

Profitability analysis of KINGLONG nearly 5 years

Mei Zhang ^{1,a} and Jinghua Wen ^{2,b}

¹Information Institute Gui Zhou University of Finance and Economics Guiyang, China,

²Information Institute Gui Zhou University of Finance and Economics Guiyang, China,

^azm_gy@sina.com

^b75301022@qq.com

Abstract. Profitability analysis for measuring business performance and forecast its prospects play an important role. In this paper, the research instance King Long Motor in understanding the basic theory on the basis of financial management, to take a combination of theory and data analysis methods, combined with a measure of profitability related indicators of King Long Motor company's profitability do a specific analysis to identify factors constraining the profitability of Kinglong company exists and the motivation to improve profitability, which made recommendations to improve the profitability of Kinglong car company to promote the company's future can be better and faster development.)

1. Introduction

Profitability is usually refers to the ability of business to make a profit [1], but it reflects the strength of the business performance is good or bad, the central issue is also of concern to all parties concerned companies.

Operator profitability through analysis, we can see that the quality of the company's development, identify problems and take effective measures to solve the problem, and lessons learned, to improve the overall efficiency. Investors on the strength of the company's profitability is particularly important to see that they get investment income usually depends on how much the level of corporate profits, their investment income and profitability are inextricably linked. The more robust corporate earnings, they get more benefits [2]. Thus, relative to other indicators, they are more concerned about profitability. Company's ability to timely repayment of debt interest, and he has a close relationship profitability. Therefore, when creditors lend money to understand the strength of the company's profitability, to ensure timely recovery of funds lent to avoid losses. Meanwhile, for the government, profit is the direct source of national revenue, profitability directly affect state revenue, help countries to better exercise social management functions, but also the employee collective welfare facilities have improved the important guarantee not only help safeguard the interests of enterprise employees, but also to attract more people, thus improving the overall efficiency of the company.

Development of the automotive industry, both for developed and developing economies have a relationship and responsibility cannot be ignored, the development of the automotive industry must promote the development of many related industries [3]. Throughout recent years, China's economic development, market demand for the car or larger, or the promising development. We want to understand the development of the automotive industry, profitability analysis is one of the most important part of its development by profitability analysis can be the most intuitive and effective understanding of the quality of the ability of the industry to make a profit and business performance. On the basis of analysis to identify potential problems in the development, and to be addressed and improved, so that the automotive industry can better development, in order to stimulate the development of related industry sectors to promote economic development.



However, the profitability of the automotive industry in recent years, in-depth analysis of the literature is very limited. Wu Ling [4] Comparative analysis of the use of financial theory and charts, the first comparative analysis of the two companies in terms of profitability, cash generation ability, value creation, growth capacity and risk control ability of the financial indicators. Then using DuPont analysis system, the ROE of both companies in the comparison year deep-seated reasons (ROE) change decomposed and analysis; and finally, the use of financial strategy matrix theory, the two companies in recent years used Specific financial strategy has also been analyzed. Wang Shan [5] First defines the basic meaning of the capital structure and operating performance of the previous studies carried out abroad preliminary carding theoretically analyzed the relationship between capital structure and business performance among; at the same time, for Kinglong car conducted a comprehensive SWOT analysis capabilities. Then, analyzed the current situation Kinglong car capital structure and operating performance, select the Shanghai and Shenzhen-listed 19 auto companies in 2010 - annual report 2012 financial data analysis using multiple regression analysis based on Logistic Model and Cluster Analysis the automotive industry capital structure and operating performance relationship between empirical research. Zhang Tian Ming [6] to small businesses A company for the study, based on a detailed analysis of business background, development survey, based on research A company operating around the implementation of the target customer management strategy case study change target customers, customer profitability and changes in corporate profitability, which draw some preliminary conclusions, the implementation of corporate strategies affect the target customer profitability, customer profitability generated. Sun makes Peng [7] by choosing Nanjing C auto 4S shop as an example, the profitability of the business as a research direction, financial management theory as the research base, combined with the theory of business management, to take the theoretical and data analysis method of combining, internal and external factors affecting C Nanjing Automobile 4S shop profitability carried out a detailed analysis, and then from the enterprise business and management point of view put forward countermeasures and suggestions to enhance the C Nanjing Automobile 4S shop profitability.

2. Basic Theory

Profitability refers to the ability to obtain corporate profits, it is a comprehensive index, reflecting the quality of different aspects of the development of enterprises [8]. It is mainly used to analyze profitability through investment and operating profitability of the two financial indicators.

2.1. Investment Profitability Indicators

Investment profitability indicators including return on equity, return on total assets, total assets net profit margin ratio analysis three indicators [9].

