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FINANCIAL PERFORMANCE ANALYSIS OF FOOD AND BEVERAGES COMPANIES IN MALAYSIA

[1]Mohd Hadli Shah Mohamad Yunus
mohd_hadli@kuptm.edu.my

[2]Alya Maisarah Abdul Fami
alya.fami@s.unikl.edu.my

[3]Nur Radzimah Mat Raz
nradzimah.radzi@s.unikl.edu.my

[4]Rugaya Salim
rugaya.salim@s.unikl.edu.my

Corresponding author*

[1] Kolej Universiti Poly-Tech MARA, [2,3,4] Universiti Kuala Lumpur MIDI

ABSTRACT

This study aims to analyse selected organisations' financial health and business processes. It entails figuring out how stable, marketable, profitable, and liquid the business is. This study closely examines three companies operating in the Malaysian F&B industry. By investigating Bursa Malaysia issued the company's annual report for the financial condition in 2019 before the COVID outbreak. The five financial ratios calculated for each organisation in this study are the liquidity, efficiency, debt, profitability, and marketability ratios. Comparing these ratios is to establish which company is more competitive and effective. The results of this study of company performance based on financial ratios not only evaluate the debt ratio but also measure the efficiency with which a company employs its assets and resources, evaluate the company's ability to generate revenue to sales, and finally evaluate the stock price.

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1 Introduction

Developing and implementing efficient finance and management systems are often crucial to a company's long-term success. Numerous businesses fail because of poor financial planning and management. Reviewing and analysing a company's financial performance yields information that may be used to revise the company's strategy and set new goals for the company's growth. Delen, Kuzey, and Uyar (2013) argue that financial ratios are an effective tool for stakeholders, including lenders, financial managers, and investors, to gain insight into a company's financial standing. There are several factors to consider while conducting financial analysis, including cash flow, working capital, cost base, financing, and growth. Most financial studies focus on one or more of the following: profitability, liquidity, efficiency, debt, and marketability.

Three food and beverage (F&B) firms were chosen for this study's financial performance analysis: Kawan Food Berhad, Oriental Food Industries Holdings Berhad, and Ajinomoto (Malaysia) Berhad. These companies produce a wide range of food products. Oriental Food Industries Holdings Berhad is well-known for its snacks and candies, whereas Kawan Food Berhad specialises in producing frozen meals. On the other hand, Ajinomoto (Malaysia) Berhad has a wide variety of salty condiments available. Companies in the food and beverage business can use ratio analysis to compare their 2019 financial health with their peers. The results of companies of varying sizes can be compared with this tool. Several ratios can characterise the analysis of a company's financial health. Therefore, the use of many ratios to evaluate a business's health is recommended. This research aims to demonstrate these three businesses' projected 2019 financial state before the disastrous COVID-19 pandemic.

1.1 Kawan Food Berhad

Kawan Food Berhad is a cuisine and beverage company recognised for its branded retail and wholesale packaging. It is one of the world's leading exporters and most prominent makers of frozen Asian food products. They supply their customers with authentic, safe, and high-quality items at a low price while simultaneously altering the lives of shareholders, consumers, business partners, employees, and society. In terms of formulations, the corporation has an intense research and development workforce that can make unique, consumer-approved items. Using cutting-edge technology, the company maintains the highest level of food freshness. Their commitment to quality, creativity, and dependability has allowed them to become industry leaders. They promote a small set of critical values, such as taking responsibility for results, working as a team, and committing to fairness and honesty in their relationships. They also value discipline because it is essential to the team's success in meeting its ambitious goals. In addition, they are responsive to new ideas and consistently adjust to satisfy client requests (Kawan Food Berhad, 2020).

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Over forty years ago, it all started with a little bakery run by a family that supplied traditional pastries to area grocery stores. The makers were overjoyed with their creations as they cooked and packaged the food with tenderness and care. Food was sold the same day it was prepared if the customer lived within a reasonable driving distance, as it would have been challenging to keep the food fresh for longer distances. After establishing a solid foothold in the domestic market in the 1980s, the corporation looked to Australia as its first international outpost. Because the company's founders were committed to offering only authentic, safe, and high-quality goods to their customers, they refused to use preservatives and artificial additives that do not degrade easily to keep their products fresh throughout shipping. To preserve their Asian heritage and handcrafted delicacies for longer, the makers came up with the brilliant idea of freezing everything. This choice redirected the company's efforts, resulting in the Kawan Food label. They built a brand-new factory in 2000 and put money into their workers and machinery. Kawan Food Berhad has won many prizes thanks to its employees' hard work and innovative thinking. It is the first company in the world to use an automated, HACCP-approved process to produce frozen Roti Parathas and Chapattis (Kawan Food Berhad, 2020).

The satisfaction of Kawan's clients is their priority. Kawan Food Berhad's mission is to provide customers with an exceptional buying experience by producing high-quality goods. Customer feedback is crucial for identifying product shortcomings and setting appropriate expectations. Kawan polled 604 customers on their level of satisfaction in 2019. The research covered a wide range of questions about overall happiness, product quality, product availability, delivery times, customer service, and customer complaints. On a scale from one to five, the average customer satisfaction rating is four, which indicates "very good." They also use social media by distributing interactive movies and recipes.

