589)	(1.412.661.195.702)
Laba Bruto / Gross Profit	102.010.710.008	113.096.136.491	143.529.366.297	240.370.627.803
Beban Usaha / Operating Expenses				
Beban Penjualan / Selling Expenses	(49.823.492.462)	(29.184.335.807)	(28.970.674.554)	(31.124.408.909)
Beban Umum dan Administrasi / General and Administrative Expenses	(80.942.598.736)	(48.098.226.064)	(45.806.404.297)	(49.741.922.229)
Laba Usaha / Operating Profit	21.068.111.272	35.813.574.620	68.752.287.446	159.504.296.665

Figure 10. PT Buyung Poetra Sembada Financial Highlights [10]

Deep diving into financial statements of PT Buyung Poetra Sembada Tbk, has utilized their liabilities more towards short-term bank loans compared to the number in their long term section. One thing noticed was that the company's third party trade payables were newly recorded in 2022 amounting to Rp 20.8 billion. This is due to consolidated liabilities to PT Buyung Putra Pangan and PT Astha Beras Perkasa that were not previously reported in 2021. In 2022, PT Buyung Poetra Sembada, total assets decreased by 17.28% to Rp 811.60 billion (Rp 389.70 billion total current assets and Rp 421.91 billion total non current assets), compared to Rp 987.56 billion in 2021. HOKI managed its finances well, with debt significantly reduced by 54.45% to Rp 142.74 billion in 2022, compared to Rp 313.39 billion in 2021. However, there was also a decline in equity, which decreased by 0.79% to Rp 668.86 billion, compared to Rp 674.18 billion in 2021.

As for the company's liabilities, its short-term liabilities decreased by 57.57% from Rp 280.96 billion to Rp 119.21 billion. The company's decrease in short-term liabilities was mainly due to the decrease in short-term bank loans from Rp 262.06 billion to Rp 79.18 billion. At the same time, their long term liabilities have also decreased due a decline in long-term bank loans to Rp 3.35 billion from Rp 13.42 billion in 2021. This is aligned with liability payments of Rp 220.06 billion as the company has made significant liability payments for bank loans netted off by the proceeds from additional short-term bank loans of Rp 90 billion and additional share capital of Rp 25 million, resulting in cash outflow of Rp 141 billion. Their solvency as shown by their ability to pay their debt is also reflected through their D/E ratio which has been calculated amounting to 0.21 and has decreased compared to the number in 2022 which is 0.46. This can be an indicator that the company can manage their liabilities properly. Even though the company has experienced cash outflows in 2022, the company's cash flows from operating activities have increased majorly from receipts from customers reflecting an active

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flow of their sold inventory which was also reflected in the calculation of the company's inventory turnover ratio amounting to 18.99.

2) Debt Analysis of FMCG Company from Middle Tier Lists

To vary the example of the relationship between inventory turnover rate and D/E ratio. PT Tigaraksa Satria Tbk (TGKA) produced formula milk for baby & children, home food products and are famously renowned brands such as Greenfield, Quaker, Colgate, and many more. From the curated middle tier lists, TGKA had the lowest value of D/E ratio which is 0.01. The company is also famously known for their brands namely *Quaker, Dua Belibis, Kopi Kenangan, Greenfields, Milklife*, and many more. These brands are segmented into baby & child nutritional products, food products, non food products, and cold chain products.

The company's financial highlights showed that their sales revenue have increased from 2021 to 2022 as well as their D/E ratio from 0.93 to 1.04 this is aligned with the increase of their total liabilities and total equity throughout the year. The consolidated sales revenue of the company has increased from Rp 11,926 billion to Rp 12,977; this shows that the company has been on positive growth. Related to the calculation of decreasing return on assets number, from 14.13% to 11.44%. The decrement could then be due to the increase of total assets, but relatively similar value of net income from 2021 to 2022. The increase of its total assets by Rp 777.80 billion which was mostly attributable due to cash and cash equivalents, inventories, and trade receivables. This means that the company relies more on equity or working capital financing compared to debt financing. Additionally, as the company has made additional purchases of fixed assets from the purchase of land in Klapanunggal-Bogor for their cold storage facility new construction [11]. From the given snippets from PT Tigaraksa Satria Tbk 2022 annual report, it can be seen that the numbers of their total liabilities and total equity are relatively the same resulting in a low D/E ratio value. A low D/E ratio suggests that a significant portion of the company's financing comes from equity sources, such as shareholders' investments and retained earnings. This is proven from a snippet of the company's audited financial statements (as shown in Figure 11); that by the end of 2022, the company has no outstanding balance of bank loan. PT Tigaraksa Satria Tbk financial highlights can be seen in Figure 15.

15. UTANG BANK DAN CERUKAN	*15. BANK LOANS AND OVERDRAFT*
Pada tanggal 31 Desember 2022 dan 2021, Perusahaan tidak memiliki saldo utang bank dan cerukan, penggunaan fasilitas Perusahaan adalah dari fasilitas bank garansi dan fasilitas solusi rantai pasokan.	*On December 31, 2022 and 2021, the Company has no oustanding balance of bank loans and overdraft, used of facility by the Company is from bank guarantee facility and supply chain facility.*
Berikut ini fasilitas kredit dan cerukan bank yang dimiliki Perusahaan pada tanggal 31 Desember 2022 dan 2021:	*The following are the credit facilities and bank overdrafts owned by the Company as at December 31, 2022 and 2021:*

Figure 15. PT Tigaraksa Satria Tbk Financial Statements Notes 15 [12]

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Ikhtisar Data Keuangan
Financial Highlights

Dalam Jutaan Rupiah / In IDR million

Informasi Hasil Usaha	2022	2021	2020	2019	2018	Brief Income Statement
Pendapatan Penjualan	**12.977.529**	11.926.150	12.488.884	13.372.044	12.940.108	Sales Revenue
Beban Pokok Penjualan	**11.567.910**	10.410.532	10.806.685	11.691.107	11.524.839	Cost of Good Sold
Laba Bruto	**1.409.619**	1.515.618	1.682.199	1.680.937	1.415.269	Gross Profit
Laba Bersih Tahun Berjalan	**478.266**	481.109	478.561	428.419	318.607	Net Profit For The Year
Laba Tahun Berjalan Pemilik Entitas Induk	**478.138**	481.097	478.558	428.416	309.753	Profit For The Year of Owners of Parent Entity
Laba Tahun Berjalan Keptgn Non-Pengendali	**128**	12	3	3	8.854	Profit For The Year of Non-Controlling Interest
Penghasilan Komprehensif Lain Setelah Pajak	**5.216**	11.467	(6.771)	236	8.433	Other Comprehensive Income - After Tax
Penghasilan Komprehensif	**483.482**	492.576	471.790	428.655	327.040	Comprehensive Income
Penghasilan Komprehensif Entitas Induk	**483.260**	492.563	471.787	428.652	316.699	Comprehensive Income of Parent Entity
Penghasilan Komprehensif Non-Pengendali	**222**	13	3	3	10.341	Comprehensive Income of Non-Controlling

