

Research on the Optimization of Capital Structure of Kweichow Moutai CO., LTD

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Abstract: The capital structure of the enterprise has great influence on the market value and capital cost of the enterprise. At the same time, the quality structure of the enterprise plays a very important role. On the basis of the research status at home and abroad, this paper defines the connotation of capital structure, analyzes the influencing factors of capital structure, and introduces the theory of capital structure optimization. Taking Maotai of Guizhou province as the object of study, this paper analyzes the current situation of Moutai's capital structure from the three angles of debt ratio, debt structure and equity structure by analyzing the financing mode of Moutai Company and the data of the assets structure table in the last five years. On this basis, the method of comparative analysis is used to select the same It is found that there are some problems in the capital structure of Guizhou Moutai joint-stock company, such as low debt ratio, unreasonable debt structure and single equity structure. Then through the monetary policy, taxation, corporate governance and management behavior and other factors, in the macro, industry, self-management three levels of analysis of the causes of the problem. Finally, combining the causes of capital structure problems with financial reporting, this paper puts forward specific optimization measures to improve capital structure optimization management ability, improve corporate governance, broaden financing channels and strengthen internal control. It is hoped that the capital structure of Moutai in Guizhou can be optimized.

1. Research background

China's economic system is in the transition period, there are opportunities in the market but also face great risk challenges, then the capital structure of our company should be improved and improved. At present, most of the listed companies in our country not only have the problem of low capital debt ratio, but also the problem of unreasonable debt structure, unreasonable corporate financing structure and heavy dependence on endogenous financing, especially equity financing.

1.1 Rresearch meaning

This paper analyzes the financial situation of guizhou maotai co., ltd., explores the existing problems of maotai co., ltd., and tries to find out the causes of the differences, which will also play a guiding role in the healthy development of liquor industry and even other industries in china.

1.2 Research status at home and abroad

As pioneers of enterprise capital structure research, they have deeply studied the formation mechanism, evaluation index and risk control of enterprise capital structure. The three objectives of capital structure optimization are profit maximization, earnings per share maximization and enterprise value maximization. For the listed companies in our country, if they can form a set of incentive mechanism within the company, so that the accountants can optimize the capital structure of the company as much as possible, then it is of great significance in the process of realizing the optimal capital structure of the company. China is in the period of economic and social transformation, which requires from rapid development to high quality development, and optimizing

the capital structure of the company is of great significance to the healthy and stable development of listed enterprises.

1.3 Research contents

This paper introduces the research status of the company's capital structure optimization and the company's capital structure of liquor industry in China. Taking Guizhou Moutai Co., Ltd as an example, this paper analyzes the debt and equity structure in the last five years. Find out the existing problems and influencing factors of its current capital structure, and then put forward solutions and suggestions to solve the problem. This paper adopts the method of combining theory and case analysis to study the market reaction of capital flow and share policy of Guizhou Moutai Co., Ltd under the mode of economic market transformation in China. In view of the problems existing in the composition of liabilities and equity, the corresponding suggestions and solutions are put forward.

1.4 Research Methodologies

This paper expounds the relevant theories of the capital structure of the company, taking Guizhou Moutai finite public company as an example to introduce how to optimize the capital structure, the theory points out the direction for the practice, and the practice provides the factual basis for the theory.

2. Capital structure optimization theory

2.1 Capital structure optimization

Using it is called enterprise capital structure optimization to realize the rationalization of the whole enterprise capital by adjusting the capital and structure of the enterprise. In the formulation of such strategies, enterprises should pay attention to: in the process of optimization to establish a set of scientific enterprise management system. The structure should be optimized on the basis of clear property rights. In order to promote the enterprise to realize the value maximization.

2.2 Factors affecting capital structure optimization

The country's degree of development also has an impact on the capital structure of the country's listed companies. Unlike developed countries, the markets of developing countries have many problems in the process of capital accumulation. First of all, the process of capital formation is relatively slow, the consumption time is longer, because the social average income level is not high, there are many low-income people in our country to hinder the formation of capital flow, delay the speed of capital accumulation. On the other hand, the developing countries are short of funds, have not formed a perfect financial structure, the economic market has not yet formed a sound system, cannot quickly gather scattered funds together to form capital.

2.3 Capital structure optimization theory

From the point of view of net income theory, the larger the proportion of bond capital in the structure of the company, the more net income the company can get, thus the higher the value of the company itself. According to this theory, the company's sources of capital and the number of sources are not limited. And the cost rate of debt and equity capital will not be affected by financial leverage, which is generally fixed. The main point of the income theory is that the internal value of the enterprise is not related to its debt ratio, because the debt cost ratio of the enterprise is fixed in the view of the income theory. But equity capital ratios are constantly changing. Once the company has increased its debt capital. So the view of this theory is that the value of the enterprise has nothing to do with the capital structure, and the real impact on the value of the enterprise is its net profit.