The number of people who follow Kawan's Facebook page has risen to 113,000. Kawan updates his readers in real-time with both news and recent publications. These tactics increased both brand awareness and devotion. Kawan has set up consumer feedback options in response to concerns and criticisms from customers. Kawan's customers and clients can get in touch with the company through various channels, including sales representatives, the website, social media, email, and snail mail. One hundred complaints about the quality of the products were received, and there were many inquiries during the 2019 fiscal year. All complaints were looked at, and appropriate actions were taken to avoid a recurrence.

Kawan Food Berhad aspires to improve people's lives while positively impacting the world. The company has created a programme called KawanCare to give back to the neighbourhood and help needy individuals. KawanCare is heavily invested in CSR activities like environmental and community-based projects and programmes. They aid the needy by providing and donating shelter, services, and educational opportunities. They also provide community service, help the elderly or kids, and implement educational programmes. Construction of a thermal insulation system and a cooling system for the finished building constitutes the company's energy-saving projects, which it performs as part of its sustainability efforts concerning the environment and which reduce energy consumption by 33.3%. In addition, a system was put in place to collect rainfall for later use, diverting water from catch basins. Planting mangroves on Pulau Indah was only one of several environmental restoration and preservation projects they worked on together in the Klang area. They think they can make a difference in the world by acts as simple as helping others or sharing a meal (Kawan Food Berhad, 2020).

1.2 Oriental Food Industries Holding Berhad

On June 8, 1996, in compliance with the Companies Act of 1965 in Malaysia, Oriental Food Industries Holding Berhad (OFIH) was incorporated. First listed on the Second Board of Bursa Malaysia Securities Berhad in August of 2000, OFIH was moved to the Main Board on October 13, 2003. Today, OFIH may be found on the Main Market of Bursa Malaysia Securities Berhad. By now, customers have probably heard of OFIH, and with good reason: this is one of the most well-known companies in Malaysia that produces snack foods and candies. Producing and selling snacks and sweets, real estate development, and investment portfolio are the three main facets of the company's operations. The Company has three wholly owned subsidiaries: Oriental Food Industries Sdn. Bhd., OFI Properties Sdn. Bhd., and Oriental Food Marketing (M) Sdn. Bhd. Snack foods and candies are what Oriental Food Industries Sdn. Bhd. specialises in making and distributing (Oriental Food Industries Holding Berhad, 2020).

Products can be divided into five broad groups: wafers, nibbles, cookies, potato snacks, and baked products. The company's commercially successful product brands create the vast bulk of its global sales and earnings. Names like Jacker, Super Ring, Zess, Oriental, and Rota are instantly recognisable in their respective product categories. The company has always put the needs and desires of its clients first, which is why it has a reputation for producing only the finest snacks, cookies, and confections. Manufacturing at Oriental Food Industries Sdn. Bhd. complies with standards set forth in ISO9001:2015, ISO22000:2005, MS 1500, HACCP MS1480, and MeSTI (Makanan Selamat Tanggungjawab Industri). They are dedicated to providing only the best quality cuisine prepared per all applicable health and safety standards.

All of the company's products are also Halal certified by the Islamic Development Department of Malaysia (JAKIM). Halal items sent to Indonesia are also certified by the Indonesian Ulema Council (MUI). Among other international trade organisations, Oriental Food is a part of SNAC International. Candy, chocolate, fish fillets, and other preserved treats are among the many products that OFIH manufactures and sells. The company's factories can be found in the Air Keroh Industrial Estate in Malacca.

Oriental Food Marketing (M) Sdn. Bhd. is engaged in selling and marketing snack foods and sweets. The company's objective and vision are centred on becoming the preferred manufacturer of candies, nibbles, and cookies. To this end, the company provides safe and high-quality products, is committed to compliance with internal standards, ISO standards, laws, and government regulations, including those of customer countries (where applicable), effectively communicates quality and food safety requirements, and continuously improves the effectiveness of quality and food safety management systems.

In a competitive market, the company remains committed to putting customers' requirements and interests first by manufacturing products with a strong emphasis on quality. The company believes that the key to success in this industry lies in product quality, product variety, research and development. The company also look at a highly skilled workforce, from top management to employees, with a sound marketing strategy and an effective sales and promotional policy. Other factors like competitive pricing, a good domestic and international distribution network, and above all, a commitment to excellence in all aspects of the company's operations are implemented and practised within the company (Oriental Food Industries Holding Berhad, 2020).

1.3 Ajinomoto (Malaysia) Berhad

Ajinomoto (Malaysia) Berhad was founded in 1961 as a distributor of monosodium glutamate (MSG) under the AJI-NO -MOTO® trademark, which was imported from its Japanese parent business. The company began manufacturing MSG in 1965 and grew to produce various goods at its current location. The company was one of the first Japanese companies to establish a presence in Malaysia. Since then, the business has developed into a thriving food manufacturer that distributes several well-known culinary spice brands. (Ajinomoto (Malaysia) Berhad, 2020) AJI-NO -MOTO® Umami seasoning has become a household favourite in Malaysia and other nations worldwide.

As a reputable food seasoning firm in Malaysia, the company aims to develop and market high-quality, safe items that satisfy the demands and desires of customers while conforming to international and local food production rules. The corporation is committed to serving as an exemplary corporate citizen. The company remains committed to environmental conservation and improvement in all aspects of its operations. According to the organisation, every employee will work in a safe and healthy environment.

