Dupont System Analysis For Measure Financial Performance At Automotive Component Industry In Indonesia

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Abstract

The purpose of this study is to evaluate the financial performance of several automotive component industry companies in Indonesia. The research used of descriptive-quantitative research method, the research of attempted to collect and present data from companies for analysis so as to provide a fairly clear picture of the object under study. The type of data used in this research is quantitative data, namely data in the form of explanations or statements in the form of numbers, namely financial reports from several companies listed on the Indonesian Stock Exchange which are used as the population in the research, including; AUTO, ASII, DRMA, BOLT, SMSM, GJTL and INDS for the 2019-2023 period. PT. SMSM is the company that has the best performance among other companies, with an average Net Proft Margin (NPM) of 18%, Total Aset Turn Over (TATO) 111%, Equity Multiplier (EM) 129% and Return On Equity (ROE) 25.6%. From these results PT. SMSM ranks highest in terms of NPM and ROE. Looking at the results of the research discussion in this journal looking at the growth of the automotive industry sector and its components and the results of the Dupont analysis carried out on six similar companies, PT. SMSM can be used as consideration for potential investors to invest in the automotive component industrial sector.

Keywords: DuPont System; Net Profit Margin; Total Asset Turn Over; Equity Multiplier; Return on Equity.

1. Introduction

According with the government's goal to realize Indonesia as a strong industrial country by 2025, and referring to the three main missions of the national industry, namely 1) economic growth above 7%, 2) increasing investment attractiveness and national competitiveness, and 3) job creation and poverty reduction, there are 10 industrial clusters that will be developed according to their roles. The automotive and automotive component industry (Indonesian Chamber of Commerce and Industry 2010) is one of the leading industrial clusters that plays a role in boosting economic growth above 7%. The development of the automotive industry is very strategic (Ministry of Industry 2010) because of several things, including having broad links with other economic sectors, absorbing a large number of workers, being able to drive the development of small and medium industries, and using simple to high technology. The basis for developing the automotive industry in Indonesia in the future is quite good (Ministry of Industry 2010), due to several things, namely the potential for a fairly large domestic market, already having an export base to several countries in the world, and experience in the production process for a long time, namely for more than 30 years.

Economic growth in Indonesia has had a positive impact on the automotive components industry. The automotive and component industry is either the sectors list of Indonesia Stock Exchange (IDX), development of the automotive and component industry is increasing from year to year, this is marked by innovation in motorbike and car products which have been carried out on a large scale (Hafizzudin, 2023). The Ministry of Industry also continues to encourage the growth and competitiveness of the national automotive industry through the development of domestic industrial components, including the Small and Medium Industry Sector (IKM). According to data released by BPS (Badan Pusat Statistik), the growth of Gross Domestic Product (GDP) in vehicle use is increasing every year. This causes automotive market demand to increase every year.

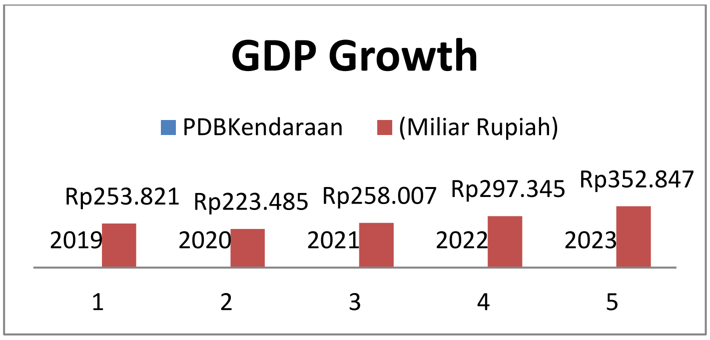


Figure 1.1 Source: BPS data processed (2024)

From data released by BPS, the realization of domestic investment in the motor vehicle industry and other means of transportation has also increased. The development of business sector in Indonesia has experienced significant growth, demonstrated by the increasing number of new companies. This creates intense competition between these companies. So every company is required to have good capabilities to compete in this increasingly competitive market.

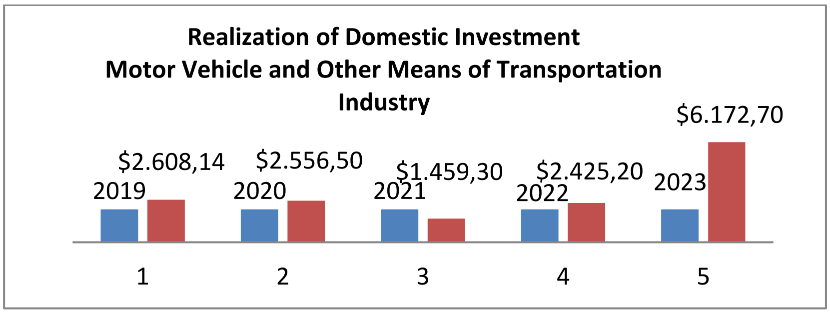


Figure 1.2 Source: BPS data processed (2024)

Since the implementation of the deletion program policy, the domestic component industry has continued to grow (Media Data 2010) to meet the needs of original equipment manufacturing (OEM) components in the domestic assembly industry and for replacement components. The automotive component industry in Indonesia has grown since the government policy regarding the provisions for the use of local components (in 1976). Media Data (2010) stated that the domestic component industry has made a significant contribution. This can be seen from its production, most of which is used to meet the replacement market and enter the export market to earn foreign exchange.