Informasi Hasil Keuangan	2022	2021	2020	2019	2018	Brief Balance Sheet
Aset Lancar	**3.716.527**	3.071.868	3.067.117	2.761.096	3.293.439	Current Assets
Aset Tetap	**168.528**	78.301	77.141	86.889	94.064	Fixed Assets
Aset Hak Guna	**60.078**	59.561	63.471	-	-	Right of Use Assets
Aset Tidak Berwujud	**16.142**	15.631	19.465	22.819	8.981	Intangible Assets
Aset Lainnya	**220.486**	178.600	198.233	125.068	89.026	Other Assets
Jumlah Aset	**4.181.761**	3.403.961	**3.361.956**	**2.995.872**	**3.485.510**	**Total Assets**
Liabilitas Jangka Pendek	**1.806.906**	1.319.657	1.406.291	1.281.094	1.928.699	Current Liabilities
Liabilitas Jangka Panjang	**329.566**	323.713	356.993	322.779	308.959	Non Current Liabilities
Jumlah Liabilitas	**2.136.472**	1.643.370	**1.763.284**	**1.603.873**	**2.237.658**	**Total Liabilities**
Ekuitas Kepentingan Non-pengendali	**72.419**	26	13	11	9.898	Equity of Non-controlling Interest
Ekuitas Pemilik Entitas Induk	**1.972.870**	1.760.565	1.598.659	1.391.988	1.237.954	Equity of Owners of Parent Entity
Jumlah Ekuitas	**2.045.289**	1.760.591	**1.598.672**	**1.391.999**	**1.247.852**	**Total Equity**
Jumlah Liabilitas dan Ekuitas	**4.181.761**	3.403.961	**3.361.956**	**2.995.872**	**3.485.510**	**Total Liabilties and Equity**

Rasio Keuangan & Informasi Penting Lainnya	2022	2021	2020	2019	2018	Financial Ratio & Other Important Information
Rasio Keuangan (dalam %)						**Financial Ratio (in %)**
Laba Bersih Tahun Berjalan / Ekuitas	**23,4**	**27,3**	29,9	30,8	25,5	Return on Equity
Laba Bersih Tahun Berjalan / Jumlah Aktiva	**11,4**	**14,1**	14,2	14,3	9,1	Return on Assets
Laba Bersih Tahun Berjalan / Penjualan Bersih	**3,7**	**4,0**	3,8	3,2	2,5	Return on Sales
Aset Lancar / Liabilitas Jangka Pendek	**205,7**	**232,8**	218,1	215,5	170,8	Current Ratio
Liabilitas / Ekuitas	**104,5**	**93,3**	110,3	115,2	179,3	Debt to Equity
Liabilitas / Jumlah Aset	**51,1**	**48,3**	52,4	53,5	64,2	Debt to Assets
Ekuitas / Jumlah Aset	**48,9**	**51,7**	47,6	46,5	35,8	Equity to Assets
Informasi Penting Lainnya						**Other Important Information**
Jumlah Saham Beredar (ribuan saham)	**918.493**	**918.493**	918.493	918.493	918.493	Total Shares Listed (in thousands)
Laba per Saham (Rp):						Earnings per Share (IDR):
* Laba Bersih Pemilik Entitas Induk (Rp)	**521**	**524**	521	466	337	Net Profit of Owners of Parent Entity (IDR) *
Ekuitas per Saham (Rp)	**2.227**	**1.917**	1.741	1.516	1.359	Equity per Share (IDR)
Dividend Tunai per Saham (Rp)	**330,00**	**325,00**	320,00	204,00	160,00	Cash Dividend per Share (IDR)
Dividend Saham (Rp)	**-**	**-**	-	-	-	Stock Dividend (IDR)
Jumlah hari rata-rata Piutang Usaha	**32**	**30**	28	29	32	Number of Days Sales in Trade A/R
Jumlah hari Persediaan Barang	**30**	**27**	23	32	38	Number of Inventory Days

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Figure 16. PT Tigaraksa Satria Tbk Financial Highlights [11]

The company's biggest value in liabilities lies on third parties trade payables, meaning that they owed their suppliers mainly for purchases of raw materials and merchandise inventory amounting to Rp 1,302,423,254,905. This may suggest that

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TGKA is taking an extended period of time to pay its supplier as part of their capital management strategy. By having an extended payment period, companies can improve their short term cash flow to allow the company with more liquid cash to fund day-to-day operations, other investments, or debt reduction.

3) Debt Analysis of Biggest FMCG Companies in Indonesia

Amongst the biggest companies, one of the companies who experienced an increase in their net income with a relatively low D/E ratio is PT Akasha Wira International Tbk (ADES). PT Akasha Wira International Tbk, was previously incorporated under the name PT Alfindo Putrasetia in 1985 and was recently changed in 2010 to its current name today as PT Akasha Wira International Tbk. In 1994 the company officially became IPO when it listed its 38,000,000 shares at Jakarta Stock Exchange. Looking at their annual reports in 2022, ADES has significantly experienced increments from the year 2018 up to 2022 both within their net sales as well as their net income. The total increment of the net income is up to idr 312,014 million shown in Figure 17.

(Rp juta)	2022	2021	2020	2019*	2018	(Rp million)
Penjualan Bersih	1.290.992	935.075	673.364	764.703	804.302	Net Sales
Beban Pokok Penjualan	(620.240)	(435.507)	(330.799)	(417.281)	(415.212)	Cost of Goods Sold
Laba Kotor	670.752	499.568	342.565	347.422	389.090	Gross Profit
Beban Usaha	(218.215)	(171.347)	(180.603)	(226.704)	(297.968)	Operating Expense
Laba Usaha	452.537	328.221	161.962	120.718	91.122	Operating Income
Penghasilan (beban) lain-lain, bersih	11.771	9.607	5.957	(10.539)	(21.062)	Other Income - Net
Laba sebelum pajak penghasilan	464.308	337.828	167.919	110.179	70.060	Income before Income Tax
Laba Bersih	364.972	265.758	135.789	83.885	52.958	Net Income
Laba Bersih yang dapat diatribusikan ke entitas induk	364.972	265.758	135.789	83.885	52.958	Net Income Attributable to Parent Entity
Laba Bersih yang dapat diatribusikan ke kepentingan non-pengendali		-	-	-	-	Net Income Attributable to Non Controlling Interest
Jumlah Laba Komprehensif Tahun Berjalan	365.019	269.309	135.765	86.023	58.903	Total Comprehensive Income For The Year
Laba Komprehensif yang dapat diatribusikan ke entitas induk	365.019	269.309	135.765	86.023	58.903	Comprehensive Income Attributable to Parent Entity
Laba Komprehensif yang dapat diatribusikan ke kepentingan non-pengendali		-	-	-	-	Comprehensive Income Attributable to Non Controlling Interest
Jumlah saham beredar (dalam angka penuh)	**589.896.800**	**589.896.800**	**589.896.800**	**589.896.800**	**589.896.800**	**Number of Outstanding Shares (full amount)**
Laba Bersih per saham	619	451	230	142	90	Net Income per share
Modal Kerja Bersih	560.600	405.027	361.680	175.929	101.741	Net Working Capital
Aset Lancar	815.319	673.394	545.239	351.120	364.138	Current Assets
Aset Tetap - Bersih	708.363	503.588	351.626	405.448	447.249	Fixed Assets - Net
Aset Tidak Lancar Lain	121.900	127.126	61.926	65.807	69.888	Other Non-Current Assets
Jumlah Aset	**1.645.582**	**1.304.108**	**958.791**	**822.375**	**881.274**	**Total Assets**
Liabilitas Jangka Pendek	254.719	268.367	183.559	175.191	262.396	Current Liabilities
Liabilitas Pajak Tangguhan - Bersih	19.995	21.999	20.762	25.819	18.563	Deferred Tax Liabilities - Net
Liabilitas Jangka Panjang Lain	36.032	43.925	53.962	53.428	118.400	Other Non-Current Liabilities
Jumlah Liabilitas	**310.746**	**334.291**	**258.283**	**254.438**	**399.360**	**Total Liabilities**
Jumlah Ekuitas	**1.334.836**	**969.817**	**700.508**	**567.937**	**481.914**	**Total Equity**