There are both consumer and industrial products. The retail assortment now includes chicken broth, seasonings for regional dishes, sweeteners, and other goods. In March 2019, the firm developed RASA SIFU(™), a new all-in-one seasoning that gives customers a delightful new experience and convenience. Under the brand name TECHNO, the company distributes an assortment of savoury seasonings as industrial products.

According to the annual report for the fiscal year ending on March 31, 2019, the company's sales climbed by 2.6% to RM447.7 million from RM436.3 million the previous year. AJI-NO-MOTO® goods' increased sales volume and improved selling price contributed to the company's revenue growth. Profit before taxes for the current fiscal year climbed by 8.3 per cent to RM72.7 million from RM67.1 million in the prior year. The large increase in profit before taxes was mostly attributable to cost reductions, specifically lower raw material acquisition costs.

The company also faces challenges with the rising wages and cost of employment, and the private sector is poised to drive economic growth in Malaysia every new year. However, escalating trade disputes among industrialised nations threaten to slow international trade and dampen home economic growth. Currency changes, increased competition, and higher raw materials and operating costs are all things the company should prepare for. In the Consumer Business segment, the company will continue successful strategies like the "Campur, Campur, Siap!" campaign to encourage healthy eating habits through increased vegetable consumption and positive monosodium glutamate information sharing on social media to maintain AJI-NO-MOTO market-leading ®'s position. Growth of additional seasoning goods, including TUMIX®, SERI-AJI®, and AJI-SHIO® in the household and food service industries, as well as the expansion of the distribution of RASA SIFUTM to gratify family households and consumers with pleasant new flavours and cooking convenience. The Industrial Business segment will be able to increase the distribution of other major products, such as TENCHO and ACTIVA® TG, and develop new customers, such as capturing a share of the new dairy industry sector, by utilising in-house speciality technologies acquired from the parent company and increasing sales for those major products. As a good corporate citizen, Ajinomoto (Malaysia) Berhad makes contributions to issues like healthy living, global sustainability, and food security (Ajinomoto (Malaysia) Berhad, 2020).

2 Literature Review

2.1 Food and beverages (F&B) industry

The F&B industry, a subsector of the manufacturing industry, is a rapidly expanding component with a substantial export market (Ibrahim & Lau, 2019). Malaysia is one of the top two exporters of oils and fats, particularly palm oil-based products, in the world. The Malaysian food industry provides various processed meals with an Asian flavour. It is dominated by small and medium-sized enterprises (SMEs), while large foreign and multinational companies also produce food products in Malaysia. Cereals, herbs and spices, beverages, confectionery, food ingredients, animal feed, cocoa, and chocolate-based products are included. The Malaysian food and beverage sector is not limited to locally developed products. The country's cuisine reflects its ethnic variety, with Malay, Chinese, and Indian influences, as well as a reliance on indigenous and imported ingredients. According to the Malaysian Investment Development Authority, the food processing industry contributes 10 per cent of the country's manufacturing output (MIDA). Exports of processed foods generated 21.76 billion ringgit, while imports contributed 20.27 billion ringgit. Recent advances in processing technology have allowed the food business to better use regional resources, expand its product line, and attract more capital.

Theoretically, Malaysia has a huge agriculture industry and is calorically self-sufficient, yet, the demand for certain items necessitates the importation of specific commodities. The most prevalent processed food imports were consumables. The processing of continuously imported raw materials, such as dairy products. Although this nation produces its poultry and eggs, most of its beef is imported. Malaysia is the fifth-biggest cocoa processor in the world and the largest in Asia, but it is still unable to meet the demand of the local processing business. Imported cocoa beans dominate the market. Furthermore, Malaysian food products are exported to over 200 countries, many of which are edible. Due to the wide availability of raw fish goods, processed seafood commodities such as frozen and canned fish, fillet and surimi products in the fisheries product subsector are less surprising; they are considered export-oriented. Our local fruits and vegetables have been earmarked for export to the Middle East and Europe, as these countries purchase more than fifty per cent of the world's higher-quality, food safety-compliant products.

Food and beverage are one of the most promising industries in Malaysia. According to Statista, a market research firm, the food and beverage business has the potential to grow even further shortly. Domestic, regional, and international businesses populate Malaysia's F&B industry. Many of the biggest rivals are well-established subsidiaries of multinational food and beverage corporations that view Malaysia as an essential production hub for boosting exports to Asia's vast markets. In 2019, nine of Malaysia's top ten export markets for food and beverages were in Asia.

F&B companies aspire to grow into new halal markets by capitalising on Malaysia's position as the world's top halal industrial centre. There were 167,490 food and beverage establishments in operation, up from 130,570 in 2010 at an annual rate of 5.1%. The gross production of these services climbed by RM29.1 billion, or 12.2 per cent, year over year, to RM66,4 billion. Under the amount of the gross output, the value-added increased by 11,2 per cent annually to RM28 billion.

The food and beverage business employed 891,616 people in 2015, up from 645,743 in 2010 and representing a 6.7 per cent annual increase. These services determined a total of 569,632 individuals to be paid full-time employees (63.9%), 254,364 individuals to be working proprietors and unpaid family workers (28.5%), and 67,620 individuals to be paid part-time employees (6.7%). (7.6 per cent).

Meanwhile, overall salaries and wages in 2015 were RM9.7 billion, up 14.4 per cent annually from RM4.9 billion in 2010. In 2015, there were 56,346 food and beverage enterprises owned by women, representing 33.6% of all businesses at an annual rate of 0.9%.