The goals of every company is to achieve high profits in the long term, in addition to optimizing value of the company for sustainability business continuity (Maruta, 2019). In industrial world, investors and company management are required to be able analyze company operations. This capability is useful for companies to evaluate the strength and weakness scope of improvements needed in the company (Maliki, 2023). This encourages companies to be more efficient and more selective in their operations so that company goals can be realized. Therefore a financial report analysis process is needed to obtain information about a company's financial performance from financial reports. Investment activities are activities that are faced with various kinds of risks and uncertainties. To reduce a possibility of risks and uncertainties that will occur, investors need relevant information. Financial reports are a means of information commonly used by investors to view the financial position and financial performance of a company (Sipahelut, 2017). Investors will usually choose companies that have high profits. Higher the profits generated by the company, the smaller the risk profits that investors will bear with the hope that investors will get a large share of the received in the future. Herlin (2022) The company must consider short-term and long-term profitability before making investment decisions, so an analysis of financial performance is needed in assessing the market price of a company.

In general financial ratios used are four main categories, liquidity ratios, management of asset, management of debt and profitability (Rahmandiansyah, 2023). Except using the four ratios previously mentioned in financial report analysis, the Du Pont System method can also be used. DuPont System analysis covers the whole because it can measure the company's level of efficiency in using assets, measure the level of net profit from sales of products produced by the company and is also useful for planning as a basis for making decisions if the company will expansion (Lubis, 2018). DuPont System Analysis is an excellent method for both companies and investors to gain an understanding of a company's strengths and weaknesses. Any financial ratios is weak, in the Dupont model can be analyzed further to gain more insight into the underlying reasons for that weakness. If DuPont's three component analysis calculations show weaknesses, management can take action, such as improving cost control, asset management, or marketing. The aim of all these actions is to increase the return on equity ratio. To ensure that the results of this Dupont analysis are correct, it is necessary to use accurate accounting data. By comparing several companies of the same size and operating in the same industry (Herawati, 2023).

The company or individually make decision to invest in industrial sector must choose by considering the variety of risks that will be received later. Seeing the growth trend of the automotive market in Indonesia and the high number of investments in the motor vehicle industry sector. The author's conducted this research using the DuPont system analysis method because it has advantages, specifically as originality in the concept of financial analysis, so as originality makes DuPont analysis able to help companies understand the internal financial company's situation in a more intuitive way. So it is hoped that this research can provide information regarding the company's financial performance and can be a reference for company management in making strategic decisions so that it can become a reference for investors and stakeholders in determining investment in the automotive component industrial sector. Apart from that, researchers also hope that this research can be used as a source of scientific reference for future researchers.

2. Literatur Review

2.1 Dupont System

Aikor. Timothy, S. (2022) DuPont analysis is based on Return on Equity (ROE) analysis. ROE divides performance into three components; Net Profit Margin, Total Asset Turnover, and Equity Multiplier Return on investment. Based on the results of this research it is recommended that, management of the company needs to do an operational overhaul to sustain the significant areas of strength and overcome the weakness evident in the financial statements. DuPont System analysis is an analysis method that connects four ratios namely; Net Profit Margin, Total Assets Turnover, Equity Multiplier and Return On Equity (Hanafi & Halim, 2002). The DuPont system was originally developed by Du Pont Corporation management for divisional control.Du Pont System is a tool that can be used to evaluation comprehensive of a company's financial performance, because it is able to analyze in detail two key reports in financial reports, namely the balance sheet and profit and loss report (Rahmandiansyah, 2023). Du Pont analysis is an approach used to assess the profitability of a company by comparing other similar companies in the same sector. Based on the previous explanation, it can be concluded that the Du Pont System is one of the techniques used to evaluate a company's financial performance. This approach involves a combination of Net Profit Margin (NPM), Total Asset Turn Over (TATO), Equity Multiplier (EM) to calculate Return On Equity (ROE). The advantage of the Du Pont System as a financial analysis method is that it is comprehensive, and can be used by companies to determine how management can be efficient in utilizing company assets in the future (K, Martin. et al, 2018).

