

An Analysis of the Financing Case of Chongqing An Yun Technology Co., Ltd.

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Abstract

This paper mainly adopts the case analysis method and content analysis method, randomly selects Chongqing An Yun Technology Co., Ltd. as a case among SMEs, and uses the financial data of the company's annual report to conduct a basic financial analysis from 2018 to 2020, and study the financial status of the company, and financing status, and draw out its financing problems and solutions. Therefore, it has certain practical reference significance for the improvement of the financing structure of SMEs.

Keywords: financing case, SMEs, financing structure

1. An Yun Technology Company Profile

The company was established in 2003 with a registered capital of RMB 5,118.5 million. It is a national high-tech enterprise that provides information technology services to meet customers' needs for information technology. The company belongs to the software and information technology service industry, and always takes "guaranteeing people's safe travel" as the mission of the company, and takes the overall strategic goal of meeting customers' informatization needs, using cloud platform as the carrier, big data application as the core, and information technology service as the means to provide overall solutions to guarantee people's safe travel.

The company mainly provides R&D, production, operation, and technical services of software and hardware products in the field of driver training and intelligent transportation, providing comprehensive information solutions for driving schools, motorists, driver training industry management, and the transportation industry with one-stop services. The main composition products are shown in Figure 1.

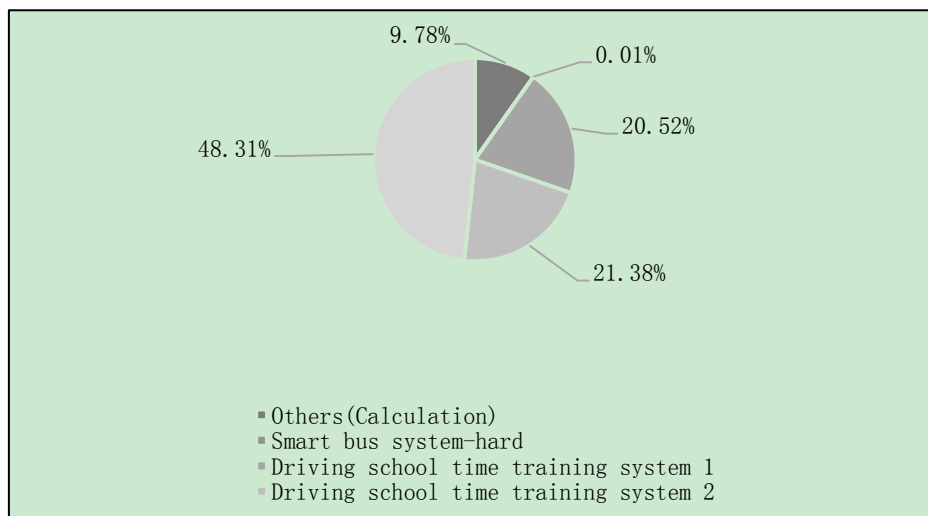


Figure 1. Composition of main products

2. Financial Situation of An Yun Science & Technology Company

The main purpose of financial analysis is to determine the need for solvency and financing capacity, and the reasonableness of the amount of financing. The factors that need to be analyzed are: solvency, operating capacity, and profitability analysis.

Solvency: Divided into short-term solvency and long-term solvency, mainly including indicators such as gearing ratio, current ratio and quick ratio. See Table 1.

Table 1. Main indicators of financial structure of An Yun Technology Company

Projects	2018	2019	2020
Gearing ratio(%)	8.54	8.09	10.03
Current Ratio(%)	803.92	877.12	627.79
Quick Ratio(%)	629	734	495

From the above table, we can know that the change of balance sheet ratio of AnYun Technology Company is unstable and shows an increasing trend in 2020 (2020 annual report of Chongqing An Yun Technology Co., Ltd.) which indicates that the company's debt level increases and the financial risk faced by the enterprise also increases. The current ratio of this industry is generally 2, and the quick ratio is generally 1, and the current ratio and quick ratio of this company also show unstable fluctuations in the past three years, and both show a decreasing trend in 2020. However, the company is still higher than the general current ratio and quick ratio of the industry, indicating that the company has sufficient current assets to meet sudden capital needs. And from the above indicators, we can see that the solvency of An Yun Technology is more reasonable.

Operating capacity: Cash flow structure, accounts receivable turnover, inventory turnover, fixed assets turnover, and other indicators. See Table 2.

Table 2. Operating Capacity Indicators of An Yun Technology Company

Projects	2018	2019	2020
Net cash flows from operating activities(million)	1665.02	2860.63	2008.61
Net cash flows from investing activities(million)	-2248.42	-648.87	847.24
Net cash flows from financing activities(million)	-200.000	-13,309,400	-3532.12
Net cash flow(million)	-783.40	-13,307,188.24	-676.27
Accounts Receivable Turnover Ratio(times)	32.12	64.98	94.25
Inventory turnover rate(times)	2.91	3.07	2.44
Fixed asset turnover rate(times)	2.53	2.89	2.12

An Yun Technology Company's net cash and cash equivalents in 2020 due to the large cash flow outflow from financing activities, which affects the net cash outflow for the year, and the detailed cash flow indicator data, also indicates that the company enters the product maturity period, in which the product sales market is stable and has entered the investment recovery period, but many external funds need to be repaid to maintain the good creditworthiness of the company. Meanwhile, the company's fixed asset turnover ratio shows a decreasing trend in 2020, indicating that the company's utilization rate of fixed assets decreases, reducing the company's profitability. The company's accounts receivable turnover ratio has been showing an upward trend in these three years, indicating a good level of accounts receivable management, and overall the company has a good operating capacity.