2.2 Financial Ratios

By conducting simple calculations on income statements, balance sheets, and cash flow statements, financial ratios are a tool for assessing the relative strength of businesses (Ingram, 2019). Rather than raw financial data, ratios quantify a company's operational efficiency, liquidity, stability, and profitability and give investors more useful information. Ratio analysis, a prevalent and likely significant technique, can aid investors and analysts in gaining successful stock market advantages. The adoption of financial ratios has the following benefits:

i. A Standardised Method of Comparison

Financial ratios provide a common method for comparing firms and industries. In the eyes of analysts, the use of ratios levels the playing field for all businesses; organisations are evaluated based on their performance, as opposed to their size, sales volume, or market share. Comparing the raw financial data of two companies operating in the same industry yields few insights. Ratios represent a corporation's ability to earn a profit, fund the company, and grow through sales instead of debt and various non-numerical factors.

For example, an older company may have 50 times the revenue of a newer, smaller business, giving the impression that the older company is stronger at first glance. According to metrics such as return on equity (ROE), return on investment (ROA), and net profit margin, the smaller company generates significantly more profit per dollar invested than the larger one (NPM).

ii. Industry Analysis and Benchmark

Ratios can highlight industry trends and act as benchmarks against which all market participants can be evaluated. Small firms can construct organisational strategies using industry standards and readily compare their performance to the competition. For instance, the average debt-to-equity ratio in the electronics industry is 0.85; a company with a leverage ratio of 1.3 would be much more leveraged than other device manufacturers, although having significantly less total debt than the industry's major players.

iii. Stock valuation for strengths and weaknesses

Using a common vocabulary and understanding of ratios, investors and analysts can evaluate and debate the strengths and weaknesses of certain enterprises or industries. The term "fundamental analysis" refers to the use of financial metrics to determine the relative strength of a company for investment purposes. A thorough review of business reports can reveal which companies possess the fundamental characteristics that will enable them to increase the value of their shares over time and which are potentially lucrative prospects, as well as the market's weakest participants.

iv. Planning and performance

Ratios can assist entrepreneurs in developing business strategies and preparing investor and lender presentations. To provide investors with insight into the potential of their new enterprise, small business owners might establish time-bound performance goals related to specific metrics based on industry trends. When measurements are evaluated differently in response to organisational changes, metrics can serve as an incentive for strategic changes within an organisation and offer management the necessary guidance and feedback. Metrics that identify financial faults and opportunities keep managers interested.

Five unique financial ratios were calculated to compare the performance of the three firms in this study (APPENDIX I). The following are the specific financial ratios:

2.3 Liquidity

An asset or security's ability to be quickly converted into readily available cash without impacting the market is referred to as its liquidity. It is crucial for every business since it serves as the fundamental metric for assessing their liquidity from the perspective of their stakeholders (Bunker, Cagle, and Harris, 2019). The current ratio is a liquidity ratio that measures a company's ability to meet its short-term or one-year obligations. It describes to investors and analysts how a company may utilise its current assets to reduce its debt and other liabilities. Unlike other liquidity ratios, the current ratio incorporates all current assets and liabilities. The working capital ratio is an alternate term for the current ratio (Fai, Siew and Hoe, 2017). The fast ratio, commonly known as the acid-test ratio, analyses a company's balance sheet data to see if its short-term assets are sufficient to cover its short-term liabilities. The acid test, also known as the quick ratio, compares a company's most short-term assets to its most short-term liabilities to determine if it has sufficient cash to meet urgent obligations, such as short-term debt. Inventory and other current assets that take a long time to sell off are not included in the acid-test ratio. It may not be a trustworthy indicator of a company's financial health if its accounts receivable take longer than usual to collect or if its current liabilities are due. However, no immediate payment is required (Fai et al., 2017).

2.4 Efficiency

Efficiency ratios evaluate the ability of a corporation to generate revenue from its assets and liabilities. Inventory and other current assets that take a long time to sell off are not included in the acid-test ratio. In addition, because a highly efficient company has decreased its net asset investment, it requires less cash and debt to continue operations. Efficiency ratios link an aggregated collection of assets to sales or, in the case of assets. The most important efficiency ratio for liabilities compares payables to total supplier purchases. Frequently, these ratios are compared to the results of other companies in the same industry to determine success. The following efficiency ratios are regarded as effective:

Accounts receivable turnover.

This figure is calculated by dividing credit sales by the average accounts receivable. Dealing with only the best clients, limiting the amount of credit given out, and being proactive in your collection efforts are all ways to increase your turnover rate.

Inventory turnover.

The average inventory level is divided by the cost of sales. The company will be able to attain a high turnover rate by, among other things, lowering inventory levels, developing a just-in-time system, and using standard components for all manufactured goods.

Fixed asset turnover

This number is computed by dividing sales by average fixed assets. By outsourcing more asset-intensive production to suppliers, maintaining high equipment utilisation, and avoiding excessively costly equipment investments, it is possible to achieve a high turnover ratio.

Accounts payable turnover.

The result of dividing total supplier purchases by average payables. Changes to this proportion are constrained by the payment conditions stipulated with suppliers.

