Sustainable Growth Research of Inner Mongolia Yitai Company

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Abstract

Sustainable growth is a balanced growth model for the company to maintain its financial resources and operating status. In recent years, facing the difficult period of coal industry development, the sustainable development is particularly important to enterprises. The article takes Yitai Company as an example and selects the financial data from 2013 to 2017 to study. Based on Higgins' sustainable growth model, we analyze the financial status of Yitai Company from both financial and operational aspects. What’s more, we analyze the specific reasons for the formation of the sustainable growth deviation of Yitai Group, find the problems of the company, and provided some useful suggestions for the future development of Yitai Group.

Keywords

Yitai Company; Financial Strategy; Development Capacity; Sustainable Development.

1. Introduction

Since 2012, the coal industry as a whole has been depressed, coal prices have continued to fall, coal production is overproduction, oversupply. Most of the companies that rely on coal for their main business are struggling to survive in such a brutal competitive environment, facing closure, and most of the companies that have not failed are losing money. It was not until 2016 that coal prices gradually rose, shifting from losses to surpluses, but the oversupply situation has not changed. In the 13th Five-Year Plan, the state clearly stated that the coal industry urgently needs to carry out supply-side reform, solve the situation of oversupply of coal, optimize the allocation of production capacity, improve product performance, so that coal enterprises continue to coexist with the times and survive for a long time. In 2017, the operating conditions of coal enterprises showed an improving trend, under the state’s support policy and clear provisions, coal supply and demand in a balanced state. In 2018, the overall supply and demand imbalance in the coal industry has eased, and coal price volatility is within a reasonable range.

1.1. The theoretical analysis Section Headings

1.1.1. Development of capacity

Development ability refers to the potential of enterprises to increase the accumulation of funds through their own efforts to achieve good performance, so as to grow healthily and continuously. There are many measures of development capacity, including the important measure of sustainable growth rate, in order to achieve increasing sales revenue, enterprises need to continue to increase capital investment, in order to long-term healthy development, it is necessary to solve a series of contradictions between maintaining a suitable capital structure and raising a large amount of funds.

1.2. Sustainable growth rates

Sustainable growth is a new philosophy put forward by Robert C. Higgins in 1981, which is the balanced growth rate that companies can achieve without issuing new shares without changing business efficiency and fiscal policy.
The formula is:
Sustainable growth rate = opening equity net interest rate × current profit retention rate = net interest on sales × asset turnover × equity multiplier × earnings retention rate

Higgins’s equation leads to the conclusion that the factors that lead to changes in sustainable growth can be divided into two areas. First, the company’s net sales interest rate and various asset turnover rates can reflect the operating status; Therefore, this paper will analyze the company’s sustainable growth and the causes of deviation from both operational efficiency and financial policy.

2. Analysis of Yitai Group’s sustainable growth capacity

2.1. Company profile

Inner Mongolia Yitai Company, main business is coal, but also involved in railway transportation, coal refining, real estate development and other non-coal industry business, is a large-scale energy company. Over the years, Yitai Company has been ranked in China’s top 500 private enterprises, but also the coal industry leader in Inner Mongolia. Yitai Company now has 14 large and medium-sized production mines, coal quality and environmental protection. The strength of the company, registered capital of 1.25 billion yuan, stock code 900948. The company is committed to internationalization and professional cooperation on the basis of the establishment of coal and coal chemical industry-based production and operation platform.

2.2. Basic financial situation

Yitai Group's underlying financial and operating conditions deteriorated in 2013-2015, but the situation was reversed in 2016 and gradually improved in 2016-2018, with adjustments improving in 2018 and better operating conditions. Table 1 is a list of the basic financial information of the Yitai Company for 2013-2018.

