

Research and Analysis Report of Kweichow Moutai Company

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Abstract: *Fiedler mentioned "does not exist a kind of is suitable for various situation of universal principles and methods of management, management can only act according to the circumstances of the specific", moutai company is the most influential brand in China and to achieve a monopoly in the competition and development, based on the fundamental analysis and technical analysis, maotai company for the industry analysis, company analysis and technical analysis, This paper probes into the development prospect of Maotai Company, obtains some problems existing in the development and puts forward corresponding investment suggestions for investors.*

Keywords: *industry analysis, technical analysis, investment advice*

1. Overview of Kweichow Moutai Company

1) Company business summary and analysis of capital ownership structure

Since its establishment, the company has been engaged in a variety of businesses, including the production, sales and service of Maotai liquor, the production and sales of beverage, food and packaging materials, the development of anti-counterfeiting technology and the research and development of related products of the information industry. It belongs to the beverage manufacturing industry in the food and beverage industry, and is the typical representative of maotai-flavor liquor in China. It wants to have a famous reputation both at home and abroad, and it is the only liquor industry in China that has won the title of "green food" and "organic food". China Kweichow Maotai Distillery Co., Ltd. was established on January 24, 1998 with a registered capital of 185 million yuan and successfully passed the approval of China Securities Regulatory Commission. On August 20, 2001, the registration procedures for the change of registered capital were completed in Guizhou Administration for Industry and Commerce, the company takes the total capital stock at the end of 2002 of 275 million shares as the base, and develops to 2019, the company has considerable earnings and the stock price rises.

2) Corporate governance structure

According to "company law", "securities law", and more the requirements of the law, strictly carry out the various articles of association of the company in accordance with the law, through the study of the system of listed companies, and constantly update perfect the system of the company requirement, set up modern enterprise system, the company's shareholders' meeting in strict accordance with the requirements of the company law and other laws and regulations, As far as possible to ensure that each shareholder can exercise their own power. The board of supervisors and the board of supervisors established by the company shall exercise lawful supervision over the directors, managers and other members of the company, so as to promote the normal operation of the company and the stable development of the company's economy.

2. Industry analysis of Kweichow Moutai Company

1) Analysis of the external environment of the industry and industrial policies

Because the liquor has now become a necessity in people's lives, and will appear in the food and beverage, before the government would choose for a certain price support, but now because of the wine produced many negative effects, such as wine of harm to the body, and a series of bad impact on drunk driving, the cause of the government of wine has a certain limitation. In 2009, the relevant departments of the state changed the minimum tax price of liquor consumption tax, no longer promoting the price and sales volume of a series of liquor such as Maotai, and at the same time, relevant promotion policies were

also cancelled. This series of policy changes will restrict the future development of Maotai to a certain extent.

2) Industry supply and demand analysis

In terms of Moutai's supply and demand, it is reported that the annual release of Moutai is scheduled to be 26,800 tons. Currently, more than 6,500 tons of Moutai are sold, accounting for 30 percent of the total. By 2016, maotai began to transform, to the entire company with rectification, maotai gradually begin to enter the domestic and foreign, at this time to produce the phenomenon of the shortage, because maotai reputation gained good sure, sales have been in the leading status, but so far in 2020, received the outbreak, maotai sales have certain amplitude, But the decline was not significant, and supply and demand remained relatively stable in the market, increasing people's demand for Moutai.

3) Industry chain analysis

The industrial chain of Moutai consists of upstream materials, mid-stream production, and downstream channels. The upstream materials mainly include sorghum, wheat, water, packaging materials, and production equipment, while the mid-stream production includes high-grade Moutai, low-grade Moutai, New Year Moutai, and Prince Moutai. The downstream channels include specialty stores, supermarkets, tobacco and liquor stores, and e-commerce, which constitute Moutai's industrial chain.

3. Analysis of Kweichow Moutai Company

1) Product market analysis of Maotai Company

The liquor industry has entered a mature stage. In the high-end liquor market, there are mainly Moutai, Wuliangye and other companies, but the number is very small, but Moutai occupies 70% of the market share. The high-end industry is mainly to improve the company's cultural influence. The middle market is very competitive; At the low end of the market, many consumers are attracted by the low price of alcohol. At the same time, Moutai is also threatened by some substitutes, such as beer. From 2006 to 2012, the average annual growth rate was about 20%. Beer production has become the first in China with an annual growth rate of 7%. High-grade foreign liquor also has a great impact on high-end liquor such as Maotai. In 2008, the collection heat was generated. At that time, the price of white liquor soared all the way, reaching the level similar to the price of foreign liquor.

2) Analysis of the strategic model of Moutai Company

The most classic of Kweichow Moutai is health, which represents its green consumption. Healthy liquor is Moutai's independent positioning, and the best distilled liquor in the world is also its own positioning. This strategy may have a negative impact on the future development of the enterprise. We will make use of the reputation and production capacity of the existing enterprises to implement the merger of enterprises with development prospects, and constantly expand the market share of Maotai.

3) Analysis of company competitiveness

(a) From 1999 to 2007, the per capita profit of Moutai ranked first in the industry, 9 times of the overall level of the industry. Sales revenue and realized profit both ranked first in the industry, ranking second in the whole industry for 9 years. By 2008, the number of distribution customers and 808 stores had reached 1,143. And set up dozens of operating agencies in foreign countries.