Utilising efficiency ratios to evaluate a company's management. When an asset-related ratio is high, the management team is utilising the fewest assets relative to sales as efficiently as feasible. In contrast, a low liability-related percentage demonstrates good management because payables are dispersed. (Malaysian Investment Development Authority, 2020).

2.5 Gearing

Investors determine a company's financial leverage using the gearing ratio. Leverage refers to the ratio between the number of funds acquired through creditor loans or debt and the number of funds received through equity capital. Financial ratios such as leverage and indices based on firm characteristics have been used to identify whether a company has too much debt (Kaplan & Zingales, 1997; Whited & Wu, 2006). According to Ibrahim and Lau, it is quantified by the ratios of short-term debt, long-term debt, and debt (2019). Because it is a comparison between one company and others in the same industry, a good or poor gearing ratio is completely relative. Nonetheless, general criteria can be used to explain what is acceptable and desirable. Nonetheless, there are a few fundamental criteria for distinguishing good and poor ratios:

- Anything above 50% is considered a high gearing ratio.
- A low gearing ratio is less than 25%.
- A good gearing ratio is between 25% and 50%.

A business with a high gearing ratio is more likely to rely on loans to meet operating expenses, placing it at higher risk during economic downturns and interest rate increases. This could lead to financial difficulties and bankruptcy (Statista, 2021).

2.6 Profitability

Profitability ratios are a collection of financial measurements used to assess a company's potential to generate profits in relation to its revenue, operational expenses, balance sheet assets, and shareholder equity. Profitability ratios are comparable to efficiency ratios, which examine how well a corporation uses its internal assets to generate revenue rather than after-tax income. The Net Profit Margin and the Return on Capital Employed are two profitability ratios. The net profit margin, commonly referred to as the net margin, is the proportion of a company's net income to its total sales. A greater net profit margin suggests that a company is more efficient at transforming revenues into profits. Gross profit margin is analysed differently than net profit margin. In gross profit calculations, fixed costs are not included. All expenses are factored into the net profit margin ratio to determine a business's net income. Net profit margins are also known as net margin, net profit, net profit ratio, and net profit margin percentage. To compute net profit margin and execute net profit margin ratio analysis, you will require skills ranging from those of a small business owner to those of a seasoned CFO (The Strategic CFO, 2021).

Therefore, it depends on the size and complexity of the company (Calvello, 2019). Return on capital employed, or ROCE, is a profitability metric that compares net operating profit to capital employed to assess a company's capacity to generate profits from its capital employed. Alternatively, the return on capital employed informs investors of the amount of profit generated per dollar of invested capital. ROCE is a long-term profitability ratio that analyses the performance of assets when long-term financing is considered.

Therefore, ROCE is a better indicator of a company's lifespan than the return on equity. Utilising operating profit and capital employed calculations, this ratio is determined. EBIT, or earnings before interest and taxes, is an alternative way of referring to net operating profit. EBIT is commonly presented on the income statement since it indicates operating profits. Interest and taxes can be added back to net income if necessary to compute EBIT. Capital employed is a confusing term because it can apply to a wide variety of financial statistics. Capital employed typically refers to a company's total assets less its current obligations. This could alternatively be viewed as stockholders' equity less long-term obligations. Both equal the identical sum (Accounting Tools, 2021).

2.7 Marketability

Market value ratios are used to evaluate the current share price of a publicly traded corporation. Current and prospective investors use these ratios to determine if the shares of a company are overpriced or underpriced. The most prevalent market value ratios are as below (Calvello, 2019). Divide the company's reported earnings by the total number of outstanding shares to determine earnings per share (there are several variations on this calculation). This number does not reflect the market price of a company's shares in any manner, but investors can use it to assess what they believe the shares are worth. The price-to-earnings ratio is calculated by dividing the current about share by the reported earnings per share. The resultant multiple is used to analyse if the shares are overpriced or underpriced compared to other companies with the same ratio findings. Corporate managers do not closely watch market ratios since they are more concerned with operational issues. The key exception is the investor relations officer, who must be able to evaluate the company's success from the perspective of investors and is, therefore significantly more likely to monitor these measures closely. (Accounting Instrument, 2021)

3 Data Analysis and Results

The financial ratios for the selected companies are calculated and shown in Table 1 below.

Table 1: The company performance based on financial ratio comparison

	Ajinomoto	Kawan Food	Oriental Food
Liquidity			
Current Ratio	8.12	3.15	2.41
Acid Test Ratio	7.33	2.54	1.21
Efficiency			
Trade Receivables Days	86 days	77 days	63 days
Trade Payables Days	48 days	38 days	47 days
Fixed Assets Turnover	5.92	0.95	2.02
Inventory Turnover	42 days	61 days	59 days
Gearing/ Leverage			
Debt to Equity Ratio	0.15	0.18	0.35
Interest Cover	0	15.39	17.48
Profitability			
Net Profit Margin	12.64%	5.69%	4.96%
Return of Capital Employed	15.23%	4.05%	8.77%
Marketability			
Earnings Per Share	93.06sen	3.39sen	11.85sen
Price Earnings Ratio	17.11	52.51	44.56

