

Analysis of Ningbo Ronbay New Energy Technology Company Limited Financial Ability

Cai Meng, Tang Yuan, Zhang Baidan

School of Management, Sichuan University of Science & Engineering, Zigong, China

Abstract: *This paper takes the first batch of Ningbo Ronbay New Energy Technology Company Limited listed on the Sci-Tech innovation board in 2019 as an example. For example, through the study of its solvency, operating capacity, profitability indicators, analyze the company's financial ability, combined with its causes, from the Angle of accounts receivable, capital structure, put forward the corresponding preventive measures, to provide reference for Ronbay Technology companies and other enterprises.*

Keywords: *New energy; Sci-Tech innovation board; Ningbo Ronbay New Energy Technology Company Limited; Financial ability analysis*

1. Introduction

Since "The 13th Five-Year Plan", the country has adhered to the green development path, and taken new energy vehicles as an important part of China's energy development strategy. As a company with high investment, high profitability and high-tech talent intensive nature, Ningbo Ronbay New Energy Technology Company Limited has put forward high requirements for capital investment. Compared with traditional enterprises, they also bear higher financial risks.

In this context, high-tech enterprises should be used according to the current financial status of the new energy industry^[1], after analyzing the financial statements, the company's past financial statements are evaluated^[2], after the relevant ratio of the financial statements of the enterprise should be analyzed, and then decisions on the future investment of the enterprise^[3]. Therefore, this paper will specifically analyze the solvency ability, operating ability, profitability and development ability of the Ningbo Ronbay New Energy Technology Company Limited, from its payment collection ability, core competitiveness and capital structure of the three aspects of countermeasures and suggestions, and then strengthen the company's financial risk prevention and control.

2. Ningbo Ronbay New Energy Technology Company Limited profile

Ningbo Ronbay New Energy Technology Company Limited (hereinafter referred to as "Ronbay Technology") is a multinational group company in the high-tech new energy material industry. The company was established in September 2014, and was listed on the Science and Technology Innovation Board of the Shanghai Stock Exchange on July 22, 2019, becoming one of the first 25 listed companies on the Sci-Tech innovation board. Mainly engaged in the high energy density of lithium battery cathode materials and their precursor research and development, production and sales.

3. Financial analysis of Ronbay Technology

3.1. Debt redemption ability analysis

The solvency will reflect the ability of enterprises to repay the debts on time for various loans. The current ratio is equal to the ratio of the current assets divided by the current liabilities. Generally speaking, the higher the value of the index is, the stronger the short-term solvency of the enterprise is. However, if the ratio is too high, it means that the enterprise does not use the financial leverage reasonably, and the capital utilization rate of the enterprise is low.

As can be seen from Figure 1 and Table 1, the current ratio of Ronbay Technology was above 270% and 270% from 2017 to 2020 and above 165%. Overall, the standard amount of the current ratio is 2, and the standard amount of the quick ratio is 1, indicating that Ronbay Technology has a good short-term

solvency during this period. However, at the end of 2021, the current ratio decreased to 110%, and the quick ratio decreased to 56.3%, both below the corresponding standard value. In order to ensure the rigor of the data, this paper analyzes the Cash Flow Ratio of Ronbay Technology. Through this index, it can be seen that the cash flow generated by the business activities of the enterprise can offset the current liabilities. The higher the ratio, the better the financial elasticity of the enterprise. The index is on the rise between 2017 and 2020, and its financial resilience is gradually improving. By the end of 2021, the index was reduced from 49.3% to -2.3%.

After comprehensive analysis, it can be found that the overall short-term solvency of Ronbay Technology has decreased in 2021. Analysis and change trend chart of solvency indicators in 2017-2021 is attached.

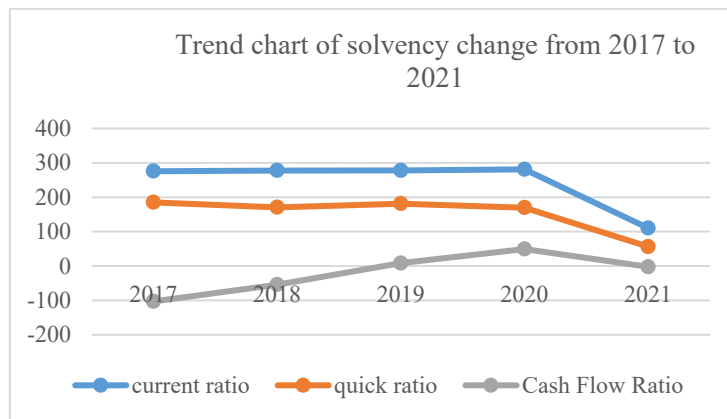


Figure 1: Trend chart of solvency change from 2017 to 2021

Table 1: Solvency index analysis table

Index of evaluation (%)	2017	2018	2019	2020	2021
current ratio	275.8	277.7	277.9	281	110.2
quick ratio	185	170.5	181.3	169.7	56.3
Cash Flow Ratio	-102.9	-54.3	8.3	49.3	-2.3