ROE, is the ratio of net profit to the average owner's equity, represents the invested capital gains obtained, the index level is directly related to the level of income. Investors will also look at whether to invest or continue to invest according to the index.

The total return on assets is defined as the ratio of total income received average total assets, reflects the ability of enterprises to use the asset re-creation of value, the asset management is an important indicator to assess the profitability of the strength of the enterprise. The level of the index, indicating that the quality of enterprise asset management, as well as the strength of profitability.

Total assets net profit margin is the ratio of the average total net assets, the use of all assets that the company obtained profit level. The level of the index, reflecting the level of asset management efficiency, obtained the level of profits, the level of costs, the level of operating efficiency.

Capital Maintenance and Appreciation refers to the owner's equity ratio at the end with the beginning of the owner's equity, indicating increase or decrease of capital under management in the business range. It's low, reflecting the level of debt security, the greater its higher corporate borrowing space for the future development of enterprises to provide a guarantee of funding.

2.2. Operating Profitability Indicators

Operating profitability indicators including operating margin, operating margin, operating margin, cost margins four ratios analysis indicators [10]. Operating margin is defined as operating gross profit and net operating income ratio, also known as gross margin. Its level, indicating the strength of the ability of enterprises to obtain gross profit, as well as the level of costs. The operating margin refers to the ratio of

operating profit and operating income. This indicator shows after removal of operating costs, profits acquired business efficiency is an important indicator of good or bad. Operating margin is the ratio of net profit and revenue. It represents the ability to create business revenue net of its height, determine the business to obtain the ability to create profit strength. Cost rate margin is defined as the ratio of total corporate profit and the cost of the total cost, per unit cost represents income obtained. It is higher, then the total profit is greater than the total cost, the greater the greater the difference between profits, business profitability is stronger.

3. Profitability Analysis of King Long

3.1. Profitability Data Analysis

Between 2009 and 2013, king Long for five consecutive years of key financial data are shown in Table 1, there are the interests of the relevant data is shown in table 2.

Table 1. King long profitability data sheet (million)

<i>Project</i>	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>
Operating income	117.7107	161.5614	189.2491	191.6870	208.1230
Operating cost	102.7757	140.7802	166.7163	167.9785	182.1423
Sales expense	5.8633	8.0668	9.4051	10.6807	11.5259
Management costs	3.9952	5.3115	6.5663	7.8340	7.6974
Financial expenses	0.0474	-0.1130	-0.1645	-0.7420	-0.1074
Business tax and surcharges	0.6602	0.9296	1.0303	1.1695	1.5653
Business profit	3.3942	5.4037	5.1146	3.4629	3.8360
The total profit	3.6532	5.6983	5.7904	5.2160	5.3435
Net profit	3.0556	5.0049	4.9656	4.5134	4.4918
Interest expense	0.0038	0.0015	0.0029	0.0023	0.0037
Total assets	94.447	124.2903	132.8088	146.5987	160.8870

As can be seen from Table 1, King Long in the past five years, remain profitable, a loss does not occur. Operating profit, total profit and net profit 2009 - 2010 growth trend were tested, but starting in 2011 - 2013 in general are showing a downward trend. Net profit declined, indicating King Long profit growth is poor. Operating profit in the increase or decrease in the case of this five-year period is not ideal, we can see that revenue is a major part of the profits, sales revenue decrease resulting decrease in operating profit. Reduce sales revenue was mainly due to the excitation current competitive environment, as well as the factors themselves KingLong joint action, other income such as investment income also increased the company's profitability.

Table 2. Kinglong owner's equity related data table (billion)

	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>
The total owners' equity	24.9954	29.9130	33.7275	37.4432	39.8525

3.2. Profitability Index Analysis

3.2.1. Index of Investment Profitability: 2009 - 2013 Results in Table 3 and Figure 1.

Table 3. Kinglong automobile investment profitability analysis table (%)

	2009	2010	2011	2012	2013
ROE	12.6857	16.7316	15.6054	12.0540	11.6225
ROA	4.1747	5.2118	4.5067	3.7352	3.4780
ROTA	3.4881	4.5763	3.8628	3.2307	2.9216
VCPA	113.1831	120.0234	116.6004	113.3820	111.9965

