

Dutch lady



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Introduction The listed company that our group chose is Dutch Lady Milk Industries Berhad (DLMI). Dutch Lady Milk Industries Berhad (DLMI) is incorporated in 1963 and operating based on dairy business. Dutch Lady is the first dairy company who listed in Bursa Malaysia and the top three companies in Malaysia which produce dairy product. Royal Friesland Company, in Netherlands is the holding company of Dutch Lady and the second largest holding Dutch Lady shares is Permodalan Nasional Berhad. The primary activities of Dutch Lady are manufacture dairy products and distribute locally or export.

During the 45 years of management, the business operation of Dutch Lady has been well expanded throughout Malaysia. The chilled plant of Dutch Lady is one of the most advanced compared to others in South East Asia. The 10-acre factory site of Dutch Lady is located at Petaling Jaya, Malaysia. A wide range of products Dutch Lady produced, from dairy products to juicy drinks, yoghurt and infant nutrition products. For example, Infant Formula, Growing-up Milk, Powdered Milk, Condensed Milk, UHT (ultra high temperature) Milk, Sterilised Milk, Pasteurised Milk, Cultured Milk, Yoghurt and Fruit Juice Drinks.

There are sub-brandings used for different products besides Dutch Lady such as Frisian Flag, Frisolac, Completa, Calcimex and Joy. The quality control of the products is vital deliberation for the company. And Dutch Lady continuously granted with ISO 9001 certification since 1995 which assure the quality of the products. Besides this, Dutch Lady also develops a HACCP (Hazard Analysis Critical Control Point) System to emphasis on food safety. The corporate vision is to maximize the wealth of the owner, design

nutritious product to develop a healthy life of customer and acknowledge a dedicated team of employees to achieve goals.

Dutch Lady is recognized as the favored brand of dairy products in Malaysia and awarded the ninth Reader's Digest Super Brands Gold Award. 3. Identify and discuss the sources of finance that the company is using In the business world, money is the vital resources, lifeblood of an organization for expansion, growth and continuing of business. So financing is important for every organization. The fund raise can be either internally or externally. The internal sources comprises of retained profit, sales of assets and so on. While an external source is the funds come from outside he organization such as capital share, trade credit, overdraft, leasing, debenture and others. There are three types of financing: short-term finance which is less than 1 year for temporary out of fund or liquidity problem, medium-term finance which borrowing period within 1 year to 5 years and long-term finance which the borrowing period more than 5 years, normally used for long-term investment. a) Trade credit Trade credit is an important source of short-term financing for every business. A business not actually pays their payment once they receive the goods. It is an ordinary business transaction that the company purchases on credit.

They are given a period of days to pay the debt, the most common is around 30-60 days. However, there are some of the company might not be able to pay the debt after the end of the period of given. Therefore, there might be a charge on fee or interest or even take the business to court to get the money back. It also will lead to a bad reputation on business. A trade discount will be granted if prompt payment made by the debtor. 1Trade credit is used in

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the business because the buyer is not aware of the real costs involved- if he were, he might turn to other sources of trade finance.

However, other forms of capital are not always available, and for a company that has borrowed as much as possible trade credit may be the only choice left. This is an important source of capital for many small companies. A company which provides credit to another is in fact putting itself in the position of a banker whose advance takes the form not of cash but of goods for which payment will be deferred. The period of days that given to the company for trade purchases is 30 to 60 days. In the balance sheet for the year 2007, the trade payables are RM69, 737, 000 which is RM 25, 891, 000 higher than in 2006.

The interest expense charge by the suppliers on the trade credit facilities offered is RM 59, 000, 000 in 2007. b) Banker Acceptance Banker acceptance is a short term credit instrument. It is a bill of exchange that created by customers and guarantee by bank. It obliges the bank to pay the amount stated to the third party that present on demand at a certain date. In return, the customer is required to repay the full amount with some additional payment for the bank. The banker acceptance is mostly used in the international trade. In Dutch Lady Milk Industries Berhad, there is a short term lending (overdraft and bankers acceptance).

As the end of the year of 2007, the Company has bank overdraft and bankers acceptance that amount RM54 million compare to the year of 2006: RM54 million that obtained from a local licensed bank. The interest rates of the 1cbdd. wsu. edu/kewlcontent/cdoutput/TOM505/page36. htm facilities

ranging is from 3.58% to 3.75% per annum and are secured by a negative pledge on all the assets of the Company. The interest expense for the banker acceptance is RM172,000. c) Overdraft The provision of funds through an overdraft facility is one of the most common sources of short term finance in Dutch Lady Milk Industries Berhad.

An overdraft is an agreed cash-borrowing limit that is arranged with your bank and it's operated through a current account. With an overdraft facility, the borrower's current account is allowed to be overdrawn. It gives you a flexible way of managing your cash flow and can provide you with short term funds if you don't have enough money. The limit of the debt that the bank is prepared to support under an overdraft facility is set by the bank with reference to the customer's requirement and ability to support those requirements.

The bank's assessment of this ability is based on a number of factors, the most important of which are the customer's previous lending history. An example for overdraft: Tomorrow is the dateline for a company to hand out the salary for their workers, but the companies will only get their profit in the coming few days. The bank will pay the salary to their workers with the proper arrangement with the company by refer to the background of the company. The overdraft enables the company to pay off the salary, without having the appropriate amount of money in their account.