Through consulting for Ronbay Technology in 2021 annual report, It is found that its annual sales collection method mainly uses the bank acceptance bill, And in order to cooperate with the company's supply chain management, a substantial increase in the procurement of cash settlement, lead to the company's operating cash flow to produce periodic fluctuations, so that the current ratio and quick ratio value greatly reduced. Therefore, through the analysis, it can be seen that the company's solvency is still in a downward trend.

3.2. Operating capacity analysis

The enterprise can judge its operating capacity through the total asset turnover rate, turnover of account receivable, inventory turnover and other indicators, and analyze the operating capacity can see the capital utilization efficiency of the enterprise.

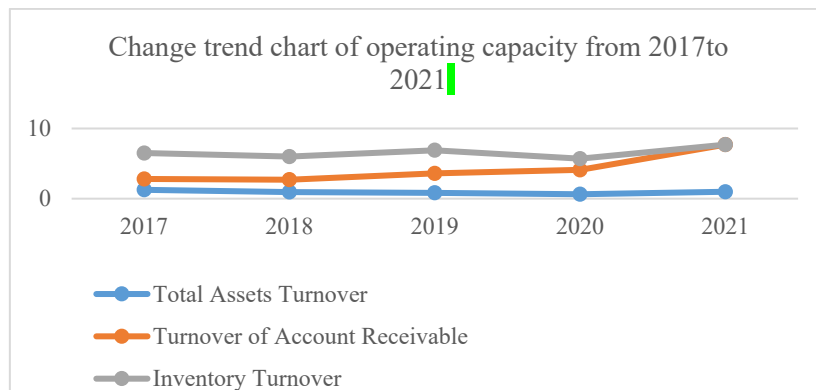


Figure 2: Change trend chart of operating capacity from 2017 to 2021

Table 2: Operating capacity indicator analysis table

Index of evaluation(Times/year)	2017	2018	2019	2020	2021
Total Assets Turnover	1.26	0.94	0.83	0.63	0.98
turnover of account receivable	2.8	2.7	3.6	4.1	7.7
inventory turnover	6.5	6	6.9	5.7	7.7

According to Figure 2 and Table 2, the total assets turnover rate of Ronbay Technology was the highest in 2017, at 1.26 times / year, and the lowest in 2020, at 0.63 times / year in 2020, and then increased to 0.98 times / year in 2021. Because the company needs to invest a lot of money to develop products, according to the characteristics of the industry, the index fluctuated slightly from 2018 to 2021, and its trend was stable.

The turnover rate of turnover of account receivable was relatively low from 2017 to 2020, but the overall turnover rate tended to rise steadily, rising to 7.7 times in 2021. Through consulting the company's 2021 annual report, it was found that it managed the discount of bills receivable in 2021 in order to meet the capital needs of the expansion of Hubei, Guizhou and South Korea. At the same time, the current year write off the previous year uncollectible account receivable 26782557.06 yuan, write off the previous year Ronbay Technology bad debt amount is the largest, the impact on the company's capital flow. From this index, the company's current accounts receivable turnover rate is relatively good, but considering the company's customer density, if the company's customer density is still too high later, bad debts may occur.

The inventory turnover ratio of Ronbay Technology showed a trend of decline first and then rise from 2017 to 2021, and peaked in 2021. The main reason for its fluctuations is that the market demand for write-off commodities has increased in 2021, resulting in an increase in the inventory turnover rate. Considering the high technical requirements of the industry, although the current inventory turnover rate is high, if the core technology of enterprise products does not keep up with the development in time, there may be unsalable products, leading to excessive inventory accumulation.

3.3. Profitability analysis

Profitability is the ability of enterprises to make profits, and all companies aim to maximize profits. Therefore, to analyze corporate profitability is crucial.