Figure 17. PT Akasha Wira International Tbk Financial Highlights [13]

PT Akasha Wira International Tbk, is engaged in bottled water, cosmetics, soap & household cleaning products, beverages and food industry. It is most famous for their bottled mineral water sold in Indonesia called Nestle Pure Life; the company produces and distributes bottled water products in bottles of 330 ml, 600 ml and 1500 ml. Additionally, ADES also produces soy milk under the brand Pureal and the infamous Mujigae brand that acted as a third party brand licensed in producing banana flavored milk, and other Korean fast food dishes. However, ADES does not only produce their own bottled water, but in order to maximize their factory facilities; ADES has also agreed to produce bottled drinking water owned by other companies in third party factories through tolling services. The company has been seen to consistently increase sales from 2021 to 2022 from Rp 265.7 billion to Rp 364.9 billion. Along with the increase of its profit, total equity of the company has also increased to Rp 1,344.8 billion compared to 2021.

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ADES has utilized their liability portion more on their trade liabilities amounting to Rp 112,266 million. The company's trade payables represent payables to third parties for the purchases of raw materials, packaging materials, indirect materials as well as finished goods for sale. This is supported by looking at the company's statement of cash flow indicating that their cash outflows related to cash payments to/for suppliers have significantly increase from Rp 374,135 million to Rp 608,528 million in 2022; additionally the company's statement of cash flows also showed that the company has been able to finance their operating activities from through their retained earning aligned with the increase of total equity and cash inflows generated from operating activities and increment of cash received from customers.

Significantly as the company's total liabilities have decreased from Rp 334.3 billion in 2021 to Rp 310.7 billion in 2022; the result of the calculation of the company's D/E ratio have also increased throughout the year. This is due to the decrease of liabilities and increase of total equity. As a result this interpretation shows that the company is relying less on debt and has a lower level of financial leverage. Indeed, there are a lot of factors affecting the ability of ADES to decrease their liability and D/E ratio, which might be due to their strategy to allocate cash flow towards existing debt obligations to reduce outstanding debt and lower the D/E ratio. Additionally, ADES might also allocate more to focus on organic growth as indicated through the increase in sales from 2021 to 2022, improving operational efficiency, and expanding margins, generating internal cash flow to fund operations and reduce dependence on external debt.

B. *Analysis of FMCG Companies with Negative Net Income*

To be able to see business performance comprehensively, comparisons of companies with negative income will also be included. The company will be taken from each tier results of the paper preliminary analysis; again through intermediary media by browsing the official website of the companies, only companies that have issued a complete and audited financial statements, and have complete data relating to the variables in this study will be chosen to compare the inventory turnover ratio, D/E, and ROA for the study. The calculation of inventory turnover ratio, DER, ROA, ROE, CR, and GPM for companies with negative net income can be seen from Figure 18 to Figure 24.

Company's Name	2022			2021		
	COGS	Inventory	ITR	COGS	Inventory	ITR
PT Andira Agro Tbk	Rp295,077,013,708	Rp7,856,289,971	37.56	Rp308,195,161,023	Rp16,227,311,781	18.99
PT FKS Food Sejahtera Tbk	Rp1,355,222,000,000	Rp142,369,000,000	9.52	Rp1,179,813,000,000	Rp99,466,000,000	11.86
PT Matahari Putra Prima Tbk	Rp5,735,720,000,000	Rp927,806,000,000	6.18	Rp5,458,528,000,000	Rp1,051,099,000,000	5.19

Figure 18. Calculation of Inventory Turnover Ratio for Companies with Negative Net Income

Company's Name	2022			2021		
	Total Liabilities	Total Shareholders' Equity	DER	Total Liabilities	Total Shareholders' Equity	DER
PT Andira Agro Tbk	Rp205,516,461,751	Rp238,693,908,651	0.86	Rp233,415,595,104	Rp249,265,757,028	0.94
PT FKS Food Sejahtera Tbk	Rp1,048,489,000,000	Rp777,861,000,000	1.35	Rp927,877,000,000	Rp833,757,000,000	1.11
PT Matahari Putra Prima Tbk	Rp3,618,854,000,000	Rp166,017,000,000	21.80	Rp4,066,083,000,000	Rp584,405,000,000	6.96

Figure 19. Calculation of D/E Ratio for Companies with Negative Net Income

Company's Name	2022			2021		
	Net Income	Total Assets	ROA	Net Income	Total Assets	ROA
PT Andira Agro Tbk	-Rp10,787,670,426	Rp444,210,370,402	-2.43%	-Rp3,121,384,649	Rp482,681,352,132	-0.65%
PT FKS Food Sejahtera Tbk	-Rp62,359,000,000	Rp1,826,350,000,000	-3.41%	Rp5,762,000,000	Rp1,761,634,000,000	0.33%
PT Matahari Putra Prima Tbk	-Rp429,634,000,000	Rp3,784,871,000,000	-11.35%	-Rp337,548,000,000	Rp4,650,488,000,000	-7.26%

Figure 20. Calculation of ROA for Companies with Negative Net Income

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Company's Name	2022			2021		
	ITR	DER	ROA	ITR	DER	ROA
PT Andira Agro Tbk	37.56	0.86	-2.43%	18.99	0.94	-0.65%
PT FKS Food Sejahtera Tbk	9.52	1.35	-3.41%	11.86	1.11	0.33%
PT Matahari Putra Prima Tbk	6.18	21.80	-11.35%	5.19	6.96	-7.26%

Figure 21. Comparison of Inventory Turnover Ratio, DER, ROA for Companies with Negative Net Income

Company's Name	2022			2021		
	Net Income	Total Equity	ROE	Net Income	Total Equity	ROE
PT Andira Agro Tbk	-Rp10,787,670,426	Rp238,693,908,651	-4.52%	-Rp3,121,384,649	Rp249,265,757,028	-1.25%
PT FKS Food Sejahtera Tbk	-Rp62,359,000,000	Rp1,826,350,000,000	-3.41%	Rp5,762,000,000	Rp1,761,634,000,000	0.33%
PT Matahari Putra Prima Tbk	-Rp429,634,000,000	Rp166,017,000,000	-258.79%	-Rp337,548,000,000	Rp584,405,000,000	-57.76%

