

Analysis of dutch lady milk industries berhad finance essay



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Dutch lady is a company that emphasis on the production of the daily product such as sweetener, yogurt, fresh milk and milk powder. Dutch lady had been starting their business in Malaysia since 1950's. The history of Dutch Lady Corporation in Malaysia begins after World War II, Dutch lady was among the several brands that imports the sweetened condensed milk from it's parents company in Holland via local importers and wholesalers.

In 1954, Atrading company Friesland (Malaya) Pte. Ltd. based in Singapore was formed to market the sweetened condenses milk imported from Holland in Malaya and Singapore. Dutch lady had joined the particular company with the brand name Dutch Baby.

In 1963, Pacific Milk Industries (Malaya) Sendirian Berhad was incorporated in Malaysia with the commissioning of a sweetened milk factory in Petaling Jaya. This factory was the first oversea production factory of the parent company. The Company has begun their operation in the late 1965 and started to manufacture sweetened condensed milk with the licenses from the parent company.

In year 1968, Pacific Milk industries (Malaya) were converted into a public company and became the very first daily production company that listed in the Stock of Exchange of Kuala Lumpur and Singapore.

The name of the company was changed from Pacific Milk Industries Berhad to Dutch Baby Milk Industries (Malaya) Berhad in the hope to avoid the confusion in the trade and marketplace surrounding the name of the company. The company had emphasis on the production of the Dutch Baby Sweetened Condensed Milk. In line with the Company's diversification
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programmed, the Company commissioned and built an Ultra Heat Treated Milk Plant. Locally packed Dutch Baby Modified Baby Food was also introduced in the same year.

Dutch Baby Milk Industries (Malaya) Berhad had sought for diversification in their product by introduces the new fruit juice drink product under the JOY brand name in year 1979. Dutch Baby Milk Industries (Malaya) Berhad also concern the safety of their product by introducing the sterilized milk in plastic bottles in the 1983.

In year 1984, Dutch Baby Milk Industries (Malaya) Berhad once again change their name to Dutch Lady for product positioning reason. In late 1985, a 3 storey building was build to house the Milk Powder packing plant as their business grew. During 1987, the Company underwent an equity restructuring exercise to comply with the Government's New Economic Policy. The share capital was enlarged to RM16. 0 million. In the same year Dutch Lady had the production of pasteurized milk in their production. Dutch Lady had introduced the yogurt and growing up milk in the late 1988 as the strategy to compete with their competitors. Dutch lady Milk Industries had delisted from the Stock Exchange of Singapore in 1989, In compliance with the Government's national policy to pro mote the Kuala Lumpur Stock Exchange.

In 1994, Dutch Lady Milk industries have their new milestone in the Dairy Product production. A new warehouse was built to accommodate the company's growing business. Human capital started to expand in line with organizational needs. It is very grateful that Dutch Lady Milk Industries has obtained certification under the ISO 9001 standards.

In 1999, Dutch Lady received the Reader's Digest Super Brands Gold Award for being voted the preferred brand of milk products in Malaysia. In the same year The Dutch Lady UHT Plant also received HACCP (Hazard Analysis Critical Control Point) certification from the Ministry of Health.

In year 2000, Dutch Lady received its second Reader's Digest Super Brands Gold Award for being voted the preferred brand of milk products in Malaysia. The Company changed its name from Dutch Baby Milk Industries (Malaya) Berhad to Dutch Lady Milk Industries Berhad, to be in line with its main brand Dutch Lady with a new commitment " Goodness for Life".

In year 2001, Dutch Lady received its third Reader's Digest Super Brands Gold Award for being voted the preferred brand of milk products in Malaysia and in year 2002 Dutch Lady won the Brand Equity award for liquid milk. In the same year Dutch Lady Sterilized Milk Plant once again received HACCP (Hazard Analysis Control Point) certification from the Ministry of Health. By the way Dutch Lady received its fourth Reader's Digest Super Brands Gold Award for being voted the preferred brand of milk products in Malaysia

The Company's share capital was increased from RM16. 0 million to RM64. 0 million via a 3 for 1 bonus issue, in compliance with the then Kuala Lumpur Stock Exchange ruling. In 2003, Dutch Lady upgraded the ISO 9001: 1994 certification to ISO 9001: 2000 standard. Dutch Lady launches a range of DHA-enhanced milk products for infants and young children. Again, The Dutch Lady Powder Plant received HACCP (Hazard Analysis Critical Control Point) certification from the Ministry of Health.

