

Proton from saga to exora essay



**ASSIGN
BUSTER**

Through out the ratio analysis of Proton, it shows that in 2009, Proton was unable to generate profit due to sales, assets and equity because its ratio shows negative percentage.

However, in 2007, those profitability ratio Of proton also showed negative percentage. And it is clearly shown that Proton has performed well in term of profitability in 2005 due to the highest ratio compared to the other years. In conclusion, it can be seen that the profitability of Proton is fluctuating from year to year and for 2009, the profitability of Proton is quite low compared to 2005 or even with he previous year 2008.

Activity Ratio Average Time Collection (Receivables / Sales x 365 days] 1 , 403. 2 / 8, 483.

3 x 365 days = 60. 37 1, 244 / 7, 796. 9 x 365 days 58. 24 1, 192 / 4, 687.

3 x 365 days = 92. 82 1, 099 / 5, 621. 6 x 365 days = 71. 36 1 , 080. 3 / 6, 486. 6 x 365 days 60.

79 Inventories Turnover [Sales / Inventories] 8, 483. 3 / 967. 1 = 8. 77 7, 796. 9 / 1 , 389 5.

61 4, 687. 3 / 1 , 273. 6 = 3. 68 5, 621. 6 / 1, 100. 3 = 5.

11 6, 486. 6 / 1 , 395. 1 = 4. 65 Total Asset Turnover [Sales / Total Asset] 8, 483. 3 / 8, 830. 9 = 0.

96 7, 796. 9 / 8, 312. 8 = 0. 94 4, 687. 3 / 6, 946.

8 = 0. 7 5, 621. / 7, 293. 3 = 0. 77 6, 486.

6 / 7, 098. 9 = 0. 91 Fixed Asset Turnover [Sales / Fixed Asset] 8, 483. 3 / 3, 288. 9 = 2.

58 7, 796. 9 / 3, 302. 9 = 2. 36 4, 687. 3 / 3, 169. 5 = 1.

48 5, 621. 6 / 3, 150. 4 = 1. 78 6, 486. 6 / 2, 827.

1 = 2. 29 Activity ratio determines the ability of a company to convert its balance sheet items into revenue. In addition to expressing how well a company generates revenue, activity ratios also indicate how well the company is being managed. In term of collection period, Proton was quite slow in getting payment from its clients.

The fastest Proton can make collection is around two months and in 2007, the average collection is delayed up to three months.

In term of managing its inventories and fixed assets, Proton was quite well in managing and investing them based on the ratio analysis above. Financial Leverage Ratio Debt-to-Equity ratio [Total Liabilities / Total Equity & Liabilities] 2, 970. 7 / 8, 830. 9 = 0. 336 2, 442. 2 / 8, 312.

8 = 0. 294 0. 247 1, 872. 1 17, 293.

3 = 0. 257 1, 997. 3 / 7, 098. 9 = 0.

281 Leverage ratio [Total Liabilities / Total equity] 2, 970. 7 / 5, 860. 2 = 0. 507 2, 442. 2 / 5, 870.

6 = 0. 416 1, 716. 2 / 5, 230. = 0. 328 1, 872. 1 / 5, 421.

$20.3451, 997.3 / 5, 101. = 0.392$ The financial leverage ratio is used to determine about the companies' financing methods, or the ability to meet the obligations.

For debt-to-equity ratio, Proton shows increasing ratio from 2007 to 2009 which means that it is being financed by creditors rather than its own financial sources. However, the ratio is still below 1.0 which indicates that the investors have low risk in getting their return. In conclusion, Proton can be considered as less risky for investors to invest in this company due to lower financial leverage ratio.

As a conclusion, management of Proton has done a good job in managing the company's fixed assets as well as retaining the investors' investment. However, in terms of ensuring the liquidity and constant profitability of the company as well as managing its inventories and receivables, the management needs to be more concerned towards it.

Question 2: What characteristics should a foreign partner have that will enable maximum synergies? At the moment, Proton is seen to not have adequate resources in order for them to stand by itself. In other words, Proton needs another company either to join or cooperate in order to produce the products.

However, to ensure the collaboration or partnership taken place will be successful and benefit Proton especially; the foreign company must have several good characteristics or qualities. Below are several characteristics that the foreign partner should have to enable Proton to maximize its synergies: Technology advancement or expertise: Technology is one of the

major factors to determine success in automotive industry. This is because, consumer always aim that the best technology is capable in producing a good quality product.

As known, technologies in this global world are changing rapidly and advancing too fast which Proton was not able to catch up with the advancement. As a result, Proton may have the possibility to collapse or shut down due to the very high competition in the automobile industry. From our view point, it is clearly show that other automotive companies are very efficient in upgrading their technologies. They are fast forward and understand well their consumers preference and always improve their products from time to time. Most company that well established are from Japan especially; Honda, Mazda, Suzuki and others.