Figure 22. Calculation of ROE for Companies with Negative Net Income

Company's Name	2022			2021		
	Current Assets	Current Liabilities	Current Ratio	Current Assets	Current Liabilities	Current Ratio
PT Andira Agro Tbk	Rp77,817,661,367	Rp51,320,417,645	1.52	Rp80,917,168,328	Rp57,823,359,870	1.40
PT FKS Food Sejahtera Tbk	Rp558,960,000,000	Rp827,907,000,000	0.68	Rp432,800,000,000	Rp720,020,000,000	0.60
PT Matahari Putra Prima Tbk	Rp1,543,309,000,000	Rp2,298,872,000,000	0.67	Rp2,063,277,000,000	Rp2,442,484,000,000	0.84

Figure 23. Calculation of Current Ratio for Companies with Negative Net Income

Company's Name	2022			2021		
	Gross Profit	Revenue	GPM	Gross Profit	Revenue	GPM
PT Andira Agro Tbk	Rp22,778,631,994	Rp317,885,645,702	7.17%	Rp38,169,834,395	Rp346,364,995,418	11.02%
PT FKS Food Sejahtera Tbk	Rp488,538,000,000	Rp1,843,760,000,000	26.50%	Rp341,066,000,000	Rp1,520,879,000,000	22.43%
PT Matahari Putra Prima Tbk	Rp1,281,810,000,000	Rp7,017,530,000,000	18.27%	Rp1,196,694,000,000	Rp6,655,222,000,000	17.98%

Figure 24. Calculation of GPM for Companies with Negative Net Income

1) **Debt Analysis of FMCG Company from Top Tier Lists (Negative Net Income)**

PT Andira Agro Tbk or ANDI as an abbreviation of the company's stock name was established in 1995 with main commodities producing Crude Palm Oil and Palm Kernel. According to ANDI 2022 annual report, the company had actually experienced decrement in four sectors of the financial aspects. The company's Palm Oil Mill produced Crude Palm Oil and Palm Kernel which were then sold to palm oil refining companies and Palm Kernel processing factories. The decrement of revenue of 8.23%, operating loss of 207.16%, assets of 7.97% and equity of 4.24% compared to 2021. As stated on their annual report, The company's expenses consist of losses from changes in the fair value of agricultural products, operating expenses and other expenses. Losses from changes in the fair value of agricultural products in 2022 amounted to Rp 5.97 billion or decreased by 189.43% from profits in 2021 of Rp 6.68 billion. As shown in Figure 25; ANDI has experienced significant changes in their operating income from a positive amount in 2020, to negative in 2022 amounting to Rp -10,540,607,840. While their COGS movement did not align with the downturn of their net income, their D/E ratio has decreased notably from the year 2020 to 2022.

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Keterangan	% Tahun Lalu % Previous Year	2022	2021	2020	Description
Penjualan Bersih	(8,23%)	**317.855.645.702**	346.364.995.418	260.214.446.632	Net Sales
Beban Pokok Penjualan	4,26%	**(295.077.013.708)**	(308.195.161.023)	(217.871.436.903)	Cost of Good Sold
Laba Bruto	(40,32%)	**22.778.631.994**	38.169.834.395	42.343.009.729	Gross Profit
Laba (Rugi) Usaha	(207,16%)	**(10.540.607.940)**	9.836.223.212	940.654.542	Operating Income (Loss)
Rugi Sebelum Pajak Penghasilan	113,29%	**(12.004.143.654)**	(5.628.014.552)	(14.233.476.153)	Loss Before Income Tax
Rugi Tahun Berjalan	245,61%	**(10.787.670.426)**	(3.121.384.649)	(10.170.233.789)	Loss for The Year
Rugi Komprehensif Tahun Berjalan	645,79%	**(10.571.848.377)**	(1.417.532.188)	(8.489.221.191)	Comprehensive Loss for The Year
Rugi Per Saham - Dasar	(248,48%)	**(1,15)**	(0,33)	(1,09)	Loss per Share - Basic

Rasio Keuangan	2022	2021	2020	Financial Ratio
Rasio Laba/Aset (Roa)	-2,43%	-0,65%	-2,12%	Return on Assets
Rasio Laba/Ekuitas (Roe)	-4,52%	-1,25%	-4,06%	Return on Equity
Rasio Rugi Bersih/ Penjualan (Pmr)	-3,39%	-0,90%	-3,91%	Net Profit Margin (Npm) Ratio
Rasio Lancar	1,516x	1,399x	0,894x	Current Ratio
Rasio Utang/Ekuitas (Der)	0,861x	0,936X	0,912x	Debt to Equity Ratio
Rasio Utang/Aset (Dar)	0,463x	0,484x	0,477x	Debt to Assets Ratio
Rasio Kolektibilitas Piutang	101,802x	119,643x	42,631x	Collectability of Receivables Ratio

Figure 25. PT Andira Agro Tbk Financial Highlights [14]

Deep diving into financial statements of PT Andira Agro Tbk, the company has higher numbers on their long term debt which to be more specific are their bank loans amounting to Rp 149,574,270,840 while their payables to their supplier is only Rp 19,694,689,294. This indicates that ANDI has taken on long-term debt, such as bonds or loans, to finance capital investments, expand operations, or support long-term growth initiatives; the company has sought external financing for significant projects or investments. The correlation with their low D/E ratio below the value of two means that their company is financially stable and has a conservative approach to capital. A low D/E ratio often implies that the company is relying more on equity financing and has a lower financial risk. Maintaining a healthy balance between debt and equity, indicating lower financial risk and a stable financial position [15].

As the company's total liabilities in 2022 decreased from Rp 233.42 billion to Rp 205.52 billion due to the decrease in short and long-term liabilities. Their long-term debt has significantly decreased by 12.9% from Rp 175.59 billion to Rp 154.19 billion due to bank debt payments in 2022; align with the increase of cash outflows in payments of bank loans from financing activities from Rp 17,852 million to Rp 29,766 million in 2022. However, since ANDI manufactures their end product from their own raw material which they planted themselves, it is only obvious that their debt to the supplier is lower than their bank loan, since they might not need to buy a lot of their raw materials from a supplier.

2) Debt Analysis of FMCG Company from Middle Tier Lists

PT FKS Food Sejahtera with a stock code AISA, is an example of a company with a loss for the year amounting to Rp -62,359 million in 2022. From its financial highlights it can be seen that the company has experienced a consecutive amount of loss compared to its positive numbers in 2020 and 2021. PT FKS Food Sejahtera Tbk produces snacks, confectionaries,

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and cooking foods. Originally the product of AISA is the infamous dried egg noodle called *Cap Ayam 2 Telur*, and it has then expanded its range of products further. Ever since the company was listed in 1970, the company has been famously known for its snack brands; Taro. Taro is very well known for its adventurous, imaginative theme. Made from wheat, corn and potato flour, as well as other quality ingredients. PT FKS Food Sejahtera Tbk financial highlights can be seen in Figure 26.

