Performance and Size of Fraser Neave Holdings Bhd (FN)

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ABSTRACT

The main study is to analyze about the overall of the risk and the performance of the Fraser & Neave Holdings Bhd (F&N). All the is get from annual report that get from the Bursa Malaysia. The measurement of the company is used in variety of ratio such as liquidity risk, operational risk, credit risk and financial risk. These ratio is useful to know well about the company.

Keywords: Risk and performance of the company, profitability and Liquidity.

1.0 INTRODUCTION

1.1 BACKGROUND OF THE COMPANY

Fraser and Neave Holdings Bhd (F&N) is a one of the organization in Malaysia recorded on Bursa Malaysia's Main Board with mastery and unmistakable remaining in the sustenance and drink business. Established by John Fraser and David Chalmers Neave in 1883, from whom our immediately conspicuous initials "F&N" are inferred, F&N has advanced into a notorious family unit mark and the F&N Group today is among the most established, most perceived and best organizations in Singapore and Malaysia with center aptitude and authority in the Food and Beverage, Property and Publishing and Printing parts.

F&N is among the district's and Malaysia's most seasoned organizations and its image appreciates the uncommon qualification of being a market pioneer and commonly recognized name in numerous classifications. F&N works in Malaysia, Brunei, Thailand and Indochina, and is a backup of Fraser and Neave, Limited, an organization recorded on the Singapore Stock Exchange. An all-around cherished brand in Malaysia, today, F&N has spread its wings to more than 40 nations worldwide and set up itself as a provincial player.

Our products have satisfied the tastes and appetites of generations and we will continue to deepen the connection with our consumers and offer excitement and enjoyment in tandem with our brand promise of 'Pure Enjoyment, Pure Goodness'.

1.2 PRODUCT

- Milk
- Soft drinks
- Ice cream

2.0 LITERATURE REVIEW

According to Kolapo, Ayeni, & OKE (2012) defines the impact of credit risk on bank execution measured by the Return on Assets of banks is cross-sectional invariant. That is, nature and administrative example of individual firms don't decide the effect. This is uncovered by the confined F – test under the settled impact examination. Loan and Advances ratio (LA) coefficient applies most noteworthy constructive outcome on the productivity over the managing an account firms.

Shariah Supervisory Board (SSB) is one of inside administration instruments which includes the checking of Islamic banks' exercises in understanding to the Sharia (i.e. Islamic law) particularly on its execution and consistence (Alman, 2012).

Corporate governance is an arrangement of connections between an organization's administration, its board, its shareholders and different partners. It gives the structure through which the objectiveness of the organization is set, and the methods for accomplishing those targets and observing execution are resolved (Norhafiza & Ibrahim, 2007).

According to Waemustafa & Sukri (2015) defines credit risk happened in Islamic banks' Murabahah financing when client pick to drop to purchase the ware making the bank be at risk for misfortunes while neglecting to finish the portion reimbursement for the products as stipulated likewise causes credit hazard to Islamic banks.

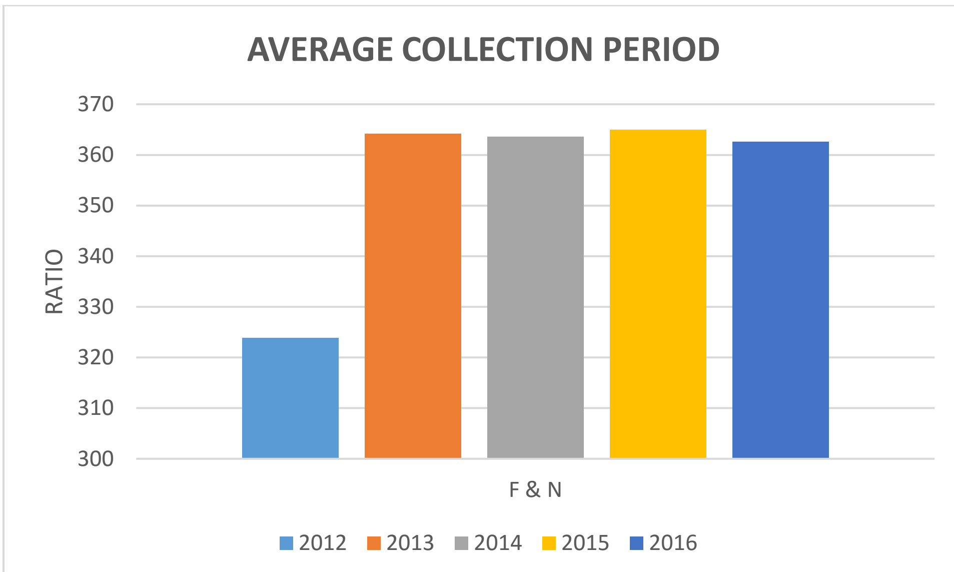
The finding of this review demonstrates that liquidity proportion (LIQUID) is decidedly critical with ROA this suggests Islamic banks receive a moderate methodology in overseeing liquidity issue by keeping up adequate money hold and in the meantime these banks can produce benefit. (Waemustafa & Sukri, 2016).