4 Discussion

According to the findings of this study, the current ratio and acid test ratio were utilised to determine a company's ability to satisfy its debt commitments and its safety margin. A current ratio between 1.5 and 3 indicates that the corporation has two times more current assets than current liabilities, which is appropriate. Only use this analogy within the same industry. Investors will target an accounting liquidity ratio between 2 and 3 because anything less is unlikely to indicate that the company is investment-worthy. The efficiency ratios in this study demonstrate how well a corporation manages its assets and liabilities daily. An efficiency ratio of 50 per cent or less is judged optimal. When the efficiency ratio grows, a bank's expenses increase while its revenues fall. Gearing ratios compare the business's owner's equity to its debt or borrowed funds. The gearing ratio is an indicator of financial leverage that reveals the proportion of a company's activities that are funded by equity capital instead of debt. Typically, investors and lenders consider a gearing ratio below 25% to be low risk. A gearing ratio of 25 to 50 per cent is typically regarded as excellent or conventional for established organisations. According to the research, two out of three enterprises have a gearing ratio of less than 25 percent. Profitability ratios assess a company's capacity to generate profits from sales, operations, balance sheet assets, and shareholder equity. Profitability ratios reveal a company's profitability and shareholder value. In this study, the Net Profit Margin and ROCE of the three companies are estimated using data from their annual reports. The marketability ratio is used to evaluate the current share price of a publicly traded corporation. Current and prospective investors use these ratios to determine if the shares of a company are overpriced or underpriced.

4.1 Liquidity Ratio

Table 1 shows that Ajinomoto Berhad, Kawan Food Berhad, and Oriental Food Industries Holding Berhad are 8.12, 3.15, and 2.41, respectively. Depending on the type of business, a current ratio between 1.5 and 2 is acceptable. A high ratio, such as greater than 3, may suggest that while being able to cover its current liabilities three times over, the company is not utilising its current assets or managing its working capital properly (Fawzi & Sunarti, 2021). Compared to Kawan Food and Ajinomoto, Oriental Food's current ratio is superior. Kawan Food and Ajinomoto have current ratios larger than 3, indicating that neither company uses its current assets. These current ratios for Kawan Food and Ajinomoto are larger than 3, showing that the companies are not maximising their use of current assets.

In the majority of businesses, the acid-test ratio should be greater than one to ensure that a corporation can meet its present obligations in the short term. On the other hand, a high ratio is not always a good thing. It may indicate that money has accumulated without being reinvested, repaid to shareholders, or put to proper use. In this study, all corporate acid test ratios are greater than 1. Therefore, it indicates that the corporation can generate sufficient cash to pay off its debts as they mature within a short period.

4.2 Efficiency Ratio

Efficiency ratios evaluate how well these businesses use their resources to generate revenue, such as capital and assets. The ratios are used to compare expenses to revenues, demonstrating how much income or profit a business generates from its operating expenses. The greater the effectiveness of a company's management and administration, the greater the likelihood that its owners and stockholders will achieve maximum long-term profitability. Because different efficiency ratios focus on different aspects of operations, such as how well a company manages its assets, cash flow, and inventory, financial analysts can use a variety of efficiency ratios to create a comprehensive picture of a company's overall operational efficiency.

A large number of receivable days is typically a negative indicator for a firm since it suggests a lack of proper credit control, which will lead to uncollectible debts. In contrast, a low number of receivable days indicates that the company is competent at collecting short-term payments. Ajinomoto and Kawan Food Berhad have the longest trade receivable days at 86 and 77 days, respectively, while Oriental Food Holding has the shortest at 63 days. This suggests that Oriental Food Holding is more adept at collecting short-term payments than its competitors.

Higher trade payable days are ideal, but they may lead to a loss of creditworthiness, resulting in future delays in order processing and credit withdrawal. Longer payment terms increase the business's access to working capital, and a high credit period taken may suggest that the business has substantial ties with its suppliers. Comparing these three companies, Ajinomoto and Oriental Food Berhad have the same trade payable days (47), but Kawan Food Berhad has nine days fewer (38 days). The conclusion that Ajinomoto and Oriental Berhad are superior to Kawan Food Berhad is reasonable.

Analysts compute the number of sales generated per dollar invested in each fixed asset by using fixed asset turnover. A high fixed-asset turnover ratio is preferable since it signifies that the organisation generates substantial sales relative to the fixed assets employed. It also provides the company with a competitive advantage by requiring less money for fixed assets and allowing it to spend more money on product development to enhance the business.

Ajinomoto's fixed assets turnover was 5.92, whereas Kawan Food Berhad and Oriental Food Berhad had turnovers of 0.95 and 2.04, respectively. Therefore, it is apparent that Ajinomoto generates the highest revenue from its assets. Kawan Food Berhad, on the other hand, has the lowest asset turnover and generates revenues inefficiently using its assets.

Analysts can evaluate inventory turnover to determine whether or not organisations utilise their goods properly. A rising number of days implies enterprises hold their inventories for longer durations. This may suggest inadequate demand management or inadequate inventory management. Ajinomoto has the shortest inventory turnover (42 days), while Kawan Food Berhad has the longest (61 days). Oriental Food falls in the centre (59 days). As a result, Ajinomoto has the best inventory management and control, allowing the company to sell its inventory more quickly than the other two.

4.3 Gearing Ratio

Gearing or leverage ratios refer to using borrowed capital or loans. It consists of the debt-to-equity ratio (D/E) and the interest coverage ratio (also known as the times' interest earned) (TIE). To determine the financial leverage of a corporation, the D/E ratio is determined by dividing its total liabilities by its shareholder equity. Ajinomoto Berhad has a D/E of 0.15, while Kawan Food and Oriental Food each have a D/E of 0.18. The bigger the D/E ratio, the greater the risk for shareholders; it indicates that a company has aggressively financed its expansion with debt. In general, the optimal D/E ratio should not exceed 2.0, and all of the companies in this study have a D/E ratio below 2.0, which is considered adequate.