<table>
<thead>
<tr>
<th>YEAR</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>2506355</td>
<td>2539360</td>
<td>1956552</td>
<td>2285851</td>
<td>3700867</td>
<td>3918462</td>
</tr>
<tr>
<td>Net profit</td>
<td>392440</td>
<td>276132</td>
<td>25273</td>
<td>212536</td>
<td>571396</td>
<td>517245</td>
</tr>
<tr>
<td>Profit retention</td>
<td>307554</td>
<td>248224</td>
<td>-72831</td>
<td>179995</td>
<td>892181</td>
<td>506227</td>
</tr>
<tr>
<td>Shareholders' equity</td>
<td>2501441</td>
<td>2749665</td>
<td>2676835</td>
<td>2856830</td>
<td>3749011</td>
<td>4255238</td>
</tr>
<tr>
<td>Liabilities</td>
<td>2047010</td>
<td>3124743</td>
<td>4172562</td>
<td>4237330</td>
<td>4707042</td>
<td>5199901</td>
</tr>
<tr>
<td>Total assets</td>
<td>4548451</td>
<td>5874408</td>
<td>6816876</td>
<td>7094160</td>
<td>8456053</td>
<td>9455140</td>
</tr>
</tbody>
</table>

Yitai Group's total liabilities are generally increasing year by year, overall the increase in 2013-2016 has been greatly smaller, 2014-2018 has increased significantly, the overall total liabilities have been increasing. Total assets show a trend of increasing year by year, the overall increase is reduced year by year, and later shows a substantial increase, similar to the trend of changes in liabilities. And at the end of 2013-2016, the asset accountability rate was 45%, 53%, 61% and 60%, respectively, showing an upward trend year by year, falling to 56% in 2017 and 55% in 2018, due to the increase in prior-period assets much less than the increase in liabilities, and the smaller increase in later liabilities. Shareholders’ equity has remained basically stable, with only a relatively large increase in 2017 and a larger decrease in 2018. Operating income showed a volatile increase, with a larger decline in 2015, a larger increase after 2017 and a smaller increase in 2018. Net profit first fell year-on-year to 2015, showed a significant increase after 2016 and a small decline in 2018. Total retained profit and net profit remained changing year-on-year, with a significant year-on-year decrease in 2013-2015, a significant increase in 2016-2017, a decrease in the rate of change from 2013 to 2016, an upward trend in 2017 and a slight decline in 2018.
2.3. Analysis of the relationship between sustainable growth rates and real growth rates

There are some assumptions that need to be met in the theory of sustainable growth, so the actual growth rate will deviate from the sustainable growth rate. "If the deviation is positive, it means that the company’s development is better than its initial operating and financial position and achieves rapid growth, and if the deviation is negative, it means that the firm's operating and financial position is relatively poor compared to the initial stage and is not as developed as in the previous period."

Table 2. Factors related to the sustainable growth of the Yitai Company (2013-2018), units: %

<table>
<thead>
<tr>
<th>YEAR</th>
<th>Sustainable growth rate (1)</th>
<th>Real growth rate (2)</th>
<th>Deviation (2)-(1)</th>
<th>Net profit rate on sales</th>
<th>Assets turnover</th>
<th>equity multiplier</th>
<th>Retained rate of return</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>14.02</td>
<td>-22.79</td>
<td>-36.81</td>
<td>15.66</td>
<td>55.10</td>
<td>207.32</td>
<td>78.37</td>
</tr>
<tr>
<td>2014</td>
<td>9.92</td>
<td>1.32</td>
<td>-8.61</td>
<td>10.87</td>
<td>43.23</td>
<td>234.84</td>
<td>89.89</td>
</tr>
<tr>
<td>2015</td>
<td>-2.65</td>
<td>-22.95</td>
<td>-20.30</td>
<td>1.29</td>
<td>28.70</td>
<td>247.92</td>
<td>-288.18</td>
</tr>
<tr>
<td>2016</td>
<td>6.72</td>
<td>16.83</td>
<td>10.11</td>
<td>9.30</td>
<td>32.22</td>
<td>265.02</td>
<td>84.69</td>
</tr>
<tr>
<td>2017</td>
<td>31.23</td>
<td>61.90</td>
<td>30.67</td>
<td>15.44</td>
<td>43.77</td>
<td>295.99</td>
<td>156.14</td>
</tr>
<tr>
<td>2018</td>
<td>13.50</td>
<td>5.88</td>
<td>7.62</td>
<td>13.20</td>
<td>41.44</td>
<td>252.20</td>
<td>97.87</td>
</tr>
</tbody>
</table>

