

# Comparative Analysis in Fastener Market: China-based Companies

by Shervin Shahidi Hamedani

The fastener industry continues its steady growth and analysts expect that the global market will reach USD81 billion by 2018. Motor vehicle production, construction industry, electrical and electronics, and aerospace sectors are the main resources for fasteners demand and market growth.

Industrial fasteners as a highly fragmented market is characterized with many competitors; hence no single enterprise has enough market shares to influence and become a market leader. In various regions, more specifically in Asia-Pacific, several large and small players compete to maintain their respective market positions. This region is the fastest and largest growing regional market worldwide, in which industry consolidation was a predominant trend as small players merged operations with larger prominent players to leverage their resources; however, the market in this region is mainly attributed to China, as the leading producer and exporter of industrial fasteners in the world. Increased production of motor vehicles, industrial machinery, and electrical and electronic components and renovation of infrastructure provided great opportunities for growth of industrial fasteners market in China. Moreover, government investments in both commercial and military aircraft and aerospace projects have increased the fasteners demand in the market; however, some import boundaries on Chinese fasteners have given the precious opportunities for Taiwanese fasteners in the global market. Fastener production in China is projected to surpass domestic demand in the next couple of years.

## Financial Analysis

In regards to the importance of the fastener market in Asia Pacific in general and China in particular, three major companies in this region are examined financially in this article. Selected companies are all China-based public listed companies, in the same industry and sector in which fastener is their core business. To assess the companies' strength and performance of their businesses, the major financial ratios of the industry, sector, and companies are studied.

## Valuation Ratios

A valuation ratio is a measure of how cheap or expensive a security (or business) is, compared to some measure of profit or value. The most widely used valuation ratio is the P/E ratio which compares the cost of a share to the profits made for shareholders per share. The P/E ratio gives us a clue to what the market is willing to pay for a company's earnings. The higher the P/E, the more the market is willing to pay for the company's earnings.

Table 1 / 表1

| Valuation Ratios<br>评量比率          | Gem-Year<br>晋亿实业 | Shanghai Prime<br>上海集优机械 | Tong Ming<br>东明 | Whole Industry<br>整体扣件业 | Whole Sector<br>整体制造业 |
|-----------------------------------|------------------|--------------------------|-----------------|-------------------------|-----------------------|
| P/E Ratio (TTM*)<br>P/E 比率 (TTM*) | 43.86            | 23.18                    | 18.94           | 23                      | 25.41                 |
| P/E High-Last 5 Yrs.<br>过去5年最高比率  | 104.82           | 17.77                    | -               | 55.06                   | 42.61                 |
| P/E Low-Last 5 Yrs.<br>过去5年最低比率   | 43.92            | 6.35                     | -               | 16.77                   | 13.89                 |

\* Trailing Twelve Months \*TTM = 追踪过去12个月

As it can be derived from **Table 1**, Gem-Yem Industrial Company, listed in Shanghai Stock Exchange, has a high P/E ratio which is significantly above the industry and sector average. A high P/E suggests that investors are expecting higher earnings growth in the future, which is aligned with the steady growth rate of company's sales illustrated later in this article.

## Dividends

The dividend yields, as a measure of investment's productivity, for selected three companies are exhibited in the next page. Tong Ming Enterprise, listed in Taiwan Stock Exchange has the highest dividend yield, 4.24, compared to other companies, which is 3 times higher than the industry average. Without considering any capital gains, this dividend yield shows the great return on investment for the stock of Tong Ming Enterprise.

## 由中国三大扣件厂 分析当地扣件市场

文 / Shervin Shahidi Hamedani

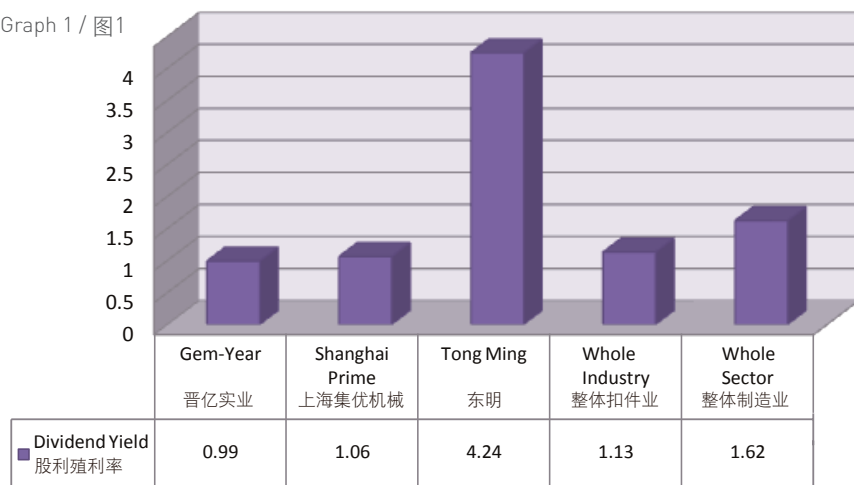
扣件产业持续稳定成长，到了2018年，全球市场将达到810亿美金。车辆生产、建筑、电子、航太产业是推动市场和扣件需求成长的主因。