The interest coverage ratio measures the capacity of a corporation to service its debt. It reflects the number of times the company's earnings can be utilised to meet its obligations. Not included in this research is Ajinomoto Berhad's interest coverage. This is because interest is not paid on trade and other payables. Note 20(b) of the Notes to Financial Statements indicates that other payables are typically settled within three months.

A non-interest-bearing note is a debt for which the borrower is not required to pay interest to the lender. If such a note were resold to a third party, the debt would be sold at a discount to its face value, allowing the buyer to profit when the borrower redeemed it at face value (Fernando, 2021). Kawan Food's interest coverage ratio is 15.39, while Oriental Food is 17.48, showing that the greater the ratio, the easier it is for the company to pay its interest multiple times over. Conversely, a low ratio is an important warning that a company will likely default on its loan payments.

4.4 Profitability Ratio

Several factors can affect a company's ability to profit, such as an expense increase that fails to materialise. For each dollar of revenue, it estimates the company's net profit margin. A company's net profit margin is determined by dividing net income by the entire amount of sales. According to the findings, Ajinomoto Berhad has the highest payment percentage (12.63 per cent) compared to the other two companies. High net profit margins indicate that a business can control costs and offer its products at a higher price than its costs. The increased percentage could result from smart pricing strategies, cost-cutting measures, or competent management.

Compared to the other two companies, Oriental Food Industries' net profit margin of 4.96 per cent is the lowest. This suggests that Oriental may be overcharging or using deceptive pricing strategies. It is common to practise to evaluate a company's success by looking at its return on capital employed. One of many profitability ratios used for this reason, return on capital employed measures an organisation's net profit as a percentage of its total capital expenditures. From the data, we can deduce that Ajinomoto Berhad saw the most growth, 15.23%, compared to the other companies. Thus, we conclude that Ajinomoto Berhad is more profitable than its competitors because it has a higher rate of return on investment. If Ajinomoto Berhad has a high return on capital employed, it means that more of the company's earnings will be reinvested to create value for its shareholders. Kawan Food has the lowest ROIE (return on invested capital) compared to Oriental Food Industries. It proves that Kawan Food was carelessly spending its money.

4.5 Marketability

Earnings per share refer to the proportion of a company's profits distributed to stockholders. This figure is arrived at by dividing the corporation's net income by the number of outstanding shares. Traders and investors often use this metric to determine whether or not a firm is financially viable before deciding to buy its stock. When compared to Kawan Food Berhad and Oriental Food Industries, Ajinomoto Berhad's 93.06sen profits per share stand out as the highest, showing a greater profit margin. In general, a rising stock price is the result of a rise in a company's earnings per share. Earnings per share of just 3.39 sen for Kawan Food suggests the company invested much on expansion in the past year, placing it last among the major food companies.

Price-earnings ratio (P/E ratio) is used to assess a stock's value in proportion to its earnings that is calculated by dividing the stock's current market price by its per-share earnings. The P/E ratio measures the value of a stock relative to its current earnings and is often used as a valuation tool. When looking at a stock's P/E ratio, investors may see how much money market experts believe the stock is worth in relation to its earnings. According to the data in the table, Kawan Food's EPS has grown to RM52.51, which suggests that the stock price is rising. Meanwhile, Ajinomoto Berhad's RM17.11 price earning indicates the company's current and future performance will be weak.

5 Conclusion

Table 2 summarises the results of this study. When comparing the three companies, Ajinomoto Berhad has the most favourable financial metrics. It should be noted, however, that the data used in this study is not the most up-to-date and only covers a single year, so the results should be taken with caution. Second, the study only considered the perspective of Malaysians. The results may not generalise to other F&B sectors in different countries. Consequently, these concerns need to be investigated more in the future.

Table 2: The conclusion of the study

Liquidity	
Current Ratio	A current ratio of 2 to 3 indicates that Oriental Food has sufficient liquid assets to cover its short-term commitments. Ajinomoto provides evidence that the company can better meet its obligations with its available cash. For this reason, it recommends that Ajinomoto Berhad and Oriental Food Company maximise their present assets to settle their current debt and other payables.
Acid Test Ratio	Ajinomoto has the greatest acid test ratio and can generate sufficient revenue to pay off its debts quickly and completely. Ajinomoto's current assets are highly dependent on inventory if the acid test ratio is much lower than the sent ratio.
Efficiency	
Receivables Days	The trade receivable days for Oriental Food are the shortest. Compared to the others, Oriental Food Holding is more adept at collecting short-term payments.
Trade Payables Days	Because the trade payable days are the lowest, Kawan Food has excellent relationships with its suppliers, and having longer payment terms boosts the working capital funds accessible to the company.
Assets Turnover	Ajinomoto has a higher fixed asset turnover, which indicates that the company generates strong sales for the level of fixed assets used. This gives the company a competitive advantage because it requires less money for fixed assets and allows it to spend more on product development to grow the business.
Inventory Turnover	The increasing number of days indicates that businesses are keeping inventories for longer. The company with the shortest inventory turnover is the best at managing inventory, and Ajinomoto has the best inventory turnover.
Gearing	
Debt to Equity Ratio	Ajinomoto's debt-to-equity ratio is the lowest, showing that the company is not endangering its financial security by taking on debt.
Interest Cover	The higher the ratio, the easier it will be for the corporation to pay down its debt. The cover with the most appeal is Oriental Food.
Profitability	
Net Profit Margin	The highest net profit margin belongs to Ajinomoto, which shows that the company can effectively manage its costs and charge prices far greater than its production costs.
Return of Capital Employed	Ajinomoto Berhad earns a higher return on invested capital, indicating that the business is more profitable than the competition. Furthermore, investors prefer companies with a stable and rising return on capital, such as Ajinomoto Berhad, over those with a variable or declining return on capital employed.
Marketability	