Table 2 shows a significant increase after the first decline in sustainable growth, reaching a minimum of -2.65 per cent in 2015, with real growth showing an overall upward trend, with negative growth in 2013 and 2015 and a significant decline in 2018. The deviation is gradually reduced and then gradually increased, from negative deviation to positive value, with a maximum negative deviation value of 36.81 percent in 2013, a positive deviation value of 30.67 percent in 2017 and a minimum deviation value in 2018. It can be seen that the company's growth rate in 2013-2015 is slow, the company's operating conditions are not good, 2016-2017 has improved, the real growth rate gradually increased, and reached high growth rate. Real growth declined in 2018 and the company reduced growth. Among them, 2015 Yitai's operating conditions are the worst, we can see that the enterprise has passed this difficult period, the later development shows a good upward trend.

As can be seen from Figure 1, the dominant factor leading to such a change in sustainable growth rates is the profit retention rate. The equity multiplier has been on the rise in 2013-
2017, resulting in an increase in sustainable growth rates, with a 43 per cent decline in 2018 and a significant change. However, there has been little change in asset turnover and net sales margin, so it has little impact on sustainable growth rates. Therefore, the main reason for the decrease in sustainable growth rate in 2018 is due to the decrease in profit retention and equity multiplier.

As can be seen from Figure 2, 2013-2014 Yitai Group’s real growth led a small increase, 2014-2015 and a small decline, 2016-2017 growth is relatively large, the decline in 2018 is relatively large, the overall show 2013-2018 from negative to positive process. It was -22.79 per cent in 2013 and rebounded to 1.32 per cent in 2014, but then fell sharply to -22.95 per cent in 2015, reaching its lowest level; Six years of rapid annual growth, reaching 16.83 percent, 2016-2017 continued to rise, reaching a high of 61.90 percent, peaking at 5.88 percent in 2018.

Sustainable growth rates overall show a downward trend from 2015 to 2017 and a small decline in 2018. It was 14.02 per cent in 2013, fell to 9.92 per cent in 2013-2014 and continued to fall to -2.65 per cent in 2014-2015, the lowest level, but in 2015-2016 it rebounded to 6.72 per cent and showed rapid annual growth of 31.23 per cent in 2016-2017, reaching its peak, falling to 13.50 per cent in 2018, a significant decline, mainly due to varying degrees of decline in the values of all four factors.

The deviation population changes from negative to positive, and the deviation size shows the process of decreasing and rising first. The maximum deviation was -36.81 percent in 2013 and dropped to -8.61 percent in 2014, but increased in 2015 to -20.30 percent The six-year positive deviation was 10.11%, but the size of the deviation increased significantly in 2017 to 30.67 percent, and in 2018 the deviation was significantly reduced to a minimum of 7.62 percent.

2.4. Analysis of the causes of sustainable growth deviations

"In practical terms, sustainable growth rates must meet assumptions that if the Yitai Company wants to complete supply-side reforms to improve the company’s operating performance, it will have to borrow money so that the firm can scale up, so capital structure and operational efficiency will be difficult to maintain, so the real growth rate will always deviate from the sustainable growth rate." It is important to study the causes of deviations, which are analysed below in terms of operational efficiency and financial policy.
2.4.1. Business efficiency analysis

The company's asset turnover rate, sales profit margin can reflect the company's operating conditions, as can be seen from Figures 1 and 2, the company's operating efficiency in the two factors of the change trend and sustainable growth rate and real growth rate of the trend of change is basically the same direction.

(1) Asset turnover

Asset turnover decreased slightly from 2013 to 2015, falling from 0.55 in 2013 to 0.287 in 2015, the lowest and below the industry average of 0.3, of which 2013-2014 was slow Decline, fall faster in 2014-15, little change between 2015 and 2016, asset turnover gradually rose to 0.436 from 2016 to 2017, a significant increase, and a small decrease in 2018.

