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Comparative Financial Performance of Malaysian Semiconductor Companies

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ABSTRACT
Financial performance analysis plays a crucial role in evaluating the sustainability and competitiveness of companies within the manufacturing industry. This study examines the comparative financial performance of two Malaysian semiconductor companies, namely Inari Amertron Berhad and JHM Consolidation Berhad. The study employs ratio analysis as the primary analytical tool to assess liquidity, efficiency, gearing, profitability, and marketability performance based on the companies' annual reports for the financial year 2021. Financial ratios, including the current ratio, acid-test ratio, debt-to-equity ratio, gross profit margin, net profit margin, return on capital employed, and earnings per share, were analysed and compared. The findings indicate that Inari Amertron Berhad demonstrated stronger financial performance across most ratio categories compared to JHM Consolidation Berhad. Inari showed superior liquidity, operational efficiency, profitability margins, and market valuation indicators, suggesting stronger financial stability and greater investment attractiveness. Meanwhile, JHM Consolidation Berhad recorded moderate performance with relatively higher gearing and lower profitability ratios. The study highlights the importance of financial ratio analysis in assisting investors, managers, and stakeholders in making strategic investment and acquisition decisions. The findings also contribute to understanding financial performance evaluation in the Malaysian semiconductor industry.

Keywords: *Financial Performance, Ratio Analysis, Semiconductor Industry, Liquidity, Profitability*

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1. INTRODUCTION

Financial performance evaluation is essential in determining the operational efficiency and sustainability of business organisations. Companies continuously monitor their financial condition to ensure competitiveness, profitability, and long-term growth. Financial statement analysis enables stakeholders, such as investors, creditors, management, and shareholders, to evaluate a company's strengths and weaknesses using quantitative indicators (Horrigan, 1968).

The semiconductor industry has become a major contributor to Malaysia's manufacturing sector. Rapid technological advancement and increasing global demand for semiconductor products have intensified competition among firms operating in the industry. Consequently, companies must maintain strong financial performance to remain competitive and attractive to investors (Bayrakdaroglu & Yalcin, 2012).

This study focuses on two Malaysian semiconductor-related companies listed on Bursa Malaysia, namely Inari Amertron Berhad and JHM Consolidation Berhad. Both companies operate within the electronics and manufacturing ecosystem and are actively involved in semiconductor-related operations. The study compares the financial performance of these companies using ratio analysis to assess their strengths and weaknesses in liquidity, efficiency, gearing, profitability, and marketability.

Financial ratio analysis is widely used to evaluate company performance and support investment decisions. According to Delen, Kuzey, and Uyar (2013), ratio analysis provides meaningful indicators regarding profitability, operational efficiency, and financial stability. Similarly, Yunus et al. (2022) noted that financial ratio analysis helps stakeholders understand a company's ability to manage assets and liabilities, enhance operational efficiency, and create shareholder value. Therefore, this study aims to provide insights into the financial performance of selected semiconductor companies in Malaysia.

2. LITERATURE REVIEW

Financial ratio analysis has long been recognised as an important tool for assessing business performance and financial health. According to Khan and Jain (2017), financial ratio analysis involves systematically interpreting financial statements to assess a company's financial condition and operational efficiency. Financial ratios are commonly used by investors, managers, creditors, and researchers to evaluate profitability, liquidity, and solvency.

Horrigan (1968) explained that ratio analysis has existed since ancient times and has become a fundamental method for analysing financial statements. Financial ratios provide valuable information regarding a company's ability to meet obligations, manage resources, and generate returns. Furthermore, Foster (1978) categorised financial ratios into various dimensions, including liquidity, efficiency, gearing, and profitability ratios.

Previous studies have shown that financial ratio analysis significantly supports decision-making by investors and corporate managers. Broad and Javadi (2009) stated that performance evaluation supports rational investment decisions by examining operational and financial results. Similarly, Bayrakdaroglu and Yalcin (2012) emphasised that financial performance measurement is critical for predicting business sustainability and future growth.

A recent study by Yunus et al. (2022) analysed the financial performance of selected food and beverage companies in Malaysia using liquidity, efficiency, gearing, profitability, and marketability ratios. The study found that financial ratio analysis provides a comprehensive assessment of corporate financial strength and operational performance. The findings highlighted that companies with stronger liquidity and profitability ratios generally demonstrated better financial sustainability and investment attractiveness.

Yunus et al. (2022) further argued that efficiency ratios and profitability indicators are essential tools for evaluating management effectiveness in utilising assets and generating shareholder value. The study also emphasised that financial ratio analysis helps investors compare companies within the same industry and identify financially stable firms.

Liquidity ratios measure a company's ability to meet short-term obligations using current assets. Common liquidity indicators include the current ratio and acid test ratio (Fai, Siew, & Hoe, 2017). Efficiency ratios evaluate how effectively companies utilise their resources and assets to generate revenue. Examples include inventory turnover and receivable collection periods (Accounting Tools, 2021).

Gearing ratios assess a company's financial leverage and debt utilisation. The debt-to-equity ratio is commonly used to determine financial risk exposure (Ibrahim & Lau, 2019). Profitability ratios measure the company's ability to generate earnings relative to sales, assets, and equity. Gross profit margin, net profit margin, and return on capital employed are among the most frequently used profitability measures (The Strategic CFO, 2021).

3. METHODOLOGY

This study adopts a comparative financial analysis approach using secondary data obtained from the 2021 annual reports of Inari Amertron Berhad and JHM Consolidation Berhad. Ratio analysis was employed to evaluate and compare the financial performance of both companies.