Earnings Per Share	The highest earnings per share (93.06sen) goes to Ajinomoto Berhad, whose profitability has increased. According to Ajinomoto Berhad, the company's earnings per share is a key metric for evaluating performance and making financial decisions. Investors typically view a rising earnings per share as an indication of a prosperous business.
Price Earnings Ratio	With a greater price-earnings ratio of 52.51, Kawan Food's share price is rising along with its market value. Investors are willing to pay a premium for a company's stock if the stock's price is relatively high relative to earnings per share because of expectations of future growth.

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APPENDIX I

	Ajinomoto	Kawan Food	Oriental Food
Current Ratio	**8.12**	**3.15**	**2.41**
Current asset/Current liabilities			
Current Assets			
Inventories	44,632,081	23,699,572	38,240,307
Trade & other receivables	105,911,499	46,286,837	49,810,428
Right of return assets	-	-	429,976

Other current assets	-	-	5,109,904
Income tax recoverable	-	-	3,894,306
Cash & bank balances	106,398,988	48,823,145	9,459,998
Investment securities	198,780,122	6,433,734	-
Prepayment	-	1,493,570	-
Current tax assets	-	3,694,881	-
	455,722,690	130,431,739	106,944,919
Current Liabilities			
Income tax payable	2,712,381	-	35,241
Loans and borrowings	-	6,398,971	11,300,172
Contract liabilities	-	-	1,918,520
Refund liabilities	-	-	1,054,418
Trade and other payable	52,788,321	34,847,222	30,097,798
Current tax liabilities	-	153,232	-
Retirement benefits obligations	548,874	-	-
Derivative liabilities	67,300	-	-
	56,116,876	41,399,425	44,406,149
Acid Test Ratio	**7.33**	**2.54**	**1.55**
(Current assets- Inventories)/ Current liabilities			
Current Assets	455,722,690	130,431,739	106,944,919
Current Liabilities	56,116,876	41,399,425	44,406,149
Inventories	44,632,081	23,699,572	38,240,307
Fixed Assets Turnover	**5.92**	**0.95**	**2.02**
Revenue / Fixed assets			
Revenue	447,730,739	214,086,870	286,548,117
Fixed assets	75,629,330	225,921,490	141,710,889

Inventory Turnover	**42.1**	**61**	**59.32**
(Inventory/Cost of sales) x 365days			
Inventories	44,632,081	23,699,572	38,240,307
(Cost of sales)			
Cost of sale	386,937,397	142,333,310	235,292,836
Trade Receivables	**86.34**	**77**	**63.45**
(Trade receivables/Credit sales) x 365days			
Trade & other receivables	105,911,499	45,250,365	49,810,428
Credit sales	447,730,739	214,086,870	286,548,117
Trade Payables	**47.48**	**38.35**	**47.29**
(Trade payables/Total credit purchase) x 365days			
Trade & others payables	105,911,499	14,953,086	30,097,798
Total credit purchase	447,730,739	142,333,310	232,292,836
Debt to Equity Ratio	**0.146**	**0.18**	**3.5**
Total Debt/Total Equity			
Total Debt			
Current liabilities	56,116,876	41,399,425	44,406,149
Non-current liabilities	11,809,589	16,472,660	22,053,574
	67,926,465	57,872,085	66,459,723
Total Equity	465,334,797	324,939,655	189,597,783
Interest Cover	**0**	**15.39**	**17.49**
Profit before interest and tax/Interest charges			
Profit before interest and tax	72,659,111	15,354,000	18,553,000
Interest charges	0	997,902	1061000
Net Profit Margin	**12.64%**	**6%**	**4.96%**
Net income available to common stockholder/Sales			
Net income	56,580,603	12,189,784	14,219,370
Revenue	447,730,739	214,086,870	286,548,117
Return of Capital Employed	**15.23%**	**4%**	**8.77%**

Profit before interest & tax/ (Total assets - Current liabilities)			
Profit before interest & tax	72,659,111	12,189,784	18,553,096
Total assets	533,261,262	383,081,740	256,057,506
Current liabilities	56,116,876	41,399,425	44,406,149
Earnings Per Share	**0.9306**	**0.0339**	**0.1185**
(Net income available /No. of ordinary shares issued during the year)			
Net income	56,580,603	12,189,784	14,219,370
Share capital (note 22)	60,798,534	359,519,760	120,000,000
Price Earnings Ratio	**17.11**	**52.51**	**44.56**
Market price per share/Earning per share			
Earnings per share	0.9306	0.0339	0.1185
Market price per share	15.92	1.78	5.28