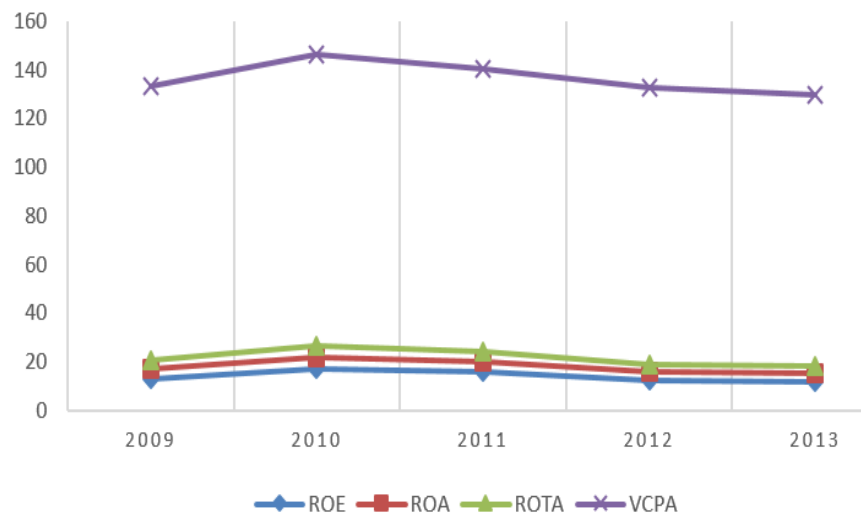


Figure 1. Kinglong capacity chart analysis of investment income (%)

From Figure 1 and Table 3 above can know: From 2009-2010 Rate of Return on Common Stockholders' Equity (ROE), Return On Total Assets (ROA), Return on Total Assets (ROTA) An upward trend, while in the 2010--2013 years with a downward trend, on the whole show a downward trend. ROE is a dynamic and comprehensive index, the index's decline indicates an ability to recreate KingLong net assets profit is not high, but on the whole is still relatively stable, and indicating KingLong profitability in the next period of time is quite stable. Decreased rate of return on total assets show the use of all of the assets of the ability to obtain economic benefits KingLong began to decline, more and more low-level input and output. Total assets decreased net interest margin of profit that the company is unstable, problems controlling costs and the level of corporate management level, the company is no good profitability. Kinglong car companies operate in five-year period, have achieved a capital preservation, but also make a capital gain. But Value of capital preservation and appreciation (VCPA) In addition to 2010, but have shown a downward trend, indicating that the capital invested enterprise security and value-added instability, unstable corporate profitability, the development is not stable.

3.2.2. *Profitability Index of Business: 2009-2013 Calculation Results are shown in Table 4 and Figure 2.*

Table 4. KingLong business vitality capacity analysis (%)

	2009	2010	2011	2012	2013
OGM	12.6878	12.8626	11.9064	12.3683	12.4833
OPR	2.8835	3.3446	2.7025	1.8065	1.8431
NIR	2.5958	3.0978	2.6238	2.3545	2.1582
RPC	3.2232	3.6769	3.1546	2.7904	2.6345

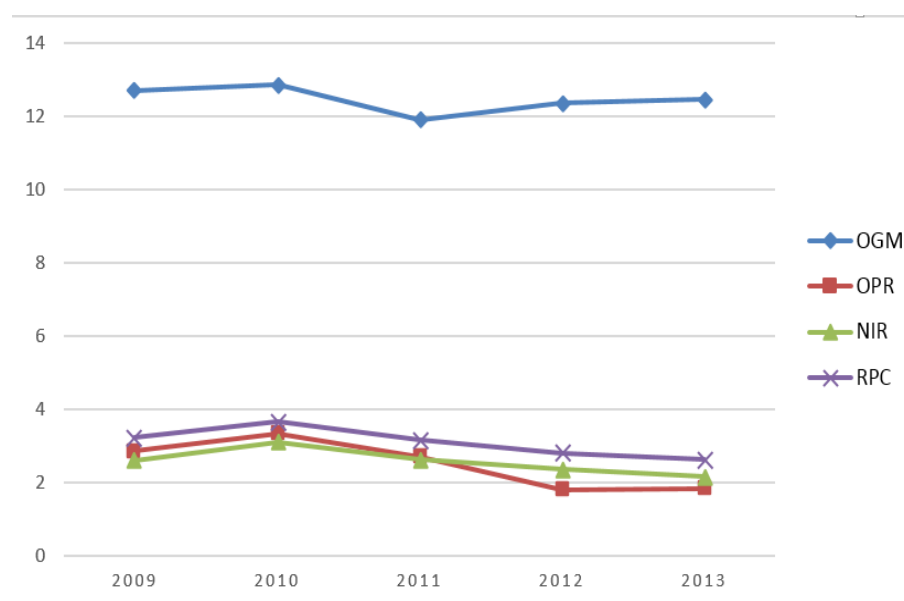


Figure 2. KingLong business activity analysis (%)