Since 2013-15, asset utilization efficiency has declined as a result of a significant increase in real estate development costs and a significant decline in weekly inventory turnover. Since 2014, Yitai Group's assets have increased further, with a large proportion of non-current assets, up to 80%, and poor liquidity. Inventory at the end of 2014 was RMB1,709,750,261.10, accounting for RMB2.91 of total assets, and the amount at the end of 2015 was 36.51% higher than the change at the end of 2014, mainly due to lower production in 2015, lower market demand and gradual improvement after 2016.

Before 2014, Yitai Company in order to better marketing, chose a low down payment sales model, and even zero down payment, which makes accounts receivable and bills surge, funds are slow to close, payment terms are extended, and at that time the enterprise is in the plight of development, the original profit has been reduced, this sales policy further led to a shortage of funds, and make liquidity risk increased. Notes receivable in 2015 amounted to RMB1369573105.33, accounting for 2.01% of total assets, and the amount at the end of 2015 was 955.82 percent higher than the change at the end of the previous period. The extended collection period of accounts receivable and the increase of the provision for bad debts will greatly affect the company's normal liquidity and solvency. The situation improved after 2016, with a decrease of 86.92 percent from 2015 and a decrease of 37.55 percent from the previous year in 2017, and a decrease of $11,187,4208.32 in notes receivable in 2018 as a result of changes in presentation formats and the implementation of new income guidelines, a decrease in idle funds and a further improvement in operating conditions.

(2) Net interest on sales

Net interest rate on sales is small, showing a small decline in the overall trend, and the change in sustainable growth rate is basically in line with the change in sustainable growth rate,15.66 percent in 2013, 2014-2015 continued to fall to 1.29 percent, the lowest value, but in 2015-2017 rebounded, continued to rise to 15.44 percent, a small decline in 2018.

Description After 2013, the growth rate of steel, thermal power, building materials and cement downstream of coal slowed, resulting in a decrease in coal demand. Yitai's operating income in 2013 was RMB25.1 billion, down 23% from 2012 and continuing to fall to its lowest level in 2015. In 2015, the company's earnings fell significantly, 42.6 percent from 2011, when the company produced the most. The impact of the macro environment in 2013-2015 has led to a year-on-year decline in business operations and profitability, but the operating capacity of enterprises has gradually picked up in 2016-2017 due to the significant results achieved by the coal industry in reducing production in 2016 and the increase in coal prices. In 2017, with the help and regulation of the government, coal prices rose steadily and the company's sales revenue increased. In 2017, the Company's operating income increased by RMB174.4 million compared to 2015, and net profit increased by RMB546 million. Revenue growth decreased in 2018 as the company's main coal business continued to undergo innovative reforms and was in the research and development phase, resulting in a significant increase in research and development spending, resulting in a decrease in net profit in 2018 from 2017 to RMB542
2.4.2. Analysis of the application of financial policy

In addition to operational efficiency, financial policies related to the calculation of sustainable growth rates include equity multipliers and profit retention rates. As shown in Figure 5 and Figure 6:

(1) Equity multiplier

As can be seen from Figure 5, the company's equity multiplier increased from 2013 to 2017, from 207.32% to 295.99%, showing a good trend, Yitai Group’s equity is basically unchanged, such a change, mainly because the company's total assets have been increasing, the 2018 small decline is due to the Group in accordance with the requirements of the new financial instruments guidelines to adjust, shareholders' equity slightly changed. Moreover, the book value of the investment fund decreased by RMB3,521,900 compared with the previous period, which was due to the offset cost of the fund’s investment income, so the equity decreased slightly.

(2) Profit retention rate

From 2012 to 2017 the company's profit retention rate from 2012 to 2017 as a whole, first fell to negative value, then increased year by year, turned negative, the change is large. There was little change between 2013 and 2014, rising from 78.37 per cent to 89.89 per cent. In 2015, it fell directly to negative territory, reaching a low of -288.18%. However, 2016-2017 turned negative and increased significantly year-on-year by 84.69 percent and 156.14 percent, respectively. In 2018, it was down $385.954 million, or -43.26 percent, from 2017.