IKHTISAR KEUANGAN
FINANCIAL HIGHLIGHTS

Dalam Jutaan Rupiah — In million Rupiah

Uraian	2022	2021	2020	Description
Laporan Posisi Keuangan				**Statements of Financial Position**
Jumlah Aset	1.826.350	1.761.634	2.011.557	Total Assets
Jumlah Liabilitas	1.048.489	927.877	1.161.688	Total Liabilities
Jumlah Ekuitas	777.861	833.757	849.869	Total Equity
Laporan Laba Rugi				**Income Statements**
Penjualan Neto	1.843.760	1.520.879	1.283.331	Net Sales
Laba Bruto	488.538	341.066	318.159	Gross Profit
Laba (Rugi) Usaha	(27.512)	50.067	2.131.973	Operating Income (Loss)
Laba (Rugi) Tahun Berjalan	(62.359)	5.762	1.204.972	Profit (Loss) for the Year
Laba (Rugi) Tahun Berjalan yang Dapat Diatribusikan Kepada:				Profit (Loss) for the Year Attributable to:
Pemilik Entitas Induk	(62.366)	5.751	1.205.212	Owners of the Parent
Kepentingan Non-Pengendali	7	11	(240)	Non-Controlling Interest
Jumlah Laba (Rugi) Komprehensif Lain Tahun Berjalan	(55.896)	(16.112)	1.206.930	Total of Other Comprehensive Income (Loss)
Jumlah Penghasilan (Rugi) Komprehensif Tahun Berjalan yang Dapat Diatribusikan Kepada:				Total of Comprehensive Income (Loss) for the year Attributable to:
Kepada Pemilik Entitas Induk	(55.903)	(16.124)	1.207.165	Owners of the Parent
Kepentingan Non-Pengendali	7	12	(235)	Non-Controlling Interest
Laba (Rugi) Bersih per Saham	(6,70)	0,62	243	Earnings (Loss) per Share

Figure 26. PT FKS Food Sejahtera Tbk Financial Highlights [16]

However, as the company's profit for the year has decreased consecutively; according to AISA's 2022 annual report their ROA was also decreasing. The decrease of ROA could be due to the increase of total assets by 3.67% or Rp 64.72 billion from Rp 1,761.63 billion in 2021 to Rp 1,826.35 billion. The increase in current assets was mainly driven by the increase in cash and cash equivalents, trade receivables, and inventories.

Total inventories in 2022 was Rp 142.37 billion, an increase of 43.13% or Rp 42.90 billion compared to Rp 99.47 billion in the previous year. The increase was caused by the increase in finished goods from Rp 25.78 billion to Rp 47.04 billion, raw materials from Rp 32.46 billion to Rp51.10 billion, packaging materials from Rp 35.16 billion to Rp 35.76 billion and supporting materials from Rp 1.93 billion to Rp 3.16 billion.

On the other hand, the decrement in ROA due to increase in asset is also reflected in the increase of cash flows used in investing activities; AISA recorded cash flows used in investing activities amounted to Rp 16.90 billion in 2022, decreased by 69.59% from 2021 that was Rp 55.57 billion. The decrease was mainly driven by fixed assets acquisition and intangible assets in 2022. Fixed assets increment was mostly due to the increase assets value from 2021 to 2022 of building from Rp 232,958 million to Rp 245,874 million, machinery value from Rp 463,480 to Rp 464.407 million, and factory equipment value from Rp 19,171 to Rp 22,822 million.

The D/E Ratio of the company has increased from 1.11 in 2021 to 1.35 in 2022 which significantly align with the increment of the company's total liabilities from Rp 927.88 million to Rp 1,048.49 million; this increase can also be shown on the increase of cash from financing activities. AISA recorded a positive increase in cash flows provided by financing activities amounted to Rp 88,632 million compared to 2021 which was only Rp 27,987 million. The increment was mainly due to the proceeds from short and long term bank loan in 2022.

However, looking at their complete income statement, the company has experienced an increase in their net sales, but it was not enough to cover the increase in their COGS and operating expenses that would definitely increase in alignment with net sales increases. As their inventory increases, hence there is also an increase in the payment to suppliers and other third parties on the cash flow section which explains that the company needs to borrow more money from its short and long term liabilities. As the D/E ratio increases from 2021 to 2022, it can be concluded that the company relies mostly on its proceeds for short and long term bank loans. This is aligned with the increase of recorded cash flows provided by financing activities amounting to Rp 88.63 billion in 2022 compared to the amount in 2021 which was only Rp 27.99 billion. The increase in cash inflows is mainly due to the proceeds from short-term and long-term bank loans in 2022.

3) Debt Analysis of FMCG Company from Bottom Tier Lists

As for the bottom tier lists, the first company to look at is the ones with relatively low inventory turnover rate, but very high D/E ratio which is PT Matahari Putra Prima Tbk with a share code MPPA. According to the data obtained from Stockbit, the company’s current condition is to have an inventory turnover at 2.29 and D/E ratio with a value of 44.13. PT Matahari Putra Prima Tbk, was established in 1986. Today the company is known as a retail group with supermarket brands such as Hypermart, FoodMart, HyFresh, Boston Health & Beauty, Primo Supermarket, and Food Mart Xpress. The company's main retail business is still carried out by Hypermart, which generated 85.7% of total revenue in 2022. Hypermart is one of the modern retail hypermarkets in Indonesia for families with middle income and is growing nationwide, with a wide selection of products including Grocery, Fresh Produce, Markets, Softlines and Electronic Products [17]. PT Matahari Putra Prima Tbk financial highlights can be seen in Figure 20.

As a FMCG company selling both fresh, frozen, as well as non perishable products MPPA should have had a higher inventory turnover rate than stated on Stockbit which should be at least above the value of 10. A low inventory turnover rate means that products are not selling as quickly as expected, which can lead to various problems. The problem that will be most detrimental to a supermarket with low inventory turnover is the risk of perishable goods spoilage. Supermarkets often carry perishable goods like fruits, vegetables, and dairy products. A low inventory turnover rate increases the risk of these items expiring or spoiling before they can be sold, leading to increased waste and financial losses. By analyzing MPPA latest audited financial statements in 2022.

By dividing the cost of goods sold related to the inventories amounting to Rp 5,735,720 by the amount of inventory of the period amounting to 927,806; the inventory turnover ratio for 2022 would be 6.2 which is still below the average ratio, but is higher than the preliminary data from Stockbit, on the side note that the data calculated from annual report of 2022 is for the whole year.

A low inventory turnover rate combined with a high D/E ratio could indicate potential financial challenges and operational inefficiencies. Several potential issues that might be faced by MPPA could be liquidity concerns, operational inefficiencies, risk of default, and/ or interest rate sensitivity. When a company faces liquidity concerns with a low inventory turnover rate the company is highly probable to struggle to convert its inventory into revenue or even cash quickly enough to meet their debt obligations.