Operating margin (OGM) of KingLong showing the first decline and then rise again downward trend from above in Figure 2 and Table. Explain the company's profitability is unstable, the company did not lead to a good ability to control operating costs are too high, less competitive, and therefore unstable protect profits. Operating profit rate (OPR), In addition to 2010, the overall operating profit margin tended to decrease. Able to see KingLong managers to profit from the business is getting worse. The operating margin as a corporate profitability and the most important part, directly affect the stability of the profitability of the enterprise, and therefore profitability KingLong from the overall point of view is unstable. Net interest rate (NIR), In addition to 2010, the overall downward trend, there is no better description of the company's overall profitability. The decline was mainly due to product mix KingLong unreasonable, nor increase the number of high-end products according to market demand, adjust the overall structure of the product. Resulting product does not meet the market demand, which led to sales decrease, and finally to reduce the margin to reduce sales revenue. Ratio of Profits to Cos (RPC). On the whole show a downward trend, showing a small peak in 2010 but in 2011 dropped significantly, indicating that the total cost of enterprises are increasing, improper cost management.

4. Conclusion

Through the profitability indicators Jinlong car analysis, we can clearly see the operations and profitability of the company's situation and problems. For the company's current development situation, to improve the company's profitability can be improved from the following aspects.

First, improve the main business, optimize resource allocation. In the limited resources in how to better and more efficient allocation of resources is every business should pay attention to. The main business income is the most important part of the profits, especially manufacturing enterprises, the main

business income stability, and long-term, predictable resistance, much of the strength of the decision of the profitability of enterprises. Therefore, Jinlong car in order to improve profitability and better development can continue to improve the proportion of main business income is an important part of it.

Secondly, reduce costs, improve asset turnover rate. On the basis of the team Jinlong car profitability analysis, can be seen to improve the return on total assets will improve the company's profitability. Want to improve the overall return on assets, asset turnover should increase speed and reduce operating costs. You can establish a sound product sales strategy, Jinlong Company adjusted according to market demand, market demand-oriented discover new developments, the biggest meet market demand, create more revenue.

Finally, change management model Jinlong car. Enterprise management mode directly affects the ability of the strength of corporate profits, companies have chosen what management ways and means for the future development of the company plays a vital role. Excellent management model can bring good economic benefits to the enterprise, to get more profits, while enhancing the competitiveness of companies and determine the direction of future development of enterprises. Jinlong car should be based on its own development, to create a business model in line with its development, increase sales capacity and cost management and control products, reduce the cost ratio, and promote the improvement of operating profit.

5. Acknowledgment

Thank Project Supported by Regional Science Fund of National Natural Science Foundation of China (Project approval number: 41261094. Thank Project Supported by Science and Technology Fund of Guizhou Provincial Science and Technology Agency (No:QianKeHeBasics (2016)1020). Thank Project Supported by Science and technology talents foundation of Natural Science of Guizhou Provincial Department of Education (QianJiaoHeKYZi (2016)069).

6. References

- [1] Zhou shuo. "Profitability analysis" [J], Business Economics, 2013 (4).
- [2] Section Trillian. "Profitability analysis to explore" [J], Economic Forum, 2012 (7).
- [3] Pan Heng listed companies profitability analysis - Compare Dongfeng Motor and Changan Automobile profitability [J]. Jiangsu Teachers College (Natural Science), 2008, 14 (3): 75-81.
- [4] Wu neighbors. Yutong Bus and Jinlong car finance comparison analysis [D] .2012, Southwest Jiaotong University.
- [5] Shan Wang Jinlong Automobile Capital Structure and Performance of [D] .2014, Central South University.
- [6] Zhang Tian Ming car service a company profitability analysis [D] .2014, East China University of Technology.
- [7] Sun Peng make Nanjing C car 4S store profitability analysis [D] .2013, Jilin University.
- [8] Zhang pear. "Profitability analysis" [J], economic and technological cooperation, 2014 (02).
- [9] Zhang Dongmei."A discussion of corporate profitability evaluation of" [J], test weekly, 2011.
- [10] Repair Ze Rui, paragraph Hongrui. "Profitability analysis" [J], modern economic information, 2014.
- [11] Wang Qingxia. "Profitability analysis" [J], the financial sector (Academic Edition), 2014.
- [12] Shinong Wu, Wu Yuhui. "CEO of financial analysis and decision-making" [M], Beijing University Press, 2013.
- [13] Qin Xiaohong, Zhang Xiao Sheng, Zhang Qiang. "Excel 2007 financial management and analysis of typical examples" [M], Electronic Industry Press, 2009.
- [14] Zhou Jinlan, Hubei loyalty. "Financial Analysis Experimental Course" [M], Dongbei University of Finance and Economics Press, 2011.
- [15] Zhang Jinchang. "Financial Analysis and Decision" [M], Economic Science Press, 2002