Profitability: Net profit, profit margin from main business, net profit margin, return on net assets and other

indicators. See Table 3.

Table 3. Profitability indicators of An Yun Technology Company

Projects	2018	2019	2020
Sales revenue(million)	8020.60	91,554,300	6847.02
Total profit(million)	1011.74	2027.01	1570.52
Net Profit(million)	888.72	1718.38	1325.25
Sales Margin(%)	11.08	18.77	19.36
Net Asset Margin(%)	9.46	17.51	14.67

As can be seen from the above table, the company's sales revenue, total profit, net profit and net asset margin in 2020 show a downward trend compared to 2019 (2019 annual report of Chongqing An Yun Technology Co., Ltd.), but the company's sales margin stays above 10% and shows an upward trend for three consecutive years, indicating that in this case, the company's shareholders' income decreases, but the profitability of the company's products also increases.

3. Current Status of Financing for AnYun

According to the data released by the Chongqing Camp Management Department of the People's Bank of China related to SME financing, in December 2020, the weighted average interest rate for corporate loans in the city was 4.76%, down 0.42 percentage points year-on-year, of which the weighted average interest rate for SME loans was 4.82%, down 0.66 percentage points year-on-year, both at historical lows since statistics were available. In the financial market, the weighted average interest rate of Chongqing enterprises' bond financing in the interbank market from January to December 2020 was 4.54%, down 1.03 percentage points year-on-year. 2020, the city's financial system worked with the real sector to tide over the difficult times, reducing loan interest rates and other means to reduce the burden and make profits for market players by more than 20 billion yuan throughout the year. 2020 has supported more than 200,000 inclusive SMEs and saved more than RMB 3.5 billion in financing costs for SMEs since 2020, effectively alleviating the financing difficulties of SMEs in Chongqing.

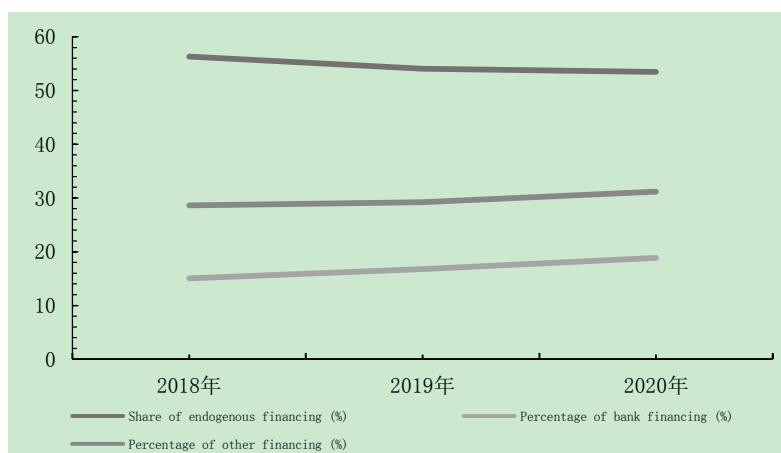


Figure 3. Financing Structure of Chongqing An Yun Technology Co., Ltd.

As shown in Figure 3, at the beginning of An Yun Technology Company, due to the good autonomy of endogenous financing (2018 annual report of Chongqing An Yun Technology Co., Ltd.), An Yun company chose endogenous financing as the main financing method, and less external aid financing such as bank loans. Later, with the actual development needs of the company, the company also began to increase the proportion of bank financing. In a comprehensive view, although in recent years, with the support of various preferential policies, An Yun company began to prefer bank loans when conducting financing, the financing structure is still relatively

single, with mostly endogenous financing and difficulties in obtaining external financing.

4. Problems Existing in the Financing Structure of An Yun Company and Suggestions for Solutions

At present, the financing channels of SMEs are mainly divided into two categories: internal source financing and external assistance financing. In practice, China's SMEs have a single financing channel, relying mainly on financing methods such as internal capital raising and bank loans, while financing methods such as bonds and stocks are of limited use to SMEs (Chen, W., 2021).

4.1 Internal Aspects

4.1.1 High Cost of Capital

Survey data show that SMEs have complicated loan procedures and long approval times, making it difficult to obtain credit support from banks, which in turn keeps the financing costs for SMEs high. It is recommended that appropriate measures be taken to induce financial institutions to appropriately increase the proportion of credit funds for SMEs, broaden funding channels and implement a flexible approach.

4.1.2 Inadequate Enterprise System

Many SMEs have management system problems and lack a sound internal control system, and are prone to problems such as untrue financial data and opaque information. It is recommended that enterprises standardize their own mechanisms, strictly manage their finances, reduce their business risks, and make full use of government policies to improve the efficiency of capital use and improve their financing difficulties and expensive problems.

4.2 External Aspects

4.2.1 Insufficient Policy Support

There is a lack of policy banks and corresponding supervisory bodies in the country that specialize in providing financial services to SMEs, and there is little protection for SMEs in terms of loans, guarantees, listing and other financing. It is recommended that the government further improve the relevant legal system and establish a standardized and specific loan and guarantee system.

4.2.2 Inadequate Financing System

Due to the problem of information asymmetry and the lack of sound development of China's capital market system, etc., to a certain extent, this has caused difficulties in financing for SMEs. It is recommended to improve the financing system serving SMEs, encourage all kinds of banks to strengthen credit support for SMEs, and establish a risk defense mechanism to provide a good guarantee for SME financing.

5. Conclusion

This paper takes Chongqing An Yun Technology Co., Ltd. as an example, and through the analysis of its development profile and financial data, briefly concludes the main problems of SME financing structure from both internal and external aspects, and puts forward the corresponding solution suggestions in three levels: government, bank and enterprise.

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