3. Study on Capital Structure Optimization of Guizhou Moutai Co., Ltd.

3.1 Company profile

The Guizhou maotai co., ltd. is one of the flagship enterprises in china's liquor industry, producing and selling one of the best liquors in the world. The company has a complete industrial chain of production, processing and sales, and has a long history in china. Maotai wine is a typical representative of sauce-flavored liquor. As of 2018, the total production of liquor in Maotai has far exceeded 10,000 tons, which is also related to the company's business expansion. Maotai wine in its continuous development of low-volume wine business expansion. Among them, the more famous welcome wine and Prince wine have filled the low-end market to meet the needs of the majority of consumers. In addition, maotai aged in different years has a great appeal to some customers. Maotai in recent years in the high-end market sales are also very impressive.

According to the data in the annual report of Guizhou Moutai (600519) for 2018, the production of Moutai and its series of liquor base reached 70200 tons during the reporting period, up 10.08 percent from the previous year, of which 49,700 tons were produced by Moutai, up 15.98 percent from 2017. In addition, realized operating income of 73.639 billion yuan, up 26.49% from 2017; realized operating profit of 51.343 billion yuan, up 31.85%; realized net profit attributable to the owner of the parent company to 35.204 billion yuan, up 30.00%.

3.2 Analysis of Guizhou Moutai financing mode

The sources of financing commonly used in the financing process are generally divided into internal and external. For Guizhou Moutai Group, the source of its funds is mainly in the form of endogenous financing to absorb. Moutai retains undistributed profits and surplus reserves within it. And the depreciation of the unused fixed assets, the amount of funds obtained through internal financing is far more than the amount of external financing.

Holders are the main investors in equity financing. The main way to use equity financing is to raise funds by issuing shares. Financing in this way to a certain extent can improve the credibility of the company, essentially has the role of advertising. Sovereign funds are mainly raised by the issuance of shares. The company's debt is based on common equity and retained earnings. The raising of sovereign funds can reduce the risk to creditors. So this form of financing can provide strong support for further financing.

The advantage of raising funds by issuing stock is that there is no repayment period, and there is no risk that the fund raising without actual maturity date cannot be paid by principal and interest. The capital raised by the stock is essentially a permanent fund, and during the operation of the company, the raised funds can be used for a long time without a fixed maturity date. In this way, the company's management of the production needs of the capital is a sufficient guarantee.

3.3 Analysis of capital structure of Moutai in Guizhou

The asset-liability ratio is the ratio to measure the risk of corporate debt default and the ratio between total liabilities and total assets. The greater the ratio of assets and liabilities, the worse the ability of enterprises to protect the interests of creditors, and the higher the risk of corporate default. For creditors, the smaller the asset-liability ratio, the better under the industry regulations, which indicates that the company's assets have a higher ability to repay the liabilities, and their capital recovery risk will not be too big. For the debtor, under the premise of good business operation, moderate debt can play the positive role of financial leverage, thus bringing more benefits to the enterprise.

The debt structure refers to the quantity and proportion relation of various liabilities of enterprises, the most important of which is the ratio relation between current liabilities and non-current liabilities. Current liabilities mainly refer to liabilities within one year, which is a common financing method for enterprises. The interest rate of short-term liabilities is relatively low, which has great impact on the cash flow of enterprises.

The non-current liabilities of Guizhou Moutai Company are composed of special accounts payable, and the three items in the current liabilities, the amount received in advance, the tax payable and other accounts payable, are relatively large, and the sum of the three accounts for more than 50% of the non-current liabilities. The lower debt of the enterprise will also bring negative influence to the enterprise, the interest on the debt can be deducted before tax, which can help the enterprise to

save tax, and the certain debt can also reduce the cash flow of the enterprise, and reduce the investment of the non-profit project by reducing the free cash flow.

3.4 Analysis of Share Capital Structure of Guizhou Moutai Company

The company's net profit attributable to the owner of its parent company reached 35.204 billion yuan in the reporting period for 2018, up 30 percent from 2017. Maotai shares earned 28.02 yuan per share in 2018. Net cash flow from the company's operations during the reporting period stood at 41,385 million yuan, up 86.82% from 2017. At the end of 2018, the total number of shares in Moutai was 1.256 billion, reaching 145.39 yuan per 10 dividends for shareholders in the form of cash dividends.