3.0 DESCRIPTIVE ANALYSIS

3.1 RISK ASSESTMENT

3.1.1 CREDIT RISK

COMPANY	YEAR				
	2012	2013	2014	2015	2016
F & N	323.8566	364.2176	363.5811	364.9534	362.5637

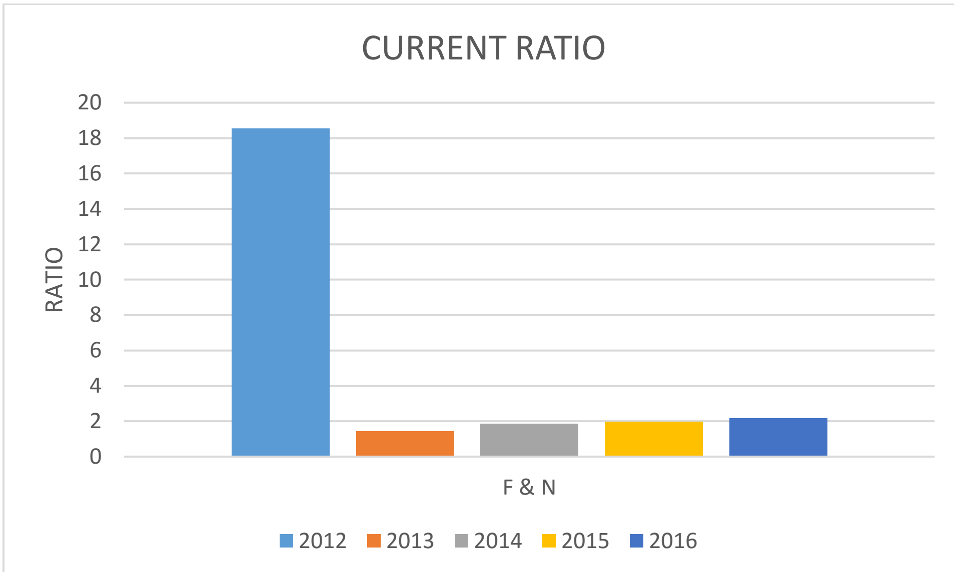


Each organization must need to think about their average collection period. Average collection period can be characterized as how long or how normal about the organization can gather back the installment from the deals that has been made to their client on credit basis. This strategy called account receivables and as resource of the organization since it is something that the business will be claim later or in the following day.

Based on the F&N company of the graph above, it shows the company only take a less day to collect back their debt start from 2012. After that, the company are not run very smoothly because need more time to collect the debt in 2013 until 2016. However, the more the days is in 2015.