In 2003 also Dutch Lady received its fifth Reader's Digest Super Brands Gold Award for being voted the preferred brand of milk products in Malaysia.

Nutrition for Vitality Dutch Lady revamped its brand image and packaging with the new corporate tagline " Get Ready For Life!" to profile vitality through healthy lifestyles and activities.

In 2004 Dutch Lady received its sixth consecutive Reader's Digest Super Brand Gold Award for being voted the preferred brand of milk products in Malaysia. Dutch Lady Corporation did not forget their social responsibilities to the society in 2006 Dutch Lady donated RM70000 worth of products to Deputy . Prime Minister for the Johor flood victims. In the year of 2004 also Dutch Lady Milk Industries Berhad had won the Award given by National Productivity Corporation (NPC). The objectives of the award are to recognize the company's outstanding productivity management, enhancement and the importance of productivity improvement towards economic development in Malaysia

Among the product that produce by Dutch Lady Milk Industries includes; for the growing children Dutch Lady had produce the following product:

DL Yes!

DL Langkah 1

DL Langkah 2

DL 123Growing up Milk

DL 456Growing up Milk

Frisolac Gold 1

Frisolac Gold 2

Friso Gold 3

Friso Gold 4

For the family;

DL Low Fat Yoghurt

DL UHT Milk

DL Sterilized Milk

DL Pasteurized Milk

DL Milk Powder

DL Creamers

Joy Juice

For the young adults

DL Shine

DL iced Latte

2.0 METHODOLOGY

Our group had used the secondary resources, Internet to accomplish the assignment given. We had refer to these website to obtain ours information and the financial statement of the company.

<http://www.dutchlady.com.my/en/home.asp>

http://www.icongrouponline.com/pr/Dutch_Lady_Milk_Industries_Berhad_MY/PR.html

<http://www.dutchlady.com.my/en/home.asp?page=financial&page=annual>

<http://www.dutchlady.com.my/en/home.asp?page=financial&page=annual>

http://www.dutchlady.com.my/sharedfiles/financial/files/DL_QuarterlyReport_Dec06.pdf

http://www.dutchlady.com.my/sharedfiles/financial/files/DL_QuarterlyReport_Dec06.pdf

http://www.dutchlady.com.my/sharedfiles/financial/files/DL_QuarterlyReport_Dec07.pdf

http://www.dutchlady.com.my/sharedfiles/financial/files/DL_QuarterlyReport_Dec07.pdf

http://www.dutchlady.com.my/sharedfiles/financial/files/DL_QuarterlyReport_Dec08.pdf

http://www.dutchlady.com.my/sharedfiles/financial/files/DL_QuarterlyReport_Dec08.pdf

We also refer to the handout that given by the lecturer to solve the ratio in order to finish our financial analysis for the company. We had use several formula to solve the calculation in the handout and we also refer to our textbook for the difficulties that faces by us. Financial ratio analysis includes liquidity ratio, asset management ratio, profitability ratio and leverage ratio. Below are the lists of the formula that we use for this assignment.

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Current Ratio

Higher figure means the business financial condition is better as it has enough liquid assets for its operation.

Quick Ratio

Higher figure shows the business has enough quick assets to cover its short-term debt immediately.

Average Collection Period

Comparison of this ratio with credit period will measure the efficiency of the firm to collect its debt.

Inventory Turnover

Higher figure shows that the firm's inventory moves more quickly, meaning that inventory will be sold and replaced more frequently.

Total Asset Turnover

This ratio will indicate how much of sales can be generated from every dollar of the firm's asset. Higher result shows that the firm manages its asset effectively.

Debt Ratio

Lower ratio is better. It means more coverage earned by creditors if the firm goes bankrupt.

Time Interest Earn Ratio

The ratio indicates firm's ability in paying interest. Higher ratio shows better ability in meeting interest payment.

Net Profit Margin

Higher ratio is better because it shows the reducing in expenses or cost in producing sales.

Return on Equity

Higher ratio is better because it shows that the firm can generate better return to the owner of the firm.

4.0 CONCLUSION

In conclusion, Dutch Lady Milk Industries Berhad Malaysia's liquidity has becomes better from the year 2006 to 2008. Although the current ratio has decrease from 2006 to 2007 which is from 1. 773 times to 1. 414 times but the ratio increases from year 2007 to 2008 which is from 1. 414 times in year 2007 raise to 1. 737 times in year 2008. It shows that the business financial condition is becoming better where it has enough liquid asset of its operation in year 2008.