However, there is no doubt that Haunted is one of the companies that able to move forward and become the main competitor towards those companies. In inclusion, if Proton wants to have partnership or collaboration with foreign companies, the company should be advanced in technology. This is to guarantee that they can give a good example, consultation and information and also the technology can be adapted by Proton for their future benefits. Good marketing effort and experience: Apart from technology advancement, the partner for Proton should also have a good marketing background as well as experiences.

Marketing is quite vital because a good marketing effort and experiences can ensure the products can be distributed worldwide. Marketing effort have to be done mutinously even the company had already well known or well

established. This is to constantly remind the consumer about the existence of the company's brand name due to intense competition nowadays. Hence, proton should make collaboration with foreign company which had good marketing effort and experience in order to maximize Proton's sales.

Production efficiency: Another important characteristic of the foreign company should have is in term of production efficiency.

It is a must to ensure quality of the products and to minimize the costs of production. This is because; the costs incurred re very high in producing the automobiles. Due to that reason, Proton needs to collaborate with a company that is highly efficient in term of production in order to minimize the overall costs at the same time will maximize the customers' satisfaction. Able to adapt with local culture and norms: As we know that every countries has their own cultures and norms. Even different state in the same country might have different cultures with other states.

Cultures and norms are not absolute but relative; there is no right or wrong. Due to that, it should be respected by others from different countries and places. Foreign people should place their respects towards local cultures and norms. It is true that Proton really need the partnership and collaboration with foreign company.

However, the aspects of cultures and norms should not be regarded because it will affect the company as whole. Proton has to be firm in maintaining its cultures and norms even their partner come from foreign company.

And also, Proton should respect their partner's cultures and norms too. Thus, Proton should make some research background of the partner's cultures and norms to avoid any unnecessary deeds which will affect the collaboration and also the company itself. Financial investment: Last but not least, one of the reasons for collaboration is to share the capital injection.

So, Proton should find partner or make collaboration with a company that already have strong and stable financial position. This is because, when the partner has strong financial position, it can help Proton in term of capital.

In other words, Proton will indirectly have larger capital in short period and they can fully utilize the capital for the benefits of the company in long term.

Question 3: What broad considerations should determine the parts of Proton that are worth keeping and developing and the matter of operations to be relocated or closed down? The consideration in the part of Proton that are worth keeping and developing should be determined based on the SOOT analysis.

SOOT analysis is very importance in each company because analysis can help to identify and understand key issues affecting the business.

A SOOT analysis assist in understand the business better, address the weaknesses of the business, deter threat, capitalize the opportunities, take advantage of the business strengths and develop business goals and strategies for achieving them. Strengths Proton's strength lies on its price competitive product. Proton has a broad distribution network over the country" did that would help the company to step forward with the support from Malaysian government. In addition, company also has a good corporate

governance and have a strong bargaining power over the buyer since the Proton is the national car maker.

It was highly supported by the Malaysian as they use their own car national car product.

Weaknesses Since the history of the proton from its establishment was a short experience in car making but it is not an excuse for the Proton to come out with low quality compared to the history of Toyota that started in 1933, having a lot of experience in car making. Due to the short experience, this could cost Proton very high in producing the best car with high quality, but then it might jeopardize the Proton's reputation.

The important thing in car making was product performance and functionality. Thus, the quality of the product needs to be monitored and assured constantly to the customers. Other than that, operational cost and other expenses is always a challenge to any industry and for the case of PROTON, it is more vulnerable to increase raw material cost such as steel particularly.

Opportunities The demand for cars in any segment is always there, except for more trying times like during economic crisis. There are always opportunities for PROTON to be a global player.

Nobody ever says that cars should only be manufactured by Japan, Germany and other western countries though of course these countries have the reputation of making good cars long before PROTON and Malaysia comes into the picture. Collaborations within industry players could enable PROTON

to do many things. Through research and development more innovative products could be invented and ensure that PROTON as a brand name remains in the industry.

Threats One of the threats is of course from the rivals, the competitors in the automotive industry.

Even Perusal Tomtit Asked (PERIODS) – Malaysian second national car maker, set up after PROTON started to challenge PROTON's market share in Malaysia. Periods actually did better in recent year and outperformed PROTON via their most well selling model so far, Movie and grab more than 30% of overall market share. Under policy like AFT (SEAN Free Trade Area) consumers can have more choices form HONDA, Toyota, Chevrolet and others brand to be selected at a more affordable price, as Malaysia now has cut duties on imports from other Southeast Asian countries to less than five percent.