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IKHTISAR KEUANGAN

FINANCIAL HIGHLIGHTS

Dalam miliar Rupiah, kecuali dinyatakan lain

In billion Rupiah, unless otherwise stated

Laporan Laba Rugi Dan Penghasilan Komprehensif Lain Konsolidasian	2022	2021	2020	Consolidated Statement Of Profit And Loss And Other Comprehensive Income
Penjualan Bersih	7,018	6,655	6,747	Net Sales
Laba Bruto	1,282	1,197	1,307	Gross Profit
Rugi Tahun Berjalan	(430)	(338)	(405)	Loss For The Year
Rugi Tahun Berjalan yang Dapat Diatribusikan kepada:				Loss For The Year Attributable To:
Pemilik Entitas Induk	(430)	(338)	(405)	Owner of the Parent
Kepentingan Non-Pengendali	-	-	-	Non-controlling Interest
Jumlah Penghasilan (Rugi) Komprehensif Tahun Berjalan	(418)	(317)	(346)	Total Comprehensive Income (Loss) For The Year
Jumlah Penghasilan (Rugi) Komprehensif yang Dapat Diatribusikan Kepada:				Total Comprehensive Income (Loss) Attributable To:
Pemilik Entitas Induk	(418)	(317)	(346)	Owner of The Parent
Kepentingan Non-Pengendali	-	-	-	Non-controlling Interest
Laba Per Saham (Rp penuh)	(51)	(45)	(54)	Earnings Per Share (in full Rp)

Laporan Posisi Keuangan Konsolidasian	2022	2021	2020	Consolidated Statement Of Financial Position
Jumlah Aset	3,785	4,650	4,511	Total Assets
Jumlah Liabilitas	3,619	4,066	4,326	Total Liabilities
Jumlah Ekuitas	166	584	185	Total Shareholders Equity

Rasio Keuangan	2022	2021	2020	Financial Ratios
Rugi Tahun Berjalan Terhadap:				Loss For The Year to:
Jumlah Aset (%)	(11.4)	(7.3)	(9.0)	Total Assets (%)
Jumlah Ekuitas (%)	(258.8)	(57.8)	(219.4)	Total Equity (%)
Penjualan Bersih (%)	(6.1)	(5.1)	(6.0)	Net Sales (%)
Rasio Lancar (x)	0.7	0.8	0.6	Current Ratio (x)
Jumlah Liabilitas Terhadap:				Total Liabilities to:
Jumlah Ekuitas (x)	21.8	7.0	23.4	Total Shareholders Equity (x)
Jumlah Aset (x)	1.0	0.9	1.0	Total Assets (x)

2 Laporan Tahunan & Keberlanjutan 2022 • PT Matahari Putra Prima Tbk

Figure 27. PT Matahari Putra Prima Tbk Financial Highlights [17]

As their inventories have been piled up, it could also indicate ineffective management on the company's supply chain processes which include production and sales. The longer that the company has to keep up with being inefficient the more likely that their costs will increase making lower profitability. Other than that, the combination of slow inventory turnover and high debt levels increases the risk of default. If the company cannot generate enough cash flow to cover its obligations,

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it may face financial difficulties and distress. This could be hardened as the company becomes more sensitive to changes in interest rates; companies with high debt levels are sensitive to changes in interest rates. If interest rates rise, the cost of servicing the debt increases, putting additional pressure on the company's financial health.

C. Business Solutions

A low D/E ratio value reduces interest expenses and financial risk, while a high inventory turnover rate increases the efficiency of using assets to generate sales. It also reflects efficient capital management. Company capital is used optimally, and assets are productive well to generate income; the greater the turnover, the better because sales run efficiently and can increase profits. If a company has a low inventory turnover in its company, it can be concluded that the company is not able to manage its assets efficiently, then the company cannot increase the ROA of the company. Because the low inventory turnover in the company reflects an investment with a low rate of return as well. The correlation with their low D/E ratio below the value of two means that their company is financially stable and has a conservative approach to capital. A low D/E ratio often implies that the company is relying more on equity financing and has a lower financial risk. Maintaining a healthy balance between debt and equity, indicating lower financial risk and a stable financial position [15].

Although PT Buyung Poetra Sembada Tbk, has a higher value of inventory turnover rate amounting to 18.99 in 2022; its ROA is actually smaller than PT Akasha Wira International Tbk with the fact that ADES has significantly lower inventory turnover rate amounting to 4.19. Hence, the numbers can be said that they have negative correlation. The negative impact of the inventory turnover on ROA might be because of the different inventory that each company might have managed. Some companies such as the ones with more machines or processes would need more maintenance costs compared to those who do not need to have that much maintenance. This can be seen from the company's operating expense; with more cost that is incurred, the company's profit will be lower causing the ROA to be lower. As inventory turnover shows how a company can generate sales from their inventory, a high inventory turnover can also indicate that the company incurs a lot of costs ro carry out the business operations [4]. The comparison of inventory turnover ratio, DER, ROA for Companies with positive net income can be seen in Figure 28.

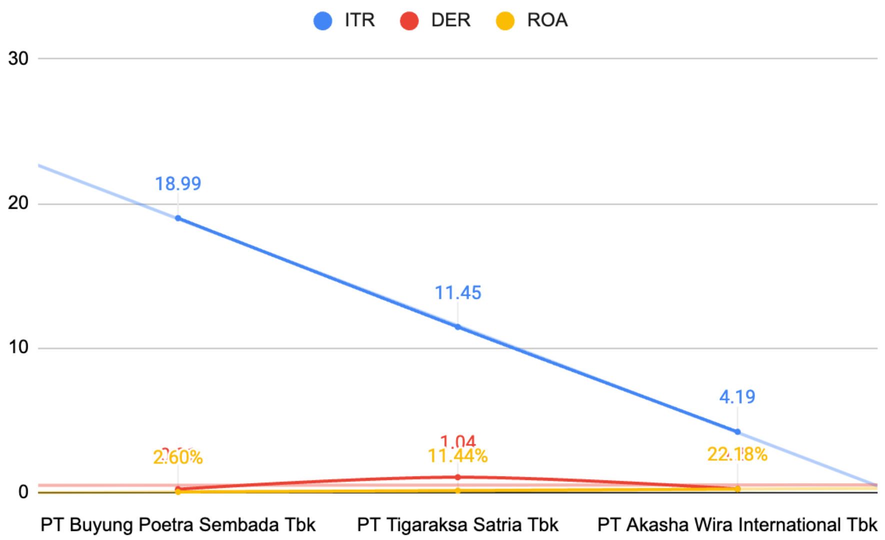

Figure 28. Comparison of Inventory Turnover Ratio, DER, ROA for Companies with Positive Net Income

The graph for PT Buyung Poetra Sembada Tbk, PT Tigaraksa Satria Tbk, and PT Akasha Wira International Tbk indicates that ITR (Inventory Turnover Ratio) shows a declining trend across all three companies. This shows that all three are gradually seeing a slower rate of inventory turnover, which may be brought on by weaker sales or excess inventory.

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On the other hand, DER (debt-to-equity ratio) appears to be relatively stable for PT Buyung Poetra Sembada Tbk and PT Tigaraksa Satria Tbk, with a slight increase for PT Akasha Wira International Tbk. For the first two businesses, the steadiness points show consistent financing approach; whilst PT Akasha Wira International Tbk's growth may indicate that it is taking on more debt in relation to its equity.