Based on the quick ratio, the firm's liquidity is not stable from the year 2006 until 2008, which it has decreases from 1. 148 times to 0. 702 times. The decreased ratio shows that the business might not have enough quick assets in year 2007 to pay its short term debt immediately compare to year 2006. However the ratio increases to 1. 134 times in year 2008 and this mean the company have enough quick assets to pay their short term debts.

The Dutch Lady Milk Industries Berhad had become less efficient in collecting its account receivable from year 2006 to 2008 which the average collection period has increases from 45. 6 days to 59. 39 days. These figures show that

the business need to take longer time in year 2008 compare to year 2006 to collect its debt.

Based on the total assets turnover, the company has manages its assets more efficiency in year 2006 compare to year 2007 and 2008 which is decrease from 2. 43 times to 2. 067 times and increase back to 2. 41 times in 2008. This means that more sales have been generated from every Ringgit Malaysia of the company assets in year 2006 compare to 2007 and 2008

The fixed assets turnover has also increased from 9. 321 times in year 2006 to 10. 11 times in year 2007 and 10. 62 times in 2008. The increasing in this ratio shows that the company has been more effective in produces the business sales from its fixed assets.

Profitability Ratios is measures that indicate how well a firm is performing in terms of its ability to generate profit.

Return on assets (ROA) is use to indicate how profitable a company is relative to its total assets. Base from the calculation, it was show that the return on assets is decrease from 20. 4% (year 2006)to 16. 04% (year 2007) and 14. 4% (year 2008), more higher value (%) is calculated that means higher return on assets, so the return on total assets is evidently decrease 6% from year 2006 until year 2008.

Net profit margin is use to measures how much out of every ringgit Malaysia of sales a company actually keeps in earning. Base from the calculation, it was show that the net profit margin is decrease from 8. 4%

(year 2006) to 7.8% (year 2007) and 6% (year 2008), so that means the Dutch Lady Milk Industries Berhad has a net income of RM0.084 for each ringgit Malaysia of sales in year 2006, but it was decrease to RM0.078 for each ringgit Malaysia of sales in year 2007 and RM0.06 in year 2008.

Return on equity (ROE) is measures a corporation's profitability by revealing how much profit a company generates with the money shareholders have invested. Base from the calculation, it was show that the return on equity is increase from 35.6% to 37.13% (year 2007) but decrease to 26.4% (year 2008). Higher value (%) is calculated that means the common stockholders of the firm will receive more return on their equity investment, so the return on equity was indicate the accounting return on the common stockholders' investment was evidently increase 1.5% from 2006 to 2007 and decrease 10.73% from year 2007 until year 2008. In a conclusion, the calculated was indicating the Profitability Ratios of Dutch Lady Milk Industries Berhad at year 2006 is better than year 2008.

The debt ratio of Dutch Lady Milk Industries Berhad increase from 42.8% to 56.8% from year 2006 to 2007 and decrease from 56.82% (year 2007) to 45.3% (year 2008). Although the company need adequate short term borrowing in year 2007 to cover their operation but in year 2008 the company's short term borrowing shows the obvious decline. This shows that in the year 2007 the company total debt is higher than the year of 2008, and this prove that the company manage to decrease their debt and making their total asset increase throughout the year before to the next year. This also shows that the company has the ability to pay up their liabilities and due to this its shows that this company has a low financial risk where the <https://assignbuster.com/analysis-of-dutch-lady-milk-industries-berhad-finance-essay/>

percentage of debt ratios is decreasing after the coming year. Apart from that, this show that the firm's assets that financed by debt is used effectively where the ratio is lower than in the year 2007 because less debt in financing results in shows less financial risk.

The time interest earned of Dutch Lady Milk Industries Berhad is increase from 126. 98 times to 264. 33 times from 2006 to 2007 and decrease from 264. 33 times (year 2007) to 196. 47 times (year 2008). This is because the revenue for company has increase from 2006 to 2007 and decrease along two years which are 2007 and 2008. At the same time, the interest expenses for company have increase along three years. This is because maybe the company not able to generate sufficient revenue so that they need to increase their loan. As a result, it leads to increase and decrease in time interest earned. Through this, the company shows that they need to improve their ability in meeting interest payment. This ratio used to measure the number of times the firm has gained to pay interest expenses. The higher the ratio is better because it shows the ability in meeting interest payment.