There are numerous models to describe how well the business is running, especially in the private sector of the economy. DuPont model is one such model. It was created by a DuPont employee by the name of F. Donaldson Brown. He developed a formula in 1914 that was used by the company as an internal management tool to better understand where its operating efficiency was coming from and where it was falling short. The model is still a valid tool for assessing a company's financial performance and, specifically, profitability (Aikor, 2022). The history of DuPont analysis can be traced back to the 1910s when the DuPont Corporation, a chemical company, began experiencing rapid growth. The model is still a valid tool for assessing a company's financial performance and especially profitability. DuPont Analysis is a financial performance measurement tool that provides insight into a company's Return on Equity (ROE). When a company develops, its management faces the challenge of assessing and improving the company's financial performance. In response to this challenge, DuPont Corporation's finance department, led by Donaldson Brown, developed a systematic approach to analyzing the company's Return on Investment (ROI). The goal is to identify key drivers of profitability and find ways to optimize them. DuPont Corporation uses this framework to assess the efficiency of its operations, the effectiveness of its asset utilization, and the impact of financial leverage on its profitability. DuPont aims to identify areas of improvement and make informed financial decisions. Over time, DuPont Analysis gained recognition and became a widely used financial tool in various industries. The simplicity and effectiveness of this framework makes it popular among financial analysts, investors, and business managers. This provides a comprehensive understanding of the company's financial performance beyond just ROE figures (Kalesha, 2023).

DuPont multiplier components in certain industries have better ratings than regular ratios, thus showing increased validity in certain industries. ROE analysis provides a system for planning or budgeting. Net profit margin allows analysis to develop a pro forma income statement. The income statement consists of net profit with revenue minus expenses. Financial planners can determine the projected income levels required to meet target net income levels. The total asset turnover ratio allows analysts to determine the level of total assets required to generate a projected level of total income. Total asset requirements can be used to project pro forma levels of all asset accounts based on current asset targets to fixed asset levels. The basic accounting equation is that assets equal liabilities plus owner's equity. The equity multiplier ratio can be used to determine pro forma financial needs (Georgios, 2023).

2.2 Financial Performance

Financial performance is a subjective measure of how well a firm can use assets from its primary mode of business and generate revenues. The term is also used as a general measure of a firm's overall financial health over a given period (Kim, 2016). In other words, it is used to measure a firm's overall financial health over a given period of time and can also be used to compare similar firms across the same industry or to compare industries or sectors in aggregation. Financial statements provide a formal record of a business's financial activities and position. Financial performance has been stated in the literature as being affected by certain factors such as liquidity, ownership, age, size, leverage, productivity, solvency, and asset turnover, and these may change in the face of a crisis. Performance ratios, otherwise called financial ratios, are used to depict the performance of the business. These ratios are derived from the items of the audited financial statement of the company (Yang & Kim, 2008). The financial performance of a company is considered positive if the implementation of applicable guidelines has been effectively and carefully. Financial performance is an evaluation to measure the extent to which the company has followed financial procedures with appropriate and good governance (Fahmi, 2018). Financial performance measurement is an official effort to assess the extent to which a company is efficient and effective in generating profits and certain cash conditions Hery (2018). On other's, to measure the success of a company's financial performance, you can use measurement tools such as the following financial ratios:

1. Liquidity ratios reflect the company's ability to bear short-term responsibilities. If the company faces a request for payment, the company has the capacity to fulfill these obligations, especially those that must be completed immediately.
2. Solvency ratios are used to assess the extent to which company assets are financed by loans. They help in determining how much debt a company is managing in comparison to the value of its total assets.
3. Profitability Ratios are used to estimate the company's ability to achieve profits. This ratio provides an indication of the extent of the company's operational efficiency. Obtained by comparing various elements contained in financial reports, especially profit and loss statements and balance sheets.
4. Activity Ratios are used to assess the extent to which a company can utilize its assets effectively, or in other words, measure the level of efficiency in utilizing the resources available to the company.

3. Research Methodology

3.1 Design Study

This research try to analyze the financial performance of several companies listed on the IDX which are included in the automotive components industry sector using Dupont system model analysis. This research uses descriptive and quantitative analysis research methods, namely research carried out to obtain information that can be used to solve a problem. Based on the type of data and analysis, this research is based on secondary data, namely annual reports, financial data for each company is taken from the annual report on the IDX website for each company for the period (2019-2023). The following companies are used as data sources in this research:

1. PT Astra Otoparts Tbk (AUTO)
2. PT Astra International Tbk (ASII)
3. PT Dharma Polimetal Tbk (DRMA)
4. PT Selamat Selamat Tbk (SMSM)
5. PT Garuda Metalindo Tbk (BOLT)
6. PT Gajah Tunggal Tbk (GJTL)
7. PT. Indospring Tbk (INDS)

3.2 Data Analysis

The financial data will be calculated against the indicators of the profit margin ratio, Total Asset Turnover Ratio, Financial Leverage Ratio and ROE of each company. The financial analysis technique known as the DuPont system centers on evaluating return on equity (ROE). This methodology uses a formula that divides return on equity into three components: net profit margin (NPM), total asset turnover (TATO), and equity multiplier (EM). To calculate these four indicators it is necessary to collect basic data from the income statement, balance sheet, and the company's cash flow table.