Yitai Company through the preferred method of financing retained earnings to carry out infrastructure construction, because this financing method has the lowest cost of capital, but the limited amount of funds retained to the company, the rate of accumulation is affected by the overall economic changes in the industry and the company's operating conditions. "In 2013-2015, as the company’s net profit declined, so did retained profits, which did not match the company’s rapid expansion." In 2015, it fell directly to negative territory, reaching a low of -288.18%. This is due to operating income of $19,565,52 million in 2015, $25,393,600 in 2014 and $25,063,55 million in 2013. In 2015, it was 22.95 percent lower than in 2014 and 21.94 percent lower than in 2013. Net profit for 2015 was $252.73 million, $276.132 million in 2014, $392.4 million in 2013, down -2015 from 2014 90.85 percent, down 93.56 percent from 2013, so after the distribution of cash dividends make the enterprise's undistributed profits less, so retained earnings also fell, the reason is still due to the decline in coal consumption demand, the market supply is too large, it is difficult to achieve excessive profitability. Retained profits increased in 2016-2017 as corporate profits rose, and retained profits declined in 2018 as research and development costs increased.

3. Yitai company growth process of the company's strategic analysis

3.1. Business strategy

3.1.1. Inventory turnover

From 2013 to 2015, Yitai Group's profitability was poor and its operating conditions deteriorated. Inventory turnover for 2012-2017 was 26.112, 13.8598, 11.3377, 10.9005, 11.306, 7.7587, inventory turnover rate decreased year by year, profitability decreased year by year, slow turnover speed, seriously reduced the turnover rate of the company's assets, it is worth noting that the sustainable growth bias in 2015 is negative. This indicates that the company has a funding gap and does not have sufficient internal resources to support the development, which affects the company's real growth. However, the inventory turnover rate...
rose to 27.0996 in 2018, a significant increase, indicating an improvement in operating conditions in 2018 due to the fact that almost all projects under construction invested in 2016 have been completed, capital use efficiency has improved and inventory commodity turnover has increased.

### 3.1.2. Accounts receivable turnover

Accounts receivable turnover for 2012-2018 was 12.07, 8.06, 8.86, 14.39, 9.94, 38.82 and 70.87, respectively. It is not difficult to find that in the overall trend of rising asset accountability rate year by year, inventory turnover overall has been declining year by year, 2012-2014 accounts receivable turnover rate is also decreasing year by year, because accounts receivable 2012-2014 Continued to increase, bad debt provisions are increasing, collection periods are too long, and accounts receivable turnover is on the rise in 2015-2018 due to changes in presentation formats and implementation of new revenue guidelines, as well as changes in Yitai Group’s recovery of some accounts receivable.

### 3.2. Financial strategy

#### 3.2.1. Debt service stress risk

Since its inception, the company has been expanding rapidly. The balance sheet ratio showed an upward trend year-on-year in 2013-2016, rising to 60 per cent, falling to 56 per cent in 2017 and 55 per cent in 2018, but remains high. From 2013 to 2015, the company has been actively carrying out supply-side reform in recent years, increasing investment in coal mining equipment and building railway transportation lines, so that the company's borrowing scale increased, further increased the company’s total debt, and enterprises in the special period of reform, corporate profits are meager, borrowing more and more, the company will be difficult to repay huge loans, debt repayment pressure increased. But in 2016-2018, as a number of facilities previously put into construction are completed, the company borrows less, reducing the balance sheet ratio.

As a coal enterprise, coal products and real estate commodities liquidity is very poor, the return of funds will naturally be slower, poor solvency, more and more loans, if not timely repayment will affect the loan line after, fortunately, the company's operating conditions improved in 2017-2018, the company’s asset-liability ratio showed a downward trend, financial risk slightly decreased, with a slight improvement, gradually showing a good state, it can be seen that the enterprise's solvency is gradually strengthening, optimize the capital structure.