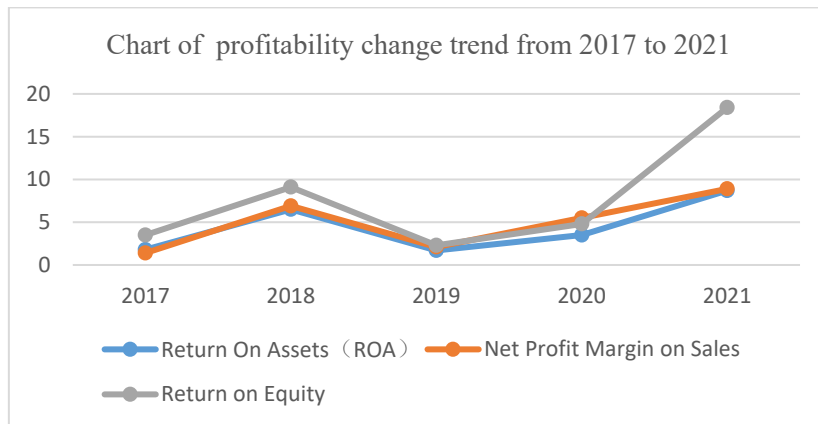


Figure 3: Chart of profitability change trend from 2017 to 2021

Table 3: Profitability index analysis table

Index of evaluation (%)	2017	2018	2019	2020	2021
Return on Assets(ROA)	1.8	6.5	1.7	3.5	8.7
Net Profit Margin on Sales	1.4	6.9	2.1	5.5	8.9
Return on Equity	3.5	9.1	2.3	4.8	18.4

As can be seen in Figure 3 and Table 3, during 2019-2021, the profit index has mainly rebounded for the following reasons: first, the company has increased the research and development of the core product technology, and the product market share has increased; second, the company's business scale is larger, the orders are full, and the market demand for the company's main products is strong in the past two

years. Through the analysis, it can be seen that in 2021, the Return on Assets, Net Profit Margin on Sales and Return on Equity reached 8.7%, 8.9% and 18.4%, respectively. The higher the value of these three indicators, the better the profitability of the enterprise. Therefore, we can see that the profitability of enterprises in 2021 is relatively good.

3.4. Development capacity analysis

Development ability is the embodiment of the future development prospects of an enterprise. The overall value of an enterprise can be evaluated through the data of operating income growth rate, operating profit growth rate and Net capital growth rate, so as to provide reference for investors, managers and operators.

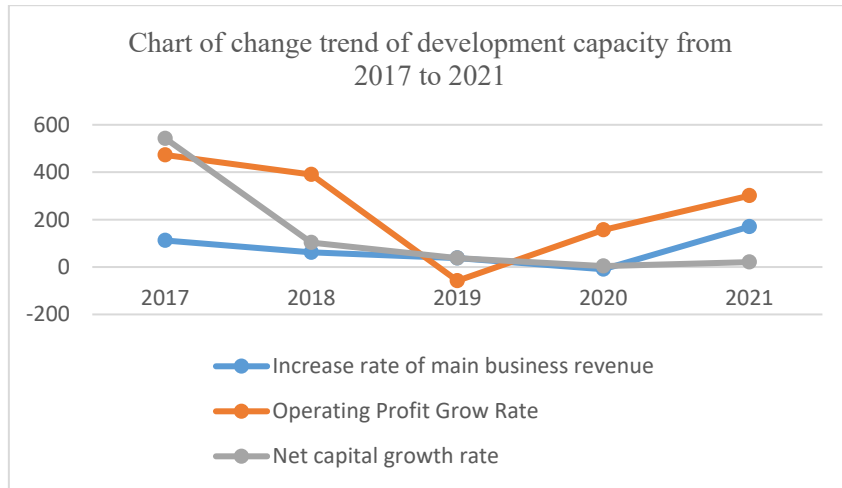


Figure 4: Chart of change trend of development capacity from 2017 to 2021

Table 4: Development capability indicator analysis table

Index of evaluation (%)	2017	2018	2019	2020	2021
Increase Rate of Main Business Revenue	112.2	61.9	37.8	-9.4	170.4
Operating Profit Grow Rate	472.7	390.2	-57.9	156.7	301.1
Net Capital Growth Rate	542.5	103.2	37.9	4	21

As can be seen from Figure 4 and Table 4, the operating revenue growth rate of Ronbay Technology showed a downward trend from 2017 to 2020, and showed a negative growth during 2020. Through consulting the summary of the enterprise annual report, it can be found that the national policy subsidies to the new energy industry from 2019 to 2020 have decreased, coupled with the demand for new energy vehicles for core products decreased, resulting in the overall operating revenue growth rate of Ronbay Technology decreased.