工业扣件市场内的竞争者相当多，分化程度高，因此鲜有一家企业拥有足够市占率成为市场领头羊。在许多地区，尤其是亚太地区，有几家大小型企业相互竞争以保有各自的市场地位。亚太地区是全球成长速度最快且范围最大的地域，在这里，产业整合蔚为风潮，小型企业与主流的大型企业整合业务已取得并利用有利的资源。亚太扣件市场的成长主要可归于中国，也是世界主要扣件生产与出口国之一。车辆、工业机械、电子零件、建筑整建等领域的成长为中国工业扣件的成长带来机会。此外，中国政府在商业、军机与航太计画方面的投资也带动市场中的扣件需求。其次，中国扣件在全球市场遭遇的某些进口限制相对地给予了台湾扣件难得的机会。

## 财务分析

为检视亚太区，尤其是「中国」扣件市场的重要性，本文将分析此区域的三大扣件企业。这三间企业都是位在中国的上柜企业，产业属性相同，主要事业内容都是扣件。为了解其事业的强度与表现绩效，本文将分析该产业与企业的财务比率。

Graph 1 / 图1



## Growth Rates

In general the growth rate exhibits the amount of increase that a specific variable has gained in a specific period and context. The table below shows the sales growth from the most recent quarter compared to the 1st quarter of the last year. Gem-Year Industrial has meaningfully high sales growth which is more than the industry average; in contrast Shanghai Prime Machinery has negative growth rates.

Table 2 / 表2

| Growth Rate<br>成长率                                   | Gem-Year<br>晋亿实业 | Shanghai Prime<br>上海集优机械 | Tong Ming<br>东明 | Whole Industry<br>整体扣件业 | Whole Sector<br>整体制造业 |
|--|------------------|--------------------------|-----------------|-------------------------|-----------------------|
| Sales (MRQ*) vs Qtr. 1 Yr. ago<br>销量 (MRQ*) vs. 去年同季 | 34.68            | -4.82                    | 10.58           | 30.42                   | 6.67                  |
| Sales (TTM) vs TTM 1 Yr. ago<br>销量 (TTM) vs. 去年(TTM) | 22.64            | -8.86                    | 9.37            | 13.37                   | 8.97                  |

\* Most Recent Quarter MRQ = 最近一季

## Financial Strength

The commonly used ratios to analyse the financial strength of the companies, as shown in the following table. Shanghai Prime Machinery, public-listed company in Hong Kong Exchange market has the current and quick ratios close to the sector average although all companies have significantly lower ratios than industry average. Debt ratios of companies are all lower than average ratio in the sector, which could be considered as their strength.

Table 3 / 表3

| Financial Strength<br>财务强度               | Gem-Year<br>晋亿实业 | Shanghai Prime<br>上海集优机械 | Tong Ming<br>东明 | Whole Industry<br>整体扣件业 | Whole Sector<br>整体制造业 |
|--|------------------|--------------------------|-----------------|-------------------------|-----------------------|
| Quick Ratio (MRQ)<br>速报比率 (MRQ)          | 0.78             | 1.55                     | 1.27            | 5.09                    | 1.55                  |
| Current Ratio (MRQ)<br>当前比率 (MRQ)        | 1.6              | 1.98                     | 2.09            | 5.89                    | 1.99                  |
| LT Debt to Equity (MRQ)<br>长期负债股权比(MRQ)  | 0                | 15.36                    | 0               | 12.25                   | 51.83                 |
| Total Debt to Equity(MRQ)<br>总负债股权比(MRQ) | 58.17            | 20.27                    | 48.25           | 19.69                   | 69.42                 |
| Interest Coverage (TTM)<br>利息复盖率 (TTM)   | 1.96             | 8.95                     | 7.37            | 15.93                   | 34.66                 |

## 评量比率

评量比率用以衡量一个事业体的价值高低，这与某些利润或价值的衡量比率不同。最常用到的衡量比率是所谓的P/E比率，算法是去