The methodology applied in this study was adapted from Yunus et al. (2022), who utilised liquidity, efficiency, gearing, profitability, and marketability ratios in evaluating corporate financial performance among Malaysian food and beverage companies. Ratio analysis has been widely accepted as an effective method for assessing financial performance across industries (Delen et al., 2013).

The selected financial ratios were categorised into five dimensions: Liquidity Ratios, Efficiency Ratios, Gearing Ratios, Profitability Ratios, and Marketability Ratios.

The ratios analysed include: Current Ratio, Acid Test Ratio, Fixed Asset Turnover, Inventory Turnover, Trade Receivable Days, Trade Payable Days, Debt-to-Equity Ratio, Gross Profit Margin, Net Profit Margin, Return on Capital Employed (ROCE), Earnings Per Share (EPS), and Price Earnings Ratio (P/E Ratio).

The financial ratio values were compared to determine which company demonstrated better financial performance and operational efficiency.

4. FINDINGS AND DISCUSSION

The findings indicate that Inari Amertron Berhad generally outperformed JHM Consolidation Berhad across most financial indicators, as per Table 1.

Table 1: Financial Ratio Comparison Between Inari Amertron Berhad and JHM Consolidation Berhad

Ratio	Inari Berhad	JHM Berhad
Liquidity		
Current Ratio	3.10	2.62
Acid Test Ratio	2.73	1.90
Efficiency		
Fixed Assets Turnover	1.02	0.70
Inventory Turnover	57 days	107 days
Trade Receivable Days	45 days	187 days
Trade Payable Days	57 days	177 days
Gearing		
Debt-to-Equity Ratio	0.24	0.63
Profitability		
Gross Profit Margin	42.2%	23.0%
Net Profit Margin	31.7%	14.2%
Return on Capital Employed	36.3%	30.9%
Marketability		
Earnings Per Share	10.01 sen	6.16 sen
Price Earnings Ratio	4.10	0.07

4.1 Liquidity Performance

Inari Amertron Berhad recorded a current ratio of 3.10 compared to JHM Consolidation Berhad's 2.62. Both companies demonstrated strong liquidity; however, Inari demonstrated a stronger capacity to meet short-term obligations. Similarly, Inari's acid test ratio of 2.73 exceeded JHM's 1.90, indicating higher liquid asset availability.

4.2 Efficiency Performance

The efficiency analysis showed that Inari achieved higher operational efficiency. The fixed asset turnover ratio for Inari was 1.02 compared to 0.70 for JHM, indicating better utilisation of fixed assets to generate revenue.

Inari also demonstrated superior inventory management with an inventory turnover of 57 days compared to JHM's 107 days. Furthermore, Inari's trade receivable collection period of 45 days reflected more effective credit management than JHM's 187 days.

4.3 Gearing Performance

JHM Consolidation Berhad recorded a higher debt-to-equity ratio of 0.63 compared to Inari's 0.24. This indicates that JHM relied more heavily on debt financing, exposing the company to greater financial risk. In contrast, Inari maintained a lower leverage position, suggesting stronger financial stability.

4.4 Profitability Performance

Inari demonstrated significantly stronger profitability performance. The company recorded a gross profit margin of 42.2% compared to JHM's 23.0%. Inari also achieved a higher net profit margin of 31.7%, indicating greater efficiency in controlling operational costs and generating profits.

Additionally, Inari's return on capital employed (ROCE) stood at 36.3%, higher than JHM's 30.9%, reflecting more effective utilisation of capital resources.

4.5 Marketability Performance

In terms of marketability, Inari reported higher earnings per share (EPS) of 10.01 sen compared to JHM's 6.16 sen. Inari also recorded a substantially higher price-earnings ratio of 4.10, suggesting stronger investor confidence and better future growth expectations.

Overall, the findings suggest that Inari Amertron Berhad demonstrated stronger financial performance and investment attractiveness compared to JHM Consolidation Berhad.

5. CONCLUSION

This study analysed and compared the financial performance of Inari Amertron Berhad and JHM Consolidation Berhad using financial ratio analysis. The findings revealed that Inari Amertron Berhad outperformed JHM Consolidation Berhad in most financial dimensions, including liquidity, efficiency, profitability, and marketability.

The results support the findings of Yunus et al. (2022), which emphasised the importance of financial ratio analysis in evaluating organisational performance and assisting investment decision-making. Financial ratio analysis remains a practical and reliable tool for measuring operational efficiency, profitability, liquidity, and shareholder value across different industrial sectors.

This study also confirms that companies with stronger liquidity management, profitability, and operational efficiency tend to demonstrate greater investment attractiveness and long-term sustainability (Delen et al., 2013; Bayrakdaroglu & Yalcin, 2012).

Future research may extend the analysis by incorporating additional companies, multi-year financial data, and advanced statistical techniques to provide deeper insights into industry performance trends.

6. ACKNOWLEDGEMENT

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7. CONFLICT OF INTEREST

The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in the paper.

8. AUTHOR CONTRIBUTION STATEMENT

Mohd Hadli Shah Mohamad Yunus contributed to conceptualisation, supervision, manuscript review, academic refinement and served as the corresponding author.
Saiful Bahri A Rahman contributed to data collection, ratio analysis, and manuscript drafting.
Mohd Fauzi Mazuki contributed to the literature review and interpretation of financial analysis.
Nur Afifah Rusdi contributed to data organisation and manuscript editing.

9. ETHICS STATEMENT

This study utilised publicly available secondary data from annual reports of publicly listed companies. Therefore, ethical approval and participant consent were not required.

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