Lastly, the ROA trend shows an increase in numbers from PT Akasha Wira International Tbk, while it remains stable at a low level for the other two companies. An increasing ROA for PT Akasha Wira International Tbk indicates improving profitability relative to its asset base. Comparison of inventory turnover ratio, DER, ROA for companies with negative net income can be seen in Figure 29.

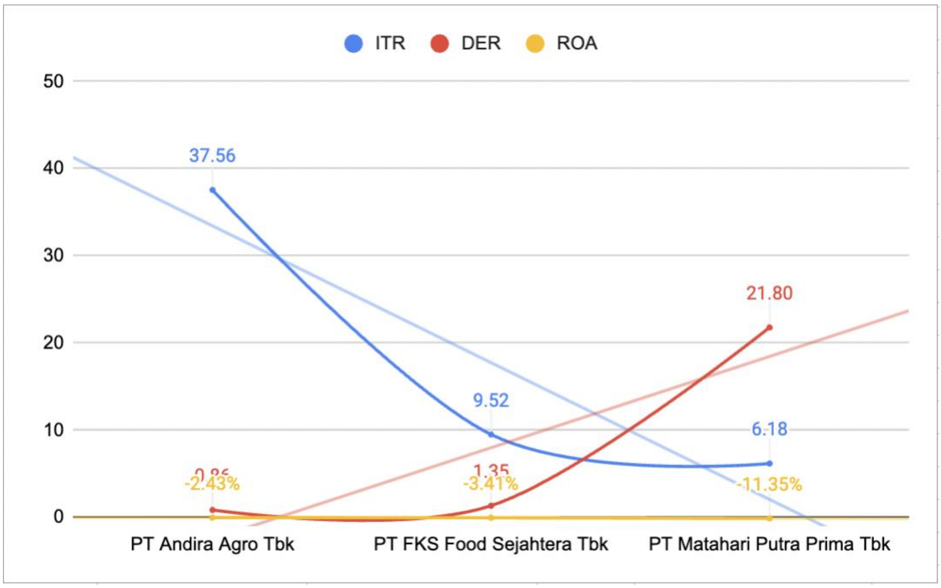

Figure 29. Comparison of Inventory Turnover Ratio, DER, ROA for Companies with Negative Net Income

In comparisons, above are the ratio comparisons of calculations of companies within the same industry but those who have been experiencing negative net income in the year 2022. PT Andira Agro Tbk, has a mild fall in the DER, indicating a possible reduction in debt relative to equity, but the ITR indicates a considerable decline, which may indicate less effective inventory management over time or a loss in sales. The ROA seems to be declining and negative, which suggests that profitability is getting worse. As for the ITR and DER of PT FKS Food Sejahtera Tbk, shows somewhat fluctuating but generally consistent numbers. This might be due to steady inventory control and a debt-to-equity ratio in the financial structure that is balanced. There appears to be a little decline in profitability, as shown by the ROA's downward trend. At the same time, the ITR and ROA trends for PT Matahari Putra Prima Tbk are rising, indicating improved inventory control and higher profitability. Albeit, there is a little increase in the DER, suggesting that the corporation may be borrowing more money than it is putting up in equity.

In accordance with the closest numbers of average industry summarized through IDX Website in January 2023, Processed Food Sub Industry; like PT FKS Food Sejahtera Tbk, PT Buyung Poetra Sembada Tbk, and PT Tigaraksa Satria Tbk have the average D/E ratio of 0.88 under Sector D.2 Food & Beverages, from the analysis it can be seen that the company with closest number to average sub industry number is PT Buyung Poetra Sembada Tbk having a 0.21 value of D/E ratio, while PT FKS Food Sejahtera Tbk and PT Tigaraksa Satria Tbk have D/E ratio with the value of 1.35 and 1.04 sequentially. On the other hand, PT Akasha Wira International Tbk under Soft Drink Sub Industry has calculated a D/E ratio of 0.23 showing an excellent result of above average number. PT Andira Agro Tbk, producing palm oil and palm kernels onto everyday used products could be compared with the average industry of nondurable household products, with an industry average number of 0.80 of D/E ratio. While the industry's number is at 0.80; PT Andira Agro Tbk has a D/E ratio number of 0.86 in 2022 which is not too far from the average industry value. Last company analyzed is PT Matahari Putra Prima Tbk operated specifically under supermarkets and retail

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industry, which is equivalent to Food and Staple Retail industry. The industry usually provides consumers with access to basic goods. It is composed of grocery stores, supermarkets, convenience stores, specialty food stores, discount department stores and more. The average number of D/E ratios for this industry is 2.00 while PT Matahari Putra Prima Tbk has the value of 21.80 which is way above the industry average; reflecting that a significant amount of its potential growth is through borrowing.

The comparisons of COGS, Inventory and GPM within all the selected six companies are illustrated into quadrants to be able to see clearly the position of each company.

Company's Name	Stock Code	COGS	Inventory	GPM
PT Akasha Wira International Tbk	ADES	Rp620,240,000,000	Rp148,141,000,000	51.96%
PT FKS Food Sejahtera Tbk	AISA	Rp1,355,222,000,000	Rp142,369,000,000	26.50%
PT Matahari Putra Prima Tbk	MPPA	Rp5,735,720,000,000	Rp927,806,000,000	18.27%
PT Buyung Poetra Sembada Tbk	HOKI	Rp823,698,275,632	Rp43,372,601,848	11.02%
PT Tigaraksa Satria Tbk	TGKA	Rp11,567,909,794,351	Rp1,010,532,628,845	10.86%
PT Andira Agro Tbk	ANDI	Rp295,077,013,708	Rp7,856,289,971	7.17%

Figure 30. Comparisons of COGS, Inventory, and Gross Profit Margin

As seen on Figure 30, all six companies experienced an increase in their COGS in 2022 compared to 2021 which could be attributed to factors such as the increase in the cost of raw materials, labor, and other production inputs that may have led to higher COGS.

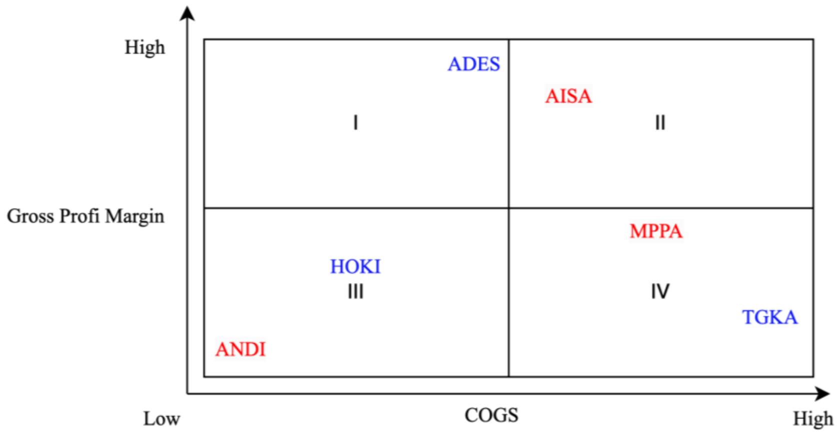

Figure 31. Quadrant of Gross Profit Margin and COGS

ADES has a high number of GPM while maintaining an average value of COGS. This means that ADES has excelled at controlling its COGS, including efficient sourcing of raw materials, optimized production processes, and negotiating favorable terms with suppliers; allowing them to maintain relatively low COGS without compromising product quality. Additionally, higher profit margins provide the company with more resources for reinvestment in research and development, marketing, or other growth initiatives.