(b) It also has a strong competitive advantage in technology. Due to its unique geographical location and raw materials, the process is very delicate and complex, and it takes about 10 times to produce Maotai. Key laboratory and microbial resource library were established, and a complete set of detection and analysis technology for liquor was established.

(c) It also has a competitive advantage in human resources. Improving human resources and quality is one of the key factors in the development of Moutai. By 2008, there were 493 undergraduate students, 10 master's and doctoral students, and 1 expert international wine evaluation committee member.

4. Financial analysis of Kweichow Moutai Company

1) Profitability analysis

The profitability of the company represents a company's current development situation and the development of future sales net interest rate and the return on assets, I selected the sales net interest rate

and the return on assets to measure the profitability of maotai company (as shown in figure 1), return on assets in 2017, and 2018 is for signs of high relative to the previous two years fell in 2019, All of them fluctuated in the range of 30%-40%. From 2016 to 2107, the rising value of Maotai's collection led to a sharp rise in sales price and an increase in profits.

2) Solvency analysis

Solvency can reflect whether a company can operate for a long time. I chose the current ratio to analyze the solvency of Moutai Company, which can measure the short-term, medium-term and long-term solvency of a company. From 2015 to 2019, the asset-liability ratio declined in 2017, and then increased slightly, but it was still low compared with the same industry, indicating that Moutai's long-term solvency is also very strong.

3) Operation efficiency analysis

From the perspective of total asset turnover, it can be seen that there has been a decline in the three years from 2016 to 2019, which does not indicate the decline of its operating capacity. However, compared with its peers, Moutai has a higher operating efficiency.

Table 1

Unit one hundred million yuan	2019	2018	2017	2016	2015
The total assets of	1129	863	658.7	554.5	450
Main business revenue	888.5	772	610.6	401.6	334.5
Net profit	439.7	378.3	290.1	179.3	164.5
Net cash flow	14.32	227.6	59.87	39.18	5.707
Net profit rate on sales	49.49%	49.00%	47.51%	44.65%	49.18%
Current liability ratio	4.53%	4.93%	3.21%	6.14%	6.43%
Total asset turnover	0.787	0.895	0.927	0.724	0.743

5. Technical analysis

1) Trend analysis

Guizhou maotai trend upward trend in general, when prices fall to a certain extent, the prices will stop falling, then appear bottomed out, supporting effective hindered prices further down, but when prices rise to a certain peak will stop rising, because of the pressure line effectively blocked out the prices continue to rise. The stock positive line is strong, the negative line is weak, the explanation is effective in the short term support line, the share price will rise, should buy.



Figure 1

2) Morphological analysis

As shown in the figure above, from 2006 to 2008, the stock price showed an inverted "V" shape. In 2006, the stock price showed an upward trend, and when it rose to a certain height, it began to reverse the downward fall and rebounded. At this time, it is not suitable to buy in investment.



Figure 2

3) Indicator analysis

DIF breach DEA is a buy signal, at this time for investors in the short-term operation recommended to buy. Bias1 is 3.17, Bias2 is 6.09, and Bias3 is 8.48. If there is a sharp rise or a sharp fall, you should not buy at this time. Taking July 3, 2020 as an example, K is 92.50, D is 89.07, and J is 99.36. RAI1 is 90.32, RSI2 is 80.95, and RSI3 is 73.70. At this time, it means that there are more buying than selling in the market, the market price is rising too much, and the possibility of falling is very high. At this time, investors should seize the time to sell and reduce risks.

6. Investment advice

Long-term investment advice:

The use of the fundamental analysis of moutai company is analyzed emphatically analyses the companies in the industry status and for five years into the financial statements. From the perspective of the company's strategy, the operating conditions of Moutai Company support the performance of the company, constantly improve the corporate image of the company, increase the market share. From the analysis of the company's financial statements and operating indicators, In 2017, the sales volume of Moutai increased by 34% year on year, and the total revenue is expected to be more than 60 billion yuan, up by 50% year on year. In 2018, there will also be an increase. Therefore, based on the above analysis, Moutai is a good choice for long-term investment.

Short and medium term investment advice

1) Trend analysis: Kweichow Moutai has set a new world record in a row. In 2019, the highest value is 783 yuan and 983.6 billion yuan, with a rise of 13.85% per share and a total market value exceeding hundreds of millions. To the closing day, Kweichow Moutai reached 782.5 yuan, up by 4.04%, although slightly down, but overall showing an upward trend.

2) The timing analysis: in the short term investment, to pay attention to the price of the stock movements at any time, when the price rises to a height, at this time will certainly into a trough, investors should not buy in the short term, but he dropped down to a certain degree of began to rebound when is a good time to buy shares of maotai, should choose to buy.

3) According to the shape of the data analysis, the heat of the maotai 2018 still not dropped, guizhou maotai shares investment also rise ceaselessly, in the short term to invest in guizhou maotai, in the short term, A relatively large fluctuations of stock recommendations in the short term to appropriate investment of guizhou maotai, always focus on stock gains and losses, A moderate amount of investment. However, Guizhou Moutai's overall trend is upward, which is a good choice for short - and medium-term investment.

References

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