Table 3.1. Nett Profit Margin

	AUTO	**ASII**	**DRMA**	**BOLT**	**SMSM**	**GJTL**	**INDS**
2019	8,5%	11,2%		4,3%	16,2%	1,7%	4,9%
2020	9,4%	10,6%	0,4%	-7,3%	16,7%	2,4%	3,6%
2021	6,2%	11,0%	10,5%	7,0%	17,5%	0,5%	6,0%
2022	12,3%	13,4%	10,2%	4,1%	19,1%	-1,1%	6,2%
2023	17,0%	14,1%	11,3%	7,9%	20,3%	6,9%	5,0%
RATA-RATA	10,7%	12,1%	8,1%	3,2%	18,0%	2,1%	5,1%

Source: BPS data processed (2024)

Table 3.2. Total Aset Turn Over

	AUTO	**ASII**	**DRMA**	**BOLT**	**SMSM**	**GJTL**	**INDS**
2019	63%	67%		95%	127%	85%	74%
2020	57%	52%	116%	70%	96%	76%	58%
2021	60%	64%	115%	86%	108%	83%	84%
2022	65%	73%	146%	101%	112%	90%	94%
2023	60%	71%	164%	109%	111%	89%	85%
RATA-RATA	61%	65%	135%	92%	111%	85%	79%

Source: BPS data processed (2024)

Table 3.3. Equity Multiplier

	AUTO	**ASII**	**DRMA**	**BOLT**	**SMSM**	**GJTL**	**INDS**
2019	137%	188%		166%	127%	302%	110%
2020	135%	173%	304%	70%	127%	259%	110%

2021	143%	170%	234%	167%	133%	265%	119%
2022	142%	170%	191%	166%	132%	263%	130%
2023	135%	178%	167%	154%	126%	227%	128%
RATA-RATA	138%	176%	224%	145%	129%	263%	119%

Source: BPS data processed (2024)

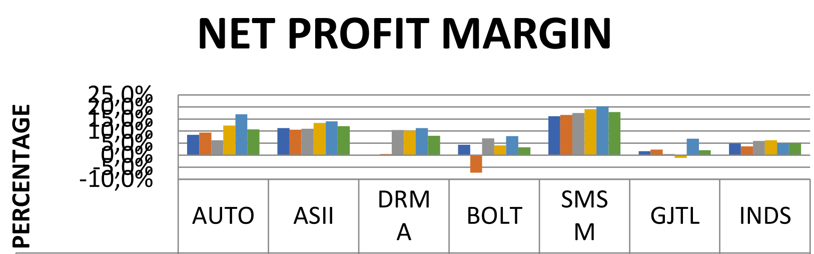
Table 3.4. Return on Equity

	AUTO	**ASII**	**DRMA**	**BOLT**	**SMSM**	**GJTL**	**INDS**
2019	7,3%	14,3%		6,8%	26,1%	4,3%	3,9%
2020	7,2%	9,5%	1,5%	-8,2%	20,4%	4,6%	2,3%
2021	7,2%	11,9%	28,2%	10,1%	25,0%	1,1%	5,9%
2022	11,3%	16,6%	28,3%	6,8%	28,2%	-2,6%	7,5%
2023	13,8%	17,8%	30,8%	13,4%	28,5%	14,0%	5,5%
RATA-RATA	9,4%	14%	22,2%	5,8%	25,6%	4,3%	5,03%

Source: BPS data processed (2024)

4. Results And Discussion

4.1 Net Profit Margin (NPM)



	AUTO	ASII	DRMA	BOLT	SMSM	GJTL	INDS
2019	8,5%	11,2%		4,3%	16,2%	1,7%	4,9%
2020	9,4%	10,6%	0,4%	-7,3%	16,7%	2,4%	3,6%
2021	6,2%	11,0%	10,5%	7,0%	17,5%	0,5%	6,0%
2022	12,3%	13,4%	10,2%	4,1%	19,1%	-1,1%	6,2%
2023	17,0%	14,1%	11,3%	7,9%	20,3%	6,9%	5,0%
RATA-RATA	10,7%	12,1%	8,1%	3,2%	18,0%	2,1%	5,1%

Figure 4.1 *Source: Data processed in 2024*

Higher Net Profit Margin (NPM) shows the company's performance has succeeded in converting its revenue into net profit efficiently. In financial analysis, NPM is a ratio that measures what percentage of a company's revenue remains as net profit after all costs and expenses have been deducted (Maruta, 2019). In other words, NPM compares a company's net profit with its revenue. There are several interpretations of high NPM, that is:

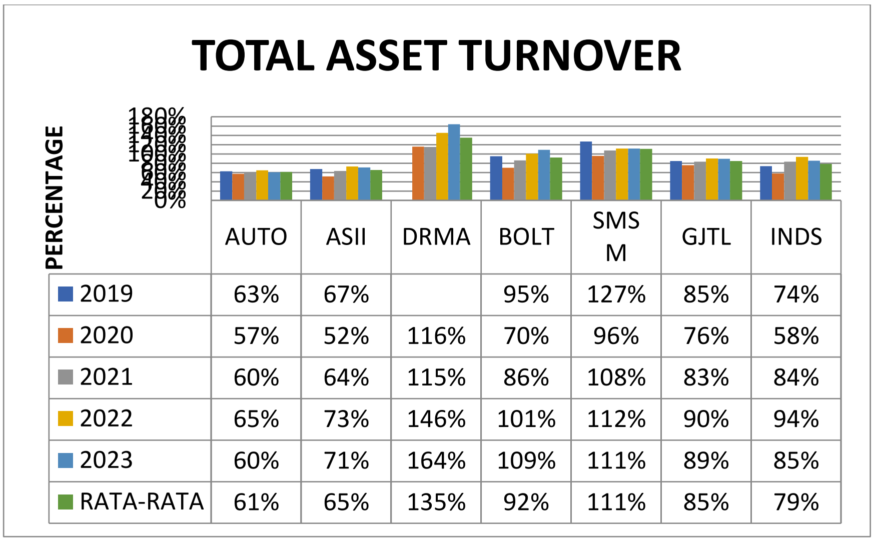
- High operational efficiency: If NPM is high, it shows that the company has good operational efficiency. Companies may be efficient in managing their production, distribution, and administrative costs, allowing them to maintain large net profits from their revenues.
- Competitive advantage: A high NPM can also indicate that a company has a competitive advantage in their market. This could mean their products or services have high profit margins, or that they can keep their production or distribution costs low, allowing them to generate high profits.
- Good Financial Management: High NPM can also reflect good financial management. Effective management in managing assets, liabilities and other financial resources can influence high NPM.

The results of the data analysis research by the author show is found that PT Selamat Selamat Tbk (SMSM) is a company that has a fairly high NPM compared to six other similar companies and PT Gajah Tunggal Tbk (GJTL) is a company that has the lowest NPM compared to six other companies. An NPM that is too high or too low can have a significant impact on a company's financial health and strategy. Although a high NPM is often considered an indicator of good financial performance, it is important to pay attention to the context. For example, high NPM in one period could be the result of temporary factors such as cost savings or increased sales, rather than an indicator of long-term excellence. This high NPM could be an indication that the company may not be investing enough in development or expansion. This could lead to a lack of innovation or improvement in products and services. In addition, high NPM can also be caused by aggressive accounting practices, which may not be sustainable in the long term. Therefore, it is important to view NPM in a broader context and to compare it with similar industry or company historical trends**.** Because a low NPM also means that the company may experience difficulty in generating sufficient profits to cover operational and investment costs. This may result in long-term financial risks and may affect the company's ability to obtain additional financing. Investments in companies with low NPM may be considered riskier due to the potential to generate lower returns for shareholders. This is in accordance with the results of the discussion in research conducted by (Lubis, 2018). To maintain a good balance, companies need to monitor their NPM regularly and adjust their operational and financial strategies according to market conditions and their long-term goals. Companies can also take steps such as;

- Carry out cost optimization by ensuring operational costs remain efficient and can be justified.
- Carry out product innovation and development by reinvesting profits for new product development or improving operational efficiency.
- Conduct market position analysis by understanding market dynamics to identify opportunities or threats that can affect profitability.
- Diversify income by building a diverse portfolio of products or services to reduce the risk of depending on one source of income.

By managing net profit margins wisely, companies can increase their competitiveness, strengthen their financial position, and increase long-term value for shareholders and other stakeholders.

4.2 Total Asset Turn Over (TATO)



	AUTO	ASII	DRMA	BOLT	SMS M	GJTL	INDS
2019	63%	67%		95%	127%	85%	74%
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2023	60%	71%	164%	109%	111%	89%	85%
RATA-RATA	61%	65%	135%	92%	111%	85%	79%

Figure 4.2 *Source: Data processed in 2024*

A high Total Asset Turn Over (TATO) shows that the company has succeeded in using its assets efficiently to generate income. In financial analysis, TATO is a ratio that measures how well a company uses its total assets to generate income. Calculated as the ratio of a company's revenue to its total assets. There are several interpretations of high TATO, namely:

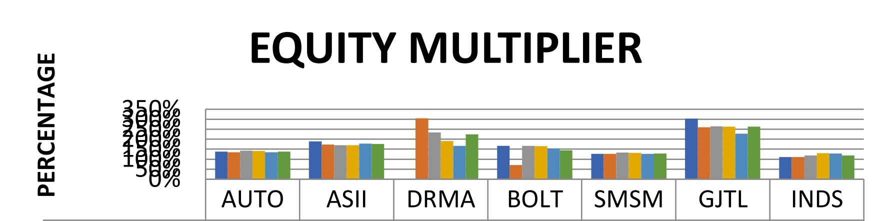
- Asset use efficiency: A high TATO shows that the company is able to generate high income with a relatively small amount of assets. This could reflect efficiency in asset management, where companies may be successfully utilizing their assets well to generate revenue.
- Rapid asset rotation: A high TATO can also indicate that the company has rapid asset rotation. This means a company can convert its assets into revenue quickly and efficiently, without abandoning unproductive assets or tying up too much capital in non-producing assets.