#### 3.2.2. Yitai Company is now using aggressive financing strategy

By comparing the various financing sizes of Yitai Group, Yitai Company tends to rely on retained earnings financing methods, followed by debt financing, with debt capital greater than equity capital. As far as the ratio of long-term and short-term financing is concerned, the proportion of short-term debt funds is higher than that of long-term debt funds, and financial institutions will adjust interest rates for a shorter period of time due to the depressed coal market environment, the downturn in the downstream coal industry and the lower market outlook, which has led to higher capital costs for companies. In the industry downturn, the company’s main is to rely on short-term borrowing, short-term borrowing a larger proportion.

### 4. Conclusions and recommendations

Yitai Company has weathered the difficult period of the coal industry in 2012-2015, and in the face of such a difficult period in the development of the industry, it will actively carry out supply-side reform, seize opportunities, optimize the industry, upgrade the industry, carry out capacity replacement, make full use of its advantages to diversify its development, and basically achieve transformation and upgrading in 2016. "It can be seen that the company’s real growth rate and sustainable growth rate in 2016 shifted from negative to positive, followed by a
significant increase in 2016-2017, and the company’s sustainable growth bias is very large, mainly because the company is growing on a large scale, due to excessive debt, capital structure problems, real growth rate is not in line with sustainable growth rate.” In 2016, Yitai Company achieved rapid profitability after the basic completion of capacity replacement and industrial upgrading, with a substantial increase in net profit, and in 2017 it increased by RMB5,461,229.7 million, or 21.61 percent, compared with the worst 2015. However, in the actual situation, the company’s real growth rate is unlikely to continue to grow at a high rate, and ultimately according to the sustainable growth rate to develop, the company can be more durable, so in 2018, in the industrial support, development momentum, development environment and other aspects of improvement, enterprises timely adjust the operating and financial situation of enterprises, committed to reducing the amount of deviation between sustainable growth rate and real growth rate. Rapid sales growth, the need for a large amount of funds to support, if the coal industry recession makes profits decline, only internal financing obviously does not match the current development trend, but excessive reliance on external borrowing, will lead to increased financial risk, financing capacity decline, so how to achieve healthy sustainability, so that the stable operation of enterprises, it is essential to integrate the following recommendations to achieve sustainable development:

4.1. Business strategy

4.1.1. Develop a strategy for scientific development and enhance core competitiveness
First of all, in this supply-side reform environment to actively respond to the call of the country, committed to put energy into the key construction projects advocated by the state, the effective allocation of resources, seize the core competitiveness, improve product quality, optimize product performance, upgrade product services, and strive for the sustainable development of today’s fierce competition in the coal industry. Seize the opportunity to scientifically formulate future business development strategies and actively adapt to changes in the economic environment. Yitai Company can rely on its own large-scale advantages, to achieve economies of scale, reduce product costs, thereby making more profits, continue to develop clean coal technology, improve product added value, continue to maintain its dominant position in the industry in the future.

4.1.2. Strengthen the management of accounts receivable and adjust the sales policy
Strengthen the management of Yitai Company accounts receivable, in previous years the company to accept the advance deposit way of sales, received a large number of commercial acceptance bills, due to the failure to return sales payments on time, resulting in a shortage of funds, very affect the company's overall capital plan, year after year the company's accounts receivable continue to rise, funds can not be recovered, the company can not effectively use funds to obtain greater profits. Therefore, in the management of Accounts Receivable of the Yitai Group, we should not only pursue the book data increase of book sales revenue, ignore the increase of bad debts and the extension of the collection period, but also pay great attention to the cash flow of sales in actual operations, and adjust sales policies, such as mortgage sales or financial lease sales. This not only promotes sales, but also brings stable capital to the business.

4.1.3. Speed up inventory turnover and reduce management costs
Yitai Company should change the existing sales model on the basis of strengthening the control of inventory, more stable high-quality customers, so as to accurately measure customer demand, so that the backlog of inventory goods to minimize, reduce unnecessary inventory transportation and storage waste, reduce management costs. Actively adapt to market changes, actively sell goods, coordinate the relationship between production, inventory and sales volume, the purpose is to speed up inventory turnover, there is no waste of idle resources, speed up the turnover of liquidity, so that the company to obtain the maximum operating income.
4.2. **Financial strategy**

4.2.1. **Do not rely too much on retained profit financing to prevent the supply chain of funds from breaking**

