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Analysis of Chinese private manufacturing enterprise financial management -- a case study of ningbo haitian corporation

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ABSTRACT

Ningbo Haitian Co., Ltd. is China's largest production base of plastic machinery. Faced with fierce competition in the market, Ningbo Haitian Co., Ltd. from financial management to constantly develop new products, build their own brands, reduce costs to strengthen controls and improve business performance to gradually stabilize enhance market position. Although the role of financial management in the enterprise more and more attention, but most business managers failed to combine their own actual situation to built a reasonable cost of a modern financial management system. Therefore, to improve the optimization of corporate financial management model is a priority. In this paper, with the background, combined with the financial management of Ningbo Haitian Co., Ltd., specifically to analyze the existing problems and countermeasures.

KEYWORDS

Private manufacturing enterprise; Financial management; Case analysis.



INTRODUCTION

With the pace of economic globalization speeding up, China is now in a period of rapid growth in industrialization. Jin Bei, director of the CASS Institute of Industrial Economics said: The experience of the history and the world tells us to achieve high rates of economic growth, the industry must promote the secondary industry. Manufacturing is the backbone of the secondary industry, to develop the manufacturing sector can accelerate the improvement of China's industrial structure. And in today's competitive market, the manufacturing environment also will be major changes in manufacturing enterprises to be successful, must be combined with their own reality, strengthen financial management of construction. Corporate financial management, not just the corporate finance department of management concepts, it is the concept of the overall strategy of an enterprise.

If our enterprises want to survive and develop, we must change our concepts, learn advanced experience and methods of foreign countries, from a simple extension of the management of manufacturing costs forward to the cost of the design, process selection cost management, extended back to the market cost of management. Financial Management Co., Ltd. of Ningbo Haitian whether an invincible position in the competition with big business, maximize profits is significant. Goals and the ultimate goal of financial management business is consistent. It is the end result desired corporate finance activities, determine the objectives and content of corporate finance, corporate body patterns of behavior, but it is also reasonable evaluation of enterprise financial activities of basic standards.

In general, the most important part of the financial management objectives for all businesses is to improve economic efficiency of enterprises, seeking to maximize corporate profits. Ningbo Haitian Co., Ltd. as an group enterprise, its financial management goal is not just to maximize the economic benefits of a branch or head office, and its goal is to ensure that the entire financial management of Ningbo Haitian Group's economic optimum benefits. This article is for the sense of the company's financial management, in-depth analysis of existing financial management company issues, and to explore the impact of solutions for the future development of the company made financial cost management guidance, and thus the formation of the entire Ningbo Haitian Corporation consensus, in-depth promotion.

NINGBO HAITIAN CO., LTD. FINANCIAL MANAGEMENT PROBLEMS AND ANALYSIS

Ningbo haitian co., ltd. Profile

Ningbo Haitian Co., Ltd. was 100 yuan capital started. Development has four decades, with its dedication and perseverance as well as professional and technical knowledge of the industry, and created a lot of reliable models and concepts for the plastics processing industry customers to bring a critical competitive advantage.

Haitian shares its predecessor was founded in 1966 to now, has been for the large state enterprises. The United Nations system to promote information technology finds its outstanding private enterprises in China. Currently the company has total assets of 3.0 billion, AAA grade credit status, in 2005 the output value of 3.0 billion. Company covers an area of over 100 square meters, with more than 2,000 employees formal, informal and employs more than 5000, is China's largest production base of plastic machinery. Ningbo Haitian Co., Ltd. is known for its quality products in the Chinese plastic machinery industry. Overall strength and economic indicators in the country for six consecutive years ranked first in the industry, the domestic industry is recognized as the vanguard.