The results of the data analysis research by the author show is found that PT. Dharma Polimetal Tbk (DRMA) is a company that has a fairly high TATO compared to six other similar companies and PT Astra Otoparts Tbk (AUTO) is a company that has the lowest TATO compared to six other similar companies. But as with any high NPM, it's important to consider the context. High TATO is not always an indicator of good performance. If total asset turnover is too high, this could indicate that the company may be too aggressive in using its assets to generate income. This can cause operational risks, such as sub-optimal use of assets or inefficiencies in asset management which can affect product or service quality. High asset turnover can indicate that the company may not be utilizing its assets to the fullest (Weston dan Brigham, 1989). This can lead to long-term underinvestment in maintenance or replacement of assets critical to company operations. However, if total asset turnover is too low, this could indicate that the company is not optimizing the use of its assets to generate sufficient income. This can result in high fixed costs relative to the income generated. Low asset turnover can limit a company's ability to generate adequate income from the assets it owns. This can negatively impact a company's profitability and growth. This is in accordance with the results of the discussion in research conducted by (Kalesha, 2023). It is therefore important to compare TATO with similar companies in the same industry and to pay attention to its historical trends to gain a better understanding of the company's efficient use of assets.To manage total asset turnover well, companies can consider the following strategic steps:

- Optimizing asset use by ensuring that company assets are used efficiently and optimally to generate maximum income.
- Investing in asset maintenance by allocating resources to maintain and renew assets that are crucial to company operations.
- Carry out risk management by first carrying out an analysis to understand the risks associated with high or low asset turnover, so that you can take appropriate steps to manage these risks.
- Carry out market and competitive analysis by paying attention to market dynamics and competition to identify opportunities or threats that can affect asset use and operational strategies.

By understanding and managing total asset turnover carefully, companies can improve operational efficiency, strengthen their financial position, and support long-term growth.

4.3 Equity Multiplier



	AUTO	ASII	DRMA	BOLT	SMSM	GJTL	INDS
2019	137%	188%		166%	127%	302%	110%
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2021	143%	170%	234%	167%	133%	265%	119%
2022	142%	170%	191%	166%	132%	263%	130%
2023	135%	178%	167%	154%	126%	227%	128%
RATA-RATA	138%	176%	224%	145%	129%	263%	119%

Figure 4.3 *Source: Data processed in 2024*

The Equity Multiplier (EM) is high, indicating that the company uses significant leverage (debt) in its capital structure. In financial analysis EM is a ratio that measures how much of a company's assets are funded by shareholder equity compared to debt. Calculated as total assets divided by total equity. There are several interpretations of high EM, namely:

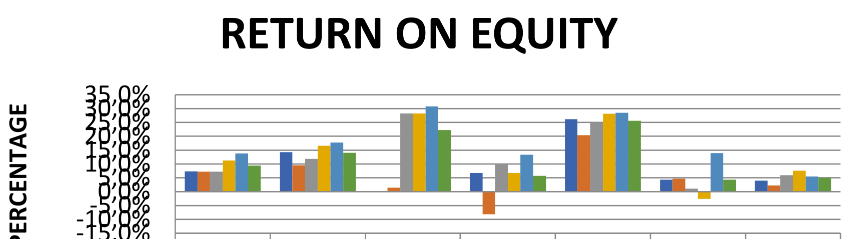
- High leverage: A high EM indicates that the company uses a relatively large amount of debt in comparison to shareholder equity to fund its operations. This could reflect a company's strategy to obtain additional capital needed for growth or investment, without having to spend much of its own equity.
- Aggressive use of debt: A high EM can also indicate that the company is using debt aggressively to expand its operations or make investments. In some cases, this use of debt can increase potential returns for shareholders if its use successfully generates income that exceeds the interest costs associated with the debt.

However, keep in mind that increasing leverage will also increase the company's financial risk. Companies with a high Equity Multiplier have greater levels of debt, meaning they have higher interest payment obligations and are more susceptible to fluctuations in market or financial conditions. The results of the data analysis research by the author show is found that PT Gajah Tunggal Tbk (GJTL) is a company that has a fairly high EM compared to six other similar companies and PT. Indospring Tbk (INDS) is a company that has the lowest EM compared to six other similar companies. A high equity multiplier indicates that the company uses more debt than equity to fund its operations. This increases leverage (debt), which in turn increases financial risk. Highly leveraged companies are more susceptible to market fluctuations and changes in interest rates. A high Equity Multiplier can be an indication that the company is using aggressive debt to fund growth or investment, it also indicates a higher level of risk. High leverage increases the risk of default, especially in unstable economic situations. If a company faces difficulty paying its debts, this can affect the company's reputation and ability to obtain funding in the future.However, it should also be noted that using too little debt can hamper the company's ability to manage capital efficiently. Some companies may miss out on profitable investment opportunities due to limited funds available. High equity capital can reduce financial flexibility in dealing with changes in market conditions or sudden growth opportunities. Companies may find it difficult to react quickly to changing capital requirements. Although a low EM can reduce financial risk, it can also limit a company's ability to utilize leverage that could generate greater profits.This is in accordance with the results of the discussion in research conducted by (Lubis, 2018). So it is important to understand the context carefully and take into account risk factors related to the capital structure first before making conclusions about the company's performance and financial condition. To manage the equity multiplier well, companies can consider the following strategic steps:

- Optimizing the capital structure by reassessing the mix of debt and equity to ensure that the capital structure supports the company's long-term goals by taking into account risk and potential returns.
- Carry out risk management, by creating effective risk management strategies to reduce the impact of high leverage and to deal with potential market fluctuations.
- Carry out routine financial monitoring by monitoring financial ratios regularly to identify changes in capital structure and take corrective action if necessary.
- Make comparative analyzes by comparing financial ratios with similar companies or industries to evaluate relative positions and understand the implications of the chosen capital structure.

With a careful approach to managing the equity multiplier, companies can optimize their capital structure, increase financial stability, and maximize shareholder value in the long term.

4.4 Return on Equity



	AUTO	ASII	DRMA	BOLT	SMSM	GJTL	INDS
2019	7,3%	14,3%		6,8%	26,1%	4,3%	3,9%
2020	7,2%	9,5%	1,5%	-8,2%	20,4%	4,6%	2,3%
2021	7,2%	11,9%	28,2%	10,1%	25,0%	1,1%	5,9%
2022	11,3%	16,6%	28,3%	6,8%	28,2%	-2,6%	7,5%
2023	13,8%	17,8%	30,8%	13,4%	28,5%	14,0%	5,5%
RATA-RATA	9,4%	14%	22,2%	5,8%	25,6%	4,3%	5%

Figure 4.4 *Source: Data processed in 2024*

Return on Equity (ROE) is high, it shows that the company generates high net profits relative to its shareholder equity. A good ROE for a company can vary depending on the industry, business cycle, and company strategy. However, in general, an ROE that is considered good is one that is able to meet or exceed investor expectations and reflects the company's efficiency in generating profits from the capital invested by its shareholders. In financial analysis, ROE is a ratio that measures the rate of return a company obtains on its shareholder equity. Calculated as net profit divided by shareholder equity. There are several interpretations of high ROE, namely:

- Good financial performance: A high level of ROE is often considered an indicator of good financial performance. This shows that the company is efficient in generating net profits from the equity owned by its shareholders.
- High operational efficiency: A high ROE can reflect high operational efficiency, where the company succeeds in managing its costs and assets well to generate high net profits.
- Competitive advantage: A high ROE can also indicate that a company has a competitive advantage in their market. This could mean the company has a product or service that is in wide demand, large profit margins, or efficiency in operational management.
- Effective financial management : A high ROE often also reflects effective financial management. Management that is able to manage the company's financial resources well can influence high ROE.

The results of the data analysis research by the author show is found that PT Selamat Selamat Tbk (SMSM) is a company that has a fairly high ROE compared to six other similar companies and PT Gajah Tunggal Tbk (GJTL) is a company that has the lowest ROE compared to six other companies. other kind. While a high ROE is often considered a sign of good performance, it is important to pay attention to the context. A high ROE does not always guarantee a company's long-term health. For example, a high ROE can also be caused by the use of high leverage (debt), which increases a company's financial risk due to high interest obligations or other risks associated with debt . An ROE that is too high may reflect performance that is unsustainable or unrealistic in the long term. This could be due to aggressive accounting tactics, manipulation of financial statements, or an unstable market situation. However, a low ROE may indicate that the company is inefficient in using its capital or has operational problems that affect profitability. This can reduce its attractiveness to investors and affect the company's share price. A low ROE can also mean that investors may be less interested in investing because of lower expectations of investment returns. This can impact a company's ability to gain access to capital and investor support. Therefore, it is necessary to consider other factors such as capital structure, industry and broader trends in evaluating a company's financial health. This is in accordance with the results of the discussion in research conducted by (Maliki, 2023). To manage ROE well, companies can consider the following strategic steps:

- Conduct in-depth analysis to understand the causes of extreme ROE and identify whether it is the result of internal factors such as operational management, capital structure, or accounting policies.
- Making operational improvements if the company's ROE is low, the company needs to consider operational improvements to increase efficiency and profitability. This may include reducing costs, increasing productivity, or diversifying revenues.
- Managing the risk of a company's ROE being too high, companies need to ensure that they manage risks properly related to capital structure and use of debt. Continuous evaluation of leverage and its impact on financial sustainability needs to be carried out regularly.