3.1.2 LIQUIDITY RISK

COMPANY	YEAR				
	2012	2013	2014	2015	2016
F & N	18.52726	1.445472	1.843111	1.9616	2.173948

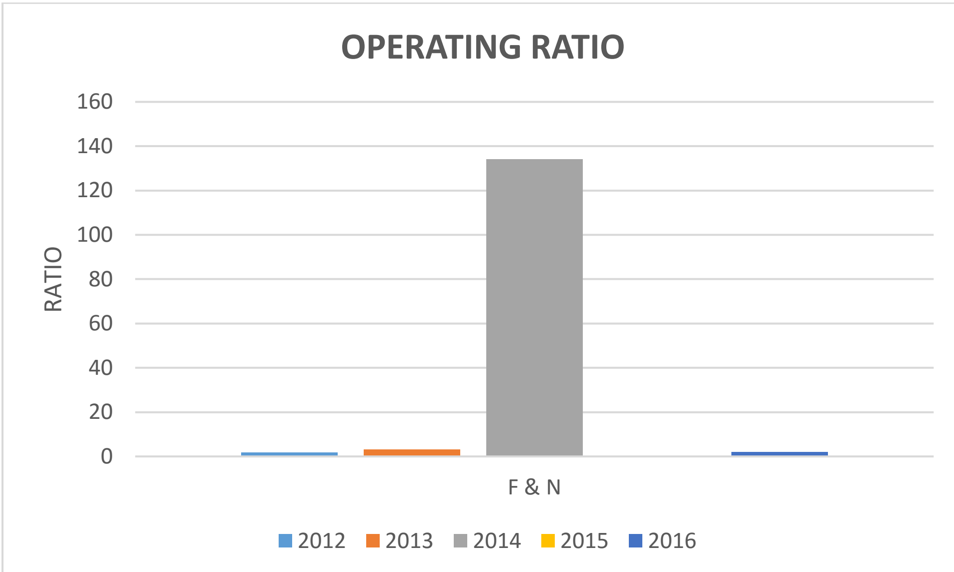


Current ratio aim is to measure an organization's capacity to pay obligation commitments.it is under liquidity ratio. Current ratio is measure an organization's capacity to pay short term and long term obligation. Every ratio that get from the ratio, refer to how to pay the liabilities.

For the F&N company, the performance in 2012 was very in good condition which is the liquidity ratio is 18.53. its means that, every 18.53 can pay for every RM1 liabilities of the company. Bad news for the company for the next 4 years because the ratio is lower.

3.1.3 OPERATIONAL RISK

COMPANY	YEAR				
	2012	2013	2014	2015	2016
F & N	1.661654	2.965177	134.1556	0.1991	1.947303

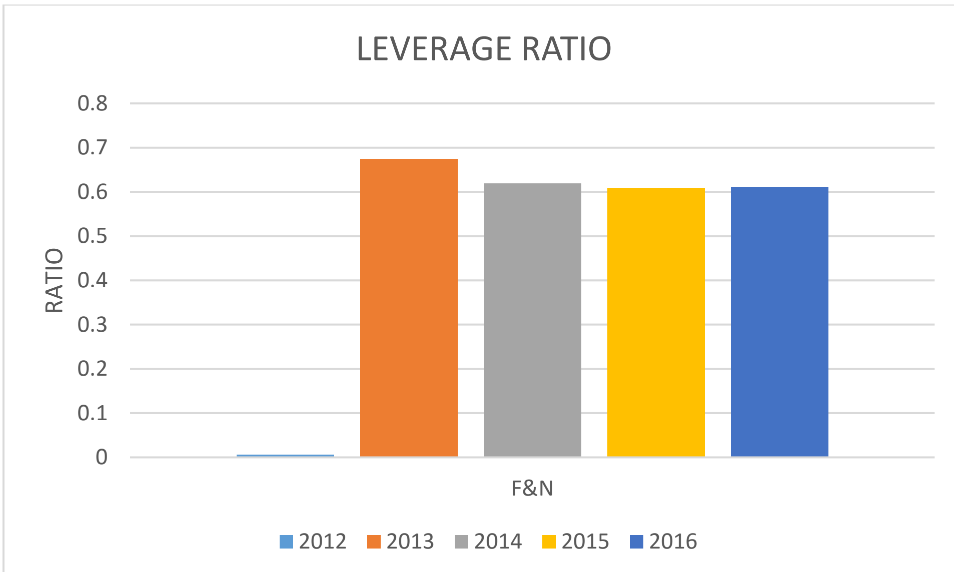


The primary driver operational risk happen is by deluding from person. For instance, considering misrepresentation by the individual in the organization, absence of aptitude of utilizing the innovation machine and others. Reason for absence of expertise will make the production not smoothly in produce.

Based on the F&N company, the company operational risk ratio in 2015 is very low compared to another year which is 0.2. unfortunately, in 2014 the company are having very high operational risk ratio which is 134.15. This ratio make the company in bad condition.