In 2016-2018, with the help and support of national policies, the coal industry is undergoing smooth reform, due to the withdrawal of some coal enterprises, the overall competitive pressure of the coal industry has also become smaller, the company's operating conditions have been improved, and net profit is gradually increasing. Therefore, the Yitai Company should continue to expand its production scale in order to obtain substantial profits, so that the company can increase its own capital. Retained income is the driving force of endogenous financing, which plays a very important role in the financing of enterprises, we must continuously improve the level of capital accumulation, so that retained earnings for the company's capital is also steadily rising, which is a stable source of funds. But at the same time, we must also see that the company retains a limited amount of money for the company. The slow accumulation rate in 2013-2015 does not match the scale of the rapid expansion of the company, in order to prevent the recurrence of such a major problem, the company can no longer rely too much on retained profits, to prevent the emergence of funding gaps, the supply of funds broken, so that enterprises in trouble.

4.2.2. **Equity financing to improve the capital structure**

Yitai Group's balance sheet ratio has been high, and companies have been expanding, and they need to borrow all the time to meet the huge capital needs of Yitai Group's investment plans, but this will lead to a further increase in the balance sheet ratio, an imbalance in the capital structure, and banks may also limit the amount of corporate borrowing. Borrowing alone is clearly undesirable, which increases the financial risk to the business. At this time Yitai Company can choose to carry out equity financing, can appropriately issue new shares, so that investors become shareholders, the Group does not need to repay debt, repayment pressure is not so great, so that Yitai Group’s capital structure rationalization, and strive to achieve the best structure, so that the lowest cost of capital. Companies can also replace cash-only dividends with a combination of stock dividends and cash dividends, not only without reducing equity, but also to ease the pressure to pay cash. The use of equity for financing not only reduces the cost of capital, but also can effectively improve the capital structure. It is suggested that the company should set up a professional financing team to develop an accurate and appropriate financing plan, so that the financing costs are lowest, but also to optimize the capital structure.

4.2.3. **Reasonable allocation of long- and short-term loan lines, and strive to develop into a cooperative financing method**

It can be seen that with the continuous expansion of enterprise scale, the total number of loans increased year by year, debt service pressure is heavy. Obtaining short-term loans requires short-term repayment of principal and interest, with a higher cost of capital. Long-term borrowing does not need to be repaid in the short term, and the cost of borrowing is relatively low. On the whole, although the enterprise debt financing ability is still strong, but the financial risk of maturing debt is large, the repayment pressure is greater, more consideration should be given to optimizing the capital structure. In order to reduce debt risk and prevent the difficulty of repaying large amounts of loans, it is recommended that Yitai Company adopt a financing strategy that is reasonable with long-term and short-term funds, and strive to develop into a cooperative financing method.

In short, Yitai Company should develop a clear business policy, the use of appropriate indicators and matching scientific forecasting methods, with the lowest cost to obtain the most financing funds, so that the financial risk is minimal. All-round consideration of the actual situation of the company, as well as the overall economic situation of the industry, in this sensitive period of reform, must not rush to achieve, because the decline of operating profits for a while panic,
should be down-to-earth with the reform, steady operation of the company, for the future better development, lay a good foundation, the goal set for a long time. It is important to note that internal retained profits cannot be relied upon excessively. Maintain your strengths, correct your shortcomings, and maintain your position as a leader in the Inner Mongolia coal industry for many years. In the future, we should fully grasp the opportunity of reform, develop in the direction of environmental protection and energy conservation, and compare competitors with products and strength. Don’t invest all your money in the main business and diversify it into other businesses, so that other ancillary industries can work with the main business to grasp the present. Focus on the future, anticipate possible risks in advance, design a response plan, in the future combined with the actual situation, flexible adjustment of policy strategy, to achieve the company’s overall healthy development. Taking into account various factors, combined with the actual situation of enterprises, according to the sustainable growth rate to regulate the actual growth rate, committed to reducing the deviation, so that enterprises can operate steadily to maximize long-term performance.

Acknowledgments

Natural Science Foundation.

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