In the above circumstances, management must act in accordance with the company's specific conditions and economic context to ensure that ROE reflects healthy and sustainable performance in the long term. There are several factors that can influence the assessment of good ROE:

1. Consistency in achieving a stable and predictable ROE is a positive sign. Companies that are able to maintain or increase ROE from year to year demonstrate effective management and sustainable strategies.
2. In comparison with similar industries, a good ROE must also be seen in the context of the company's industry or sector. Comparing ROE with industry averages or similar companies can provide a clearer picture of a company's relative performance.
3. Risk and Leverage influence the optimal level of ROE and must be balanced with the risks taken by the company. Too high leverage can increase ROE, but also increase financial risk. Conversely, leverage that is too low may not take full advantage of available capital.
4. A good financial strategy can help increase ROE. This includes efficiency in asset management, cost management, and optimization of the company's capital structure.
5. Investor Confidence from consistent and sustainable ROE is also important to maintain investor confidence. Investors often use ROE as an indicator of financial performance and potential investment returns.

In general, a good ROE is one that reflects a healthy combination of operational efficiency, smart use of capital, and effective risk management. To determine whether a company's ROE is considered good or not, it is necessary to consider the industry context, comparison with competitors, and evaluation of strategy and overall financial performance. The DuPont System analysis method is somewhat almost the same as regular financial report analysis, but the approach is more integrative and uses the composition of financial reports as elements of analysis, especially the Profit/Loss Report and Balance Sheet. Dupont system analysis is a method used to break down a company's ROE (Return on Equity) into smaller components. ROE itself is the main measure for evaluating the level of profitability of a company, because it describes how efficient the company is in generatingprofits from the equity owned by shareholders (Rahmandiansyah, 2023). ROE itself is the main measure for evaluating the level of profitability of a company, because it describes how efficient the company is in generating profits from the equity owned by shareholders. By breaking down

ROE into these components, management can better understand what factors drive or hinder a company's profitability. Dupont analysis helps identify specific areas where a company can improve financial performance (Lubis, 2018). For example, if profit margins are low, focus can be placed on managing costs. If asset turnover is low, strategies can be focused on optimizing asset use. Comparing Dupont components with similar companies can provide insight into the company's competitive position in the industry. Du Pont describes the relationship between financial report items in detail so that it can be seen clearly the reasons why a change in a ratio occurs, whether increasing or decreasing.Dupont system analysis provides a deeper understanding of a company's financial structure and efficiency, enabling management to take appropriate strategic steps to improve long-term performance and profitability

5. Conclusion

Based on the results of research and discussions that have been carried out on the financial reports for the 2019-2023 period from seven similar companies in the automotive components industry sector using Dupont system analysis, the average Net Profit Margin of companies experienced a relatively stable increase. PT. SMSM is the best company in terms of NPM, it's just that around 2020-2021 there was a decline in NPM. There are also two companies that are experiencing a minus in terms of their NPM, namely PT. BOLT and PT. GJTL. After the pandemic ended, the company carried out efficiency and improved strategies to increase its NPM again. Meanwhile, in terms of Total Asset Turn Over, the average company experienced an increase in terms of TATO, there was a slight decrease during the pandemic. PT. DRMA is the highest in terms of TATO turnover compared to other similar companies, besides PT. AUTO is the company with the lowest TATO turnover, but if you look at the average annual percentage, PT. AUTO is still in a stable aspect of increasing TATO, the low TATO itself is caused by PT. AUTO may have a different strategy in managing its assets compared to its competitors in the same industry. PT. AUTO may focus on expanding into specific markets or prioritize new product development that requires investment in fixed assets. In comparison, the Equity Multiplier that occurs in the average company is still in reasonable development from year to year. PT. GJTL is a company that uses EM the highest among other companies and PT. INDS is the company with the lowest EM. Companies have policies or strategies that tend to use more debt than equity to fund their operations. This is done by the company to take advantage of the lower cost of debt than the cost of its own capital, which in turn can increase returns for shareholders . And if you look at it in terms of ROE compared with the seven companies above, PT. SMSM is the company that has the best performance among other companies, with an average NPM of 18%, TATO 111%, EM 129% and ROE 25.6%. From these results PT. SMSM ranks highest in terms of NPM and ROE. Looking at the results of the research discussion in this journal looking at the growth of the automotive industry sector and its components and the results of the Dupont analysis carried out on six similar companies, PT. SMSM can be used as consideration for potential investors to invest in the automotive component industrial sector.

6. Suggestion

Based on the conclusion above, it shows that an accurate method is needed by investors and prospective investors in determining the right choice of company to invest in. By using the Dupont method, the health of the company's performance is explained in detail. In writing this article, the author understands that there are many shortcomings, there are several limitations experienced and can be several factors that can be considered more by future researchers in further perfecting their research because this research itself certainly has shortcomings that need to be continuously improved in future research.

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8. Referensi

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