3.5 Analysis on Capital Structure of Guizhou Moutai Company

The In the past three years, the asset-liability ratio of Moutai in Guizhou has been declining year by year. Compared with the same industry, it is only in the middle level and below the industry average. Maotai Liquor, as a high-end liquor brand in China, has played an important role in receiving VIP guests, banquets and gifts and other important occasions. However, due to the implementation of national anti-corruption and other policies in recent years, the sales growth of Maotai wine slowed, the decline in accounts received in advance, coupled with increased competition in the industry, resulting in a lower asset-liability ratio of Maotai wine.

Maotai's largest shareholder has a higher shareholding ratio. The vast majority of liquor listed companies have achieved full circulation of shares, and full circulation is conducive to social investors to buy corporate shares. Guizhou Moutai's largest shareholder holds up to 62.99 percent of the shares, ranking high in the industry, meaning that the majority shareholders have absolute control over the company. The high proportion of large shareholders leads to the main concentration of equity in one place, which easily leads to the occurrence of large shareholders encroaching on the interests of the company, the transfer of property, and the infringement of the interests of many small and medium-sized investors in the society.

4. Recommendations for optimizing corporate capital structure

The Decision on the Reform and Development of Enterprises of the 15th Central Committee of the Communist Party of China (CPC) proposes a comprehensive determination of the guiding principles of the economic adjustment strategy to deepen the enterprise reform. By studying the listed companies in our country, it is found that one characteristic of their ownership structure is the large proportion of state-owned stock.

4.1 Optimization of equity structure

Moutai can target an increase in equity and distribute shares to some employees. Nowadays, the liquor industry in our country is in a state of rapid development, and many distilleries after the ghost have been acquired, and the amount of fixed assets used by Guizhou Moutai Stock Company to expand production capacity, such as production equipment, plant and other fixed assets is huge. In order to reduce the cost of fixed assets, the cost of reducing depreciation can actually choose to buy other distilleries by means of equity financing, increase the production of maotai wine but reduce the relative investment, and then realize the diversification of financing methods.

4.2 Adjustment of the liability structure

Guizhou Moutai Co., Ltd. has a large scale, large assets, substantial profits per year, good image in the industry, and a significant proportion of liquid assets to total assets. Moutai's one-year loan rate is 4.75%. Under this kind of interest rate, Moutai company should make use of the financial leverage effect to appropriately increase the bank loan of the enterprise and increase the debt level of the company so as to realize the purpose of optimizing the capital structure. In addition, a defence against changes in the market environment ensures adequate financial free cash flow to enable the procurement of raw materials to produce products on schedule.

In addition to the above measures, according to the characteristics of the liquor industry, the financing method can be accompanied by the high-end liquor prices and the emergence of liquor trust, the mortgage part of the liquor loan. Although the original wine certain asset specificity, but Maotai wine in the market recognition is high, the image of the enterprise is good, consumers have a strong willingness to buy, then can mortgage part of the product.

4.3 Strengthening internal controls

In the actual production and operation of the company, the management of the company can grasp the information of the company at the first time, earlier than the shareholders. Although there is a supervision mechanism within the company, it needs to continue to be improved, because there will be moral hazard in daily economic activities, and a small number of people have the majority of shares to give them the final decision-making power, which may infringe the rights of minority shareholders. Therefore, it is necessary to constantly improve the internal supervision mechanism of the company, which can restrain the management to make more scientific economic decisions, increase the feasibility of decision-making and reduce its risk, so as to ensure the optimization of the capital structure of the company.

Managers should dynamically monitor the capital changes of enterprises and construct a system of dynamic data analysis. Analyze the data in the balance sheet of the enterprise, determine the appropriate capital structure of the enterprise according to the evaluation index, and control the indexes of the company's capital structure in a reasonable range. The enterprise accountants monitor the change index of asset structure, such as borrowing interest rate, tax policy reform, industry cycle length, internal asset scale, profitability, so that the capital structure of Moutai Co., Ltd. can cope with the change of market and make the company reach the optimal state of capital structure.

5. Conclusion

Guizhou Moutai's return on net assets overall is still a downward trend in reclamation. The total asset profit margin of Guizhou Moutai in 2015-2018 is all larger than the debt interest rate, and the enterprise can use the financial lever to further absorb the capital for production, so as to improve the owner's equity and realize the maximization of the company's value. Private equity fund is an important means of modern enterprise financing, especially some non-listed companies, because the financing channel is relatively narrow, the development is restricted, can obtain the financial favorable condition through the way of private equity fund, the private equity fund affects the enterprise performance in the channel, the management level, the industry chain, the outreach cooperation, the liquidity five aspects, in the concrete operation, also needs to consider the market basic situation and the policy influence.

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