Ningbo haitian financial management problems

Shortage of financial talent

Ningbo Haitian Group's scale as the business grows bigger and bigger. As of 2012, Ningbo Haitian in more than 130 countries and regions built a base of more than 1,000,000 square meters of production. Ningbo Haitian demand for talent is increasingly urgent, the local branch of the continents are looking for talent development business in the locality. To be able to promote our business's financial talent, Ningbo Haitian is desperate. Below is the production base in Ningbo Haitian data:

TABLE 1 : Ningbo Haitian production base data

Production base	In the group's position	Local company case	Aftermarket and service
China	Headquarters	Eight factories, covering one million square meters; three factories, covering 100,000 m ²	China region
Asia	Zhafir India	A Vietnamese factory, 6600 m ²	For more than 20 countries
Europe	Zhafir headquarters in Germany	A factory, 4500 m ²	For more than 20 countries
Middle East and Africa	Regional offices	A Turkey factory, 2220 m ²	For more than 70 countries
Russia	Regional offices	--	3 regions
America	Regional offices	A Brazil factory, 12000 m ²	South District

Ningbo Haitian Group's official website (<http://www.haitian.com/>) on recruitment has been a bar. Its global headquarters is located in Ningbo, the company needs a lot of accounting classes, financial and management related professional talent. Though this information can be seen from Ningbo Haitian recruitment continued, but the number of its financial talent is still not saturated.

Weak ability to control the financial

At present, a considerable number of private widespread weaknesses in financial control problems, mainly reflected in: cash management is not in place, cash flow problems; accounts receivable turnover is slow; inventory control weaknesses; low cost management. Most of the private internal lack of scientific and effective cost control system, a considerable part of the enterprise cost control is still in the stage of post afterwards, fixed standards, feedback, accountability, etc. are not perfect, and things in advance compared with control low.

TABLE 2: 2007-2012 Ningbo Haitian key financial data Unit: million

Year	Earnings	Profit	Operating profit	Pretax profit	The interests of the shareholders	Gross margin
2007	112084900	98576400	57576.6	60011.6	56842300	87.9%
2008	369437000	98576400	41695.1	44202.8	40524700	26.7%
2009	386134100	99872400	50045.4	51299	45002600	25.9%
2010	705732800	213351100	127177.6	129306.4	106255900	30.2%
2011	702760700	208805500	130266.2	133829.3	110362800	29.7%
2012	633564200	190732100	113028	119409.4	98602600	30.1%

Ningbo Haitian relevant data can be seen from the **TABLE 2**. Its revenue from 2007 to 2012, the overall downward trend in the overall upward trend in gross profit, gross profit margin from 87.9% to around 30%. The other three indicators of operating profit, profit before tax and shareholders' interests are increasing year by year. Which can be obtained, Ningbo Haitian As China's largest production base of plastic machinery, its financial management system established fairly perfect, but still exists on the issue of financial mismanagement.

Capital structure is not optimal

Ningbo Haitian Group in 2006 to Haitian International Holdings Limited successfully listed on the Hong Kong Stock Exchange, IPO, stock code 01882. Ningbo Haitian Annual Report 2012 Key data as follows:

**TABLE 3: 2012 Haitian International Holdings Limited part of the financial statements
Unit: thousand**

Items	Amount	Items	Amount
Non-current assets	1872621.00	Net cash inflow from operating activities	1792137.00
Current assets	6659504.00	Net cash inflow from investing activities	-414681.00
Current liabilities	3087856.00	Net cash inflow from financing activities	-507972.00
Net current assets	3571648.00	Increase in cash and cash equivalents	869484.00
Total assets less current liabilities	5444269.00	Cash and cash equivalents	1741067.00
Non-current liabilities	108801.00	Turnover	6335642.00
Net assets	5335468.00	Operating profit	1130280.00
Shareholders' equity	5335468.00	Profit after tax	986026.00
Profit before tax	1194094.00	Profit attributable to shareholders	986026.00
Earnings per share(yuan)	0.62		

According to the definition of capital structure refers to the distribution of long-term debt and equity. Optimal capital structure is to make the largest shareholder wealth or stock the largest capital structure, cost of capital even if the company has a minimum capital structure. The following financial data based on the 2012 Ningbo Haitian capital structure to calculate the relevant indicator:

Long-term debt ratio=(Long-term liabilities / total assets)×100%=1.28%;

Cash to current liabilities ratio=(Operating activities Net cash flow / current liabilities) ×100% = 58.04%;

Shareholders 'equity ratio=(Shareholders' equity / total assets)×100% = 62.53%.