3.1.4 FINANCIAL RISK

COMPANY	YEAR				
	2012	2013	2014	2015	2016
F & N	0.006109	0.67449	0.618882	0.6095	0.61167



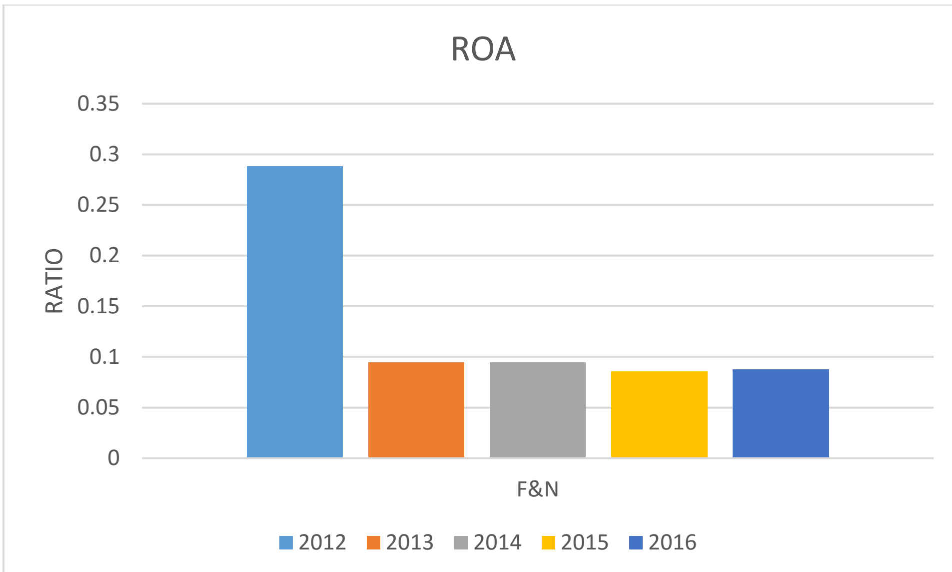
Leverage ratio formula is use by total liability divided by total equity. The function of the leverage ratio is to measure how much the capital comes as debt, and the ability of some organization to fulfil the obligation.

According to the F&N company shows that the leverage ratio for the year the lowest among the 5 years start from 2012 until 2016. Therefore, in 2011 the company just only pay 0.006 for every RM1 equity towards the company.

3.2 COMPANY PERFORMANE

3.2.1 RETURN ON ASSETS (ROA)

COMPANY	YEAR				
	2012	2013	2014	2015	2016
F&N	0.288249	0.094307	0.094901	0.085868	0.087362

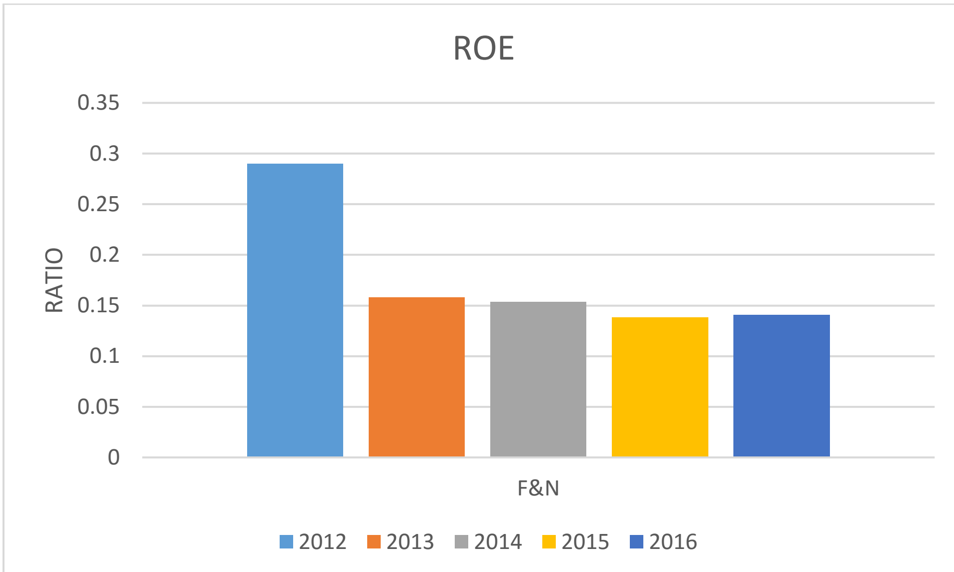


The function of the Return on Assets(ROA) is to know the profit of the company by using their assets. ROA also is used to measure how efficiently of the company use the assets to generate income or to make gain of profit.

Based on the F&N company, the indicator shows the ROA is about 28.8 % for the year 2012. Its means that every RM1 that have been invested will get the return on 28.8% profit to the company. The F&N achieve the higher ratio in 2012 while in 2015 is the lower of the ratio that the company get.

3.2.2 RETURN ON EQUITY (ROE)

COMPANY	YEAR				
	2012	2013	2014	2015	2016
F&N	0.290009	0.157917	0.153633	0.138203	0.140799



Return on Equity (ROE) is measure for how much shareholder will get for their investment to the company. ROE is the main reason someone will look up in order they want to make the invest their money.

According to the F&N company, the highest ROE is on 2012, 29% means the shareholder or investor will get 29% for every RM1 they invest. After the next year, the compay does not have a big change with each year.