On the basis of a SOOT analysis above, PROTON is no need to close or move part of PROTON as it is an icon for Malaysia to be proud of and will be a milestone in the future. Apart from that also is allowing them to increase job opportunities in the field and the most important automotive PROTON support from the government. Question 4: From a review Of the 2009 National Automotive Policy, are there areas of possible collaboration with Proton in the event of short of a full roger/takeover? Proton should collaborate with local manufacturer in order to maintain the strength of the company and thus can compete with the foreign company.

Currently there are only two companies in the country, Proton and Periods.

<https://assignbuster.com/proton-from-saga-to-exora-essay/>

According to Proton MD, Dates Seed Zinnia stated that consolidation would be the most logical step to pursue the national car agenda. In addition, with the stand-alone of Proton, it would diverse structure of the industry, with the production centers and vendors scatter throughout the country which led to inefficiencies and higher cost to the company. By avian collaboration, these matter would be settled by reducing the cost of production to the company.

Several new policies and measures, covering licensing duties, incentives, technology, environment, safety, standards and regulations are being introduced under the NAP review, with the aim of fostering a more competitive industry and freer market. The new policies and measures under the NAP Review are expected to provide significant contribution to the overall growth of the industry and the country. Emphasis will be given in attracting investments in high value-added manufacturing activities using latest and high technology.

So this measure was to promote the local long-term development goal of becoming a regional and manufacturing hub.

In addition, by having NAP, it ensures orderly development as well as long term competitiveness and capability of the domestic automotive industry as a result of market liberalizing. It enhances the competitiveness of the national car manufacturer through strategic partnership and foster the development Of the latest, more sophisticated technology in the domestic automotive industry. Indirectly, it would enhance Bumpier participation in the domestic automotive industry and improve feet standards for consumers and promote environment-friendly opportunities.

For the National Automotive policy on the full liberation's of local assembled luxury passenger vehicles, a foreign firms could freely acquire a manufacturing license and hold a 100% stake in a company to assemble passenger vehicles provided they fulfilled certain conditions. From this policy, PROTON which focusing primarily on the lower-end market were benefited and this can become the area where collaboration is important where PROTON can acquire high-end technology from foreign companies in reducing small and compact cars.

Collaboration with long established companies which have reputation in producing compact cars are vital to make sure an increase in PROTON market shares on the lower-end market. Incentives for manufacturers of critical and high value-added part components were given.

This policy was introduced to promote the local long-term development goal of becoming a regional R and manufacturing hub. Collaboration with other companies which hold more advanced technology in manufacturing high value-added part components are important to ensure the transfer of technology to PROTON.

With the current capabilities of PROTON manufacturing plant, it was quite difficult for PROTON to manufacture part components by itself, thus collaboration with PROTON in this area could ensure the transfer of technology to PROTON and also at the same time enjoy the incentives. Proton intention to establish a strategic partnership with global Moms to enhance its global competitiveness for long-term viability is a good platform for collaboration with other companies. This area provides the possibility for

Proton to increase its technological prowess in exchange for a gateway to the

SEAN region, an advanced R platform and ample production capacity.

Grabbing this opportunities will ensure a win-win situation where proton could also benefit from the collaboration and foreign companies could penetrate into Malaysian automotive industry with a competitive price and technology. Question 5: What other information not included in the case could help consultant Useful Alai makes a more meaningful recommendation? Why? As a consultant, Chartered Accountant, Useful Alai has to prepare a Projected Budgeting to review Proton and to recommend whether an investment and/ r collaboration should be considered.

There are few information in this case that are not included. These are: 1 . Current Market Situation Economy There were about 806 million cars and light trucks on the road in 2007, consuming over 260 billion US gallons (980, 000, 000 mm) of gasoline and diesel fuel yearly.

The automobile is a primary mode of transportation for many developed economies. The Detroit branch of Boston Consulting Group predicts that, by 2014, one-third of world demand will be in the four BRICK markets (Brazil, Russia, India and China). Other potentially powerful automotive markets are Iran and Indonesia.

Emerging auto markets already buy more cars than established markets.

According to a J. D. Power study, emerging markets accounted for 51 percent of the global light-vehicle sales in 2010. The study expects this trend to accelerate. 2.

Item in Income Statement (internal information) Income statement is a statement showing all the income and expenses in order to produce a company's net profit and income attributable to shareholders. However, the income statement of PROTON from year 2005 until 2009 does not show a lot of cost and expenses incurred.

All the items low are items that should be included in the income statement but they are not revealed in the income statement of Proton. Cost of Sales
Other operating income
Distribution costs
Administrative expenses
Other operating expenses
Finance cost
Share of results associated companies
Share of results of jointly controlled entities
Research and Development Cost
Interest charges
The values of above items are very important to determine, influence and help Useful Alai to make a reasonable, rationale and correct judgment. For example cost of sales. Cost Of sales is being used to determine ratio Of inventory turnover.