Long-term debt ratio is smaller, indicating that low capitalization Ningbo Haitian debt, long-term debt service less stressful. 2012 Ningbo Haitian's long-term debt ratio was 1.28%, then it needs to repay long-term debt and long-term operating funds accounted for a small proportion of the whole. The higher cash flow debt ratio, indicating better corporate short-term solvency, the ratio is generally believed that more than 40% is ideal. 2012 Ningbo Haitian cash to current liabilities ratio was 58.04%, the better the quality of its cash flow. If the equity ratio is too small, indicating that the enterprise excessive debt, easily undermine the company's ability to withstand external shocks; However, if the ratio is too large, meaning that companies do not actively use financial leverage to expand the scale of operation.

If Ningbo Haitian want further development, then bound to a deeper level of financial management and improvement. So for the significant impact of the capital structure, we must seek the best. Under conditions of optimal capital structure, the enterprise value of Ningbo Haitian to achieve maximum. At any time, only exists Ningbo Haitian capital structure, optimal capital structure is not fixed, because the optimal capital structure varies with time. Meanwhile, the optimal capital structure complex, there is no index system for the Ningbo Haitian all times, under all conditions constant.

NINGBO HAITIAN FINANCIAL MANAGEMENT STRATEGIES

Improve the quality of financial management

In developed countries, many enterprises are able to use a complicated financial management, most closely is their advanced culture, quality of personnel, management thinking. Development of enterprises without talent, talent as an important support enterprises must have the necessary basic quality management to continuously enrich themselves, improve management capacity in practice.

First, companies should regularly conduct training for all managers and assessment, one can urge them to learn the latest management knowledge to their charge, on the other hand they pass the examination in favor of competition between each other. Secondly, the company should be based on the nature of their operations, set up in line with the company's business processes job specifications. Outstanding enterprises can learn mode. Finally, companies should impose penalties both ways. For employees working in error or negligence, should be given the appropriate punishment for the different levels of consequences, in order to avoid a recurrence. Companies should establish a merit pay system, serious and responsible work performance staff will be rewarded, so not only can mobilize the people's enthusiasm for work, inert psychological reduced, and can form a good working atmosphere, increase everyone's well-being, so that we maximize the potential to make a positive contribution to the Company. Improve staff quality and management level is a long-standing process that requires long-term planning companies.

Improve the financial management system

System construction is the basic guarantee the normal operation of the private sector. Especially large-scale private enterprise is so, and Ningbo Haitian must grasp the following aspects: the enterprise's production and business activities be rules to follow; should strictly by the book, adhere to equality before the system, so there are rules are followed, illegal reserved, especially for fraudulent acts should be held accountable parties, in serious cases investigated for criminal responsibility; strengthen quota management. Fixed production process is human, material, financial and other criteria determined by consumption, is to plan, implement important basis for economic accounting and financial controls; strengthen measuring and testing work, as measured from the quantity and quality of detection is reflected in two aspects of the production operating conditions, which determines whether the original record true and reliable data, a variety of materials and supplies and product quality meets the standard requirements.

Optimize the capital structure

Capital structure is irrational will hinder the development of enterprises, in today's era of reform and opening up, especially in China has joined the WTO, enterprises are facing intense competition can imagine, so do a good job of corporate capital structure optimization, and promote the healthy development of crucial important. Improve profitability, solvency, profitability improved, helping improve corporate solvency, corporate financial risk, operational risk is minimized. Reduce debt interest rates, corporate capital structure to maintain a certain percentage of debt, you can save taxes, constrained operator behavior, motivating operators enthusiasm. Always keep the capital structure and asset structure, the level of investment income dynamic coordination and mutual adaptation.

CONCLUSION

From the point of view of economic development worldwide, currently exists in our society with growing material and cultural still can not meet the growing needs of people consume gradually become personalized and diversified characteristics. Ningbo Haitian in the development process, can seize the opportunity to be good at innovation, the formation

of product differentiation, improve service, the use of sound financial management, the market for their own gain, casting their own brand. Meanwhile, we should also see the continuous development of market economy, and continuously improve productivity, companies can not just be satisfied with a management model and everlasting, only on the basis of market developments at home and abroad to learn advanced experience in financial management, with its own characteristics, to be invincible.

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