4.0 DISCUSSION AND CONCLUSION

4.1 DISCUSSION

Table below shows the Correlation Matrix F&N Company Specific Risk Determinants to Profitability:

Pearson Correlation	ROA	LEVERAGE	LIQUIDITY	ACP	OPERATE	ROE	GDP
ROA	1						
LEVERAGE	-.992	1					
Sig.	.000						
LIQUIDITY	.997	-.998	1				
Sig.	.000	.000					
AVERAGE COLLECTION PERIOD	.119	-.236	.174	1			
Sig.	.425	.000	.390				
OPERATE	-.222	.231	-.251	.271	1		
Sig.	.276	.001	.	.330			
ROE	.996	-.977	.987	.050	-.194	1	
Sig.	.000	.002	.001	.468	.377		
GDP	.360	-.343	.327	.219	.699	.384	1
Sig.	.276	.286	.295	.362	.094	.262	

According to the figure above, the Return on assets (ROA) is uses to measure the company return. The highest the ROA shows the good company run. ROA and Return on Equity (ROE) have a significant relationship which is 0.996 for the F&N company. the ROE is above 0.5 and only need 0.004 to get 1. Its show the company is having in good condition. Therefore, it's also show the company are good in term of generating of their income.

Next, the relationship between leverage and ROA is how much the company assets want to cover their debt. Based on the F&N company ratio above shows that have a negative significant which is -0.997 and far from the 1.

For the liquidity ratio, the ratios that measure a company's ability to pay debt obligations. Under liquidity, this company use current ratio in term of to pay back their short term and long term obligation. Sure, it will affect the ROA with the unstable current ratio. For the liquidity of the F&N company shows the 0.997.

Average collection period can be defined as how long about the company can collect back the sales that has been made on credit basis. The higher the day collecting period will affect ROA ratio and vice versa. F&N company shows the relation between ROA and Average collecting period is 0.119.

Table below shows the Coefficients Stepwise Regression analysis for F&N Company Specific Risk Determinants to Profitability:

Variable	B	T	Sig
LEVERAGE	.837	1.441	.286
LIQUIDITY	.535	17.297	.003
AVERAGE COLLECTION PERIOD	-.057	-1.552	.261
OPERATIONAL	.030[b]	.595	.612
ROE	.468	15.108	.004
GDP	.038[b]	.759	.527

Based on the table above shows the highest impact is Liquidity Ratio which is the significant is 0.003 compared to Leverage, Average Collection Period, ROE, GDP. The significant shows that want to close to 0. The closer to 0 means the more significant towards the company.

Table below show the Stepwise Regression Analysis for WCT Holding Berhad Specific Risk Determinants to Profitability

Model Summary[c]					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	1.000[b]	1.000	1.000	.000879392367188	2.038

a. Predictors: (Constant), Current Ratio

b. Predictors: (Constant), Current Ratio, ROE

c. Dependent Variable: ROA

Based on the table above, it explained that the information about Stepwise Regression Analysis for WCT Holding Berhad between the dependent variable which is the ROA of the company. The value is 1 and use the symbol R Square. The R Square value is 1. The symbol R is meaning the square root of the R Square. In overall, the table shows that there is a positive relationship between the Current Ratio and ROE to the ROA of the F&N company.

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.031	1	.031	524.569	.000[b]
	Residual	.000	3	.000		
	Total	.031	4			

a. Dependent Variable: ROA

b. Predictors: (Constant), Current Ratio

c. Predictors: (Constant), Current Ratio, ROE

The value is .000 and it less than .05. Because of this, we can conclude that there's a statistically significant difference between the mean number 0 words remembered for all the conditions (ROA, ROE, Current Ratio).

4.2 CONCLUSION

In conclusion, for overall of the F&N Company for the 5 years can see that the company are having variety of risk such as credit risk, liquidity risk, financial risk and operating risk. There also cannot be denied that every company or institution also faced the same risk. It depends on how the company faced the risk either they accept, reduce or transfer the risk. Every risk has a relationship with the ROA and ROE of the company. As we can see to the F&N Company performance, it shows the company only perform on the year 2012 only and after the 4 years later, the company are having conflict or having a bad situation.

Based on the observation, a positive relationship is measured within profitability with the return on assets (ROA) and return on equity (ROE). Besides, the operational profitability function is how a company do to manage their company. In addition, the average collection period is about how many days' company can collect back their debt. As mention earlier, the average for the 2012 is very low means the company not take long days to collect back. It shows the company are having in the good condition only for those year but not to the next four years. It's also will make the ROA will increase plus give the positive relationship.

Moreover, the negative relationship will make the company become loss. For instance, if the average collection period of the company is high, will make the company not having profit in short term. For the recommendation, if company want to focus on profit, the company should focus and aware about the risk that the company will faced or standby for the risk coming. The best company is from the best corporate governance which is can handle the good company in good condition.

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