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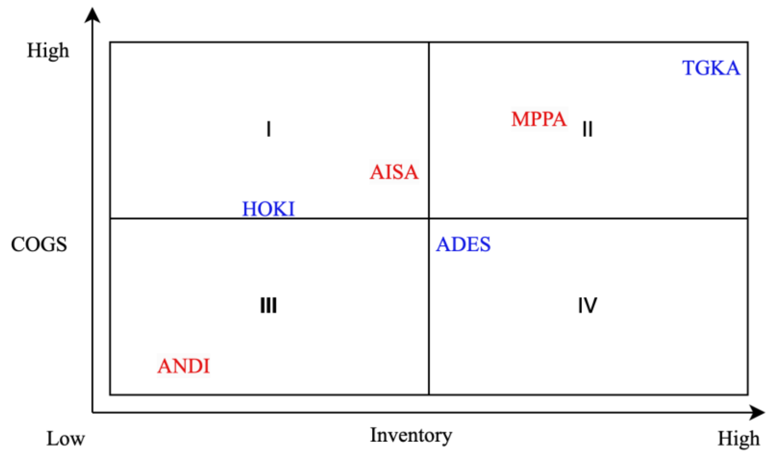

Figure 32. Quadrant of COGS and Inventory

From the quadrant above, HOKI lies in Quadrant I, where it shows a high COGS value, but quite relatively low inventory. Positive impact from these results showed that HOKI uses high-quality materials and efficient production processes that minimize waste and maximize output. Which leads to higher product quality and customer satisfaction despite the higher cost per unit. At the same time, low inventory suggests the company sells its products quickly, reducing storage costs and the risk of obsolescence. This can improve cash flow and working capital efficiency. In conclusion, high COGS and low inventory often go hand-in-hand with strong sales volume, indicating robust market demand for the company's products.

D. Implementation Plan and Justification

Amongst the six chosen FMCG companies above which are PT Buyung Poetra Sembada Tbk, PT Tigaraksa Satria Tbk, PT Akasha Wira International Tbk, PT Andira Agro Tbk, PT FKS Food Sejahtera Tbk, and PT Matahari Putra Prima Tbk; PT Buyung Poetra Sembada has a higher inventory turnover ratio and at the same time having the lowest value on D/E ratio meaning that the company is able to maintain a lower debt-to-equity ratio.

To answer the research question, what are the financial and operational advantages of this correlation towards the company's ROA are that the company would be able to reduce their interest expense. Lower D/E ratio often leads to lower interest expense, meaning that the company can increase their profitability and hence their ROA as they are earning more money. Secondly, the company will also be able to maintain their financial stability through lower D/E which means that they will have less financial risk and more stability. Companies can be benefitted to be able to stay stable in the market facing the volatile economic conditions and industry downturns.

Lower D/E can also mean more flexibility for future investment. Lenders will more likely to lend more money when indeed to the companies who have lower D/E ratio compared to other companies with higher D/E; additionally, the capital that is not used to pay interest or pay debt can be used for future investment, expansion, and innovation which will contribute to long-term growth, hence improve ROA.

FMCG companies with high ITR are usually having more efficient operational capabilities, which can result in faster sales and lower inventory holding costs, ultimately leading to improved financial performance. A corporation with a lower D/E ratio is generally considered to be less risky financially and may also exhibit more stability. A high ITR and low DER can make a company more agile, reduce the burden of interest payments, which eventually will make it easier for the company to invest in profitable opportunities, and lead to higher ROA.

CONCLUSION

In conclusion, better inventory turnover ratio and D/E does not always positively affect the ROA since, a lot of factors can be affecting the numbers of net income, such as the additional expense that one company may incur while other not. However, from the analysis above it can be concluded that companies with lower D/E and high inventory turnover rate may eventually achieve operational efficiency which can benefit the company in the long run. The result of analysis have shown that companies with high inventory turnover ratio like PT Buyung Poetra Sembada Tbk, PT Tigaraksa Satria Tbk, and PT Akasha Wira International Tbk with a positive net income and high inventory turnover rate tend to have stable and low numbers of D/E ratio. FMCG companies generally strive to improve inventory turnover due to the perishable nature of their products and the need to keep inventory levels low. However, the D/E ratio may vary depending on a company's capital structure and financial strategy. To add to that, FMCG companies may aim to maintain lower D/E ratios to reduce interest payments and financial risks. Less debt means more financial flexibility and stability. By consistently managing efficient operations and having a high ITR, companies will then have achieved efficient operations where they can have lower holding costs, reduced obsolescence goods and eventually a better cash flow. This is to the extent that a low D/E ratio allows an FMCG company to maintain higher working capital when a company has less debt and may have more equity, allowing them to maintain higher levels of working capital, which is beneficial for efficient inventory management and rapid response to market fluctuations. This flexibility contributes to increased operational efficiency and can be reflected in higher ITR and higher ROA if a company can effectively convert assets into profits. For companies with negative net income, they will ultimately have negative ROA that identify that the company is not generating enough profits to cover its asset base. This negatively impacts investor confidence and raises concerns about the company's long-term viability. It was very visible through the example of MPPA where its net income decreased from 2021 to 2022 and hence their D/E ratio increased significantly;; as a negative net income means MPPA might need to take on more debt to cover operational expenses or losses, leading to a higher D/E ratio. This increases financial risk and interest burden, further straining profitability. In contrast, companies with a positive result of net income, tend to have lower D/E ratio and high inventory turnover rate. PT Buyung Poetra Sembada Tbk, as a company with the lowest D/E ratio amongst all the analyzed companies amounting to 0.21, has proven that they have decreased their debt significantly from Rp 313.39 billion to Rp 142.74 billion. This reflects that the company's solvency is excellent and that the company can manage to pay their liabilities well.

RECOMMENDATIONS

To achieve higher ROA, FMCG companies need to focus on optimizing operational efficiency, effectively managing capital structure, and maintaining a balance between short-term and long-term debt. While, long term growth can be achieved through having stable and high inventory turnover rate, company like PT Akasha Wira International Tbk, who already have a good number of D/E ratio but still relatively low inventory ratio could implement efficient inventory management practices where they could have calculate more accurate demand forecasting, minimize holding cost, and optimizing their supply chain. In the meantime, while their D/E ratio has been relatively low to manage it, they could evaluate the company's capital structure to determine an optimal debt level that minimizes interest expenses without hindering strategic investments and to monitor debt profile maturity so that they can continuously align debt repayments with the company’s cash flow. As for the recommendation to increase ROA, a company can do cost-effective production processes, streamline operations, and invest in technologies that enhance efficiency. By implementing cost-effective strategies, inventory ratio management and maintenance of lower D/E, eventually it will lead to a positive impact on both the net income and the total assets to have a higher value of ROA.

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