4. Problems and risk countermeasures of Ronbay Technology

4.1. Existing problems

4.1.1. Strong dependence on upstream and downstream enterprises, and relatively weak bargaining power

At present, the users of Ronbay Technology's products are mainly leading enterprises in the New energy material profession with a high industry concentration degree and a large transaction amount of strategic customers with the company. The top five customers accounted for 84.17% of the annual revenue. Therefore, if the enterprise customers cannot deliver the payment in time due to capital problems, the company may fall into the risk of capital chain rupture, which is not conducive to the future development of the company.

In addition, the company's top five major suppliers accounted for 44.07% of the total annual purchase ratio, of which one supplier accounted for 26.64%, and a large number of raw materials rely on a few suppliers. If there is a shortage of raw material supply or malicious competition from other enterprises leading to supply chain rupture, enterprises will interrupt their production products, which will affect the

future development of enterprises. At the same time, when enterprises rely too much on upstream and downstream enterprises, they will weaken their bargaining power, reduce their profits and increase the financial risks of enterprises.

4.1.2. Accounts receivable cycle is not stable, and the working capital efficiency is not high

At present, although the accounts receivable cycle of Ronbay Technology is on the upward trend, and the accounts receivable turnover rate index in 2021 is relatively good, the main reason is that the bad debt amount of the previous year has been written off, resulting in an increase in the ratio. By consulting the 2017-2021 annual report of Ronbay Technology, we found that most of its main customers are on credit sales, and considering that the company's customers are more intensive. Therefore, the accounts receivable cycle of Ronbay technology is relatively unstable, prone to bad debts. In addition, the company has a relatively large inventory, which will lead to long inventory turnover days, weakened inventory liquidity, occupy too much working capital, and cause cash flow risk.

4.1.3. The rapid expansion of enterprise production capacity makes it more difficult to manage the overall scale

Currently Ronbay Technology in South Korea, Hubei, Guizhou and other places expansion project scale, although the project has been fully demonstrated, but there may still be external market environment changes, project construction management, project schedule delay, project completion capacity utilization risk, and adverse impact on the company's business performance. At the same time, with the accelerated expansion of the company's production capacity, the transnational multi-base operation involves an increasingly large organizational structure, and the overall management difficulty of the company is gradually increasing. If the company's management level cannot meet the needs of the rapid expansion of the company's scale, the company will face the risk of suffering losses due to improper management and control.

4.2. Risk response measures

4.2.1. Improve the management system and improve the intensity of payment collection

Ronbay Technology should attach importance to financial supervision and management, establish a financial risk supervision mechanism, and constantly optimize the internal financial risk prevention mechanism. At present, the company has accounts receivable for a higher proportion of total assets, according to the collection time and collection amount, improve the customer credit level file, distinguish the customer subsequent purchase product credit sales time, and increase the intensity of receivables recovery, increase the company's cash flow, improve the company's operating ability.

4.2.2. Consolidate core technologies and enhance competition among enterprises

Ronbay Technology should not only continuously optimize and upgrade its products, but also carry out more new product development projects, so that the company's products can remain in the forefront of the technology. At the same time, the company can also continuously expand and improve the core team through various channels such as internal training and external introduction, continuously optimize the knowledge structure and age structure of the company's talent team, implement equity incentive for senior management personnel and core business backbone, and strengthen the construction of incentive system, so as to enhance the core competitiveness of the enterprise.

4.2.3. Optimize the capital structure and expand financing channels

At present, the customers and suppliers of Ronbay Technology are too single, so they can develop new markets, and the customer structure will continue to optimize. At the same time, when the company rapidly expands its production capacity scale, it should pay attention to expand the financing channels, improve a more complete fund management system, and strictly control the asset-liability ratio and liquidity risks.

5. Conclusion

By combing the financial data of Ronbay Technology from 2017 to 2021, the financial situation of the company is analyzed from four aspects of debt redemption ability, operating capacity, profitability and development capacity, aiming to find out the financial risks it faces, and put forward countermeasures for its future development. In the context of the rapidly changing era, Ronbay Technology should not only consolidate the core technology of enterprises, but also pay attention to improve the enterprise

management system, broaden the financing channels, strengthen the payment collection efforts to reduce costs, and improve the innovation ability of enterprises, improve their own financial risk prevention level and capital management ability^[4]. Only by making continuous progress can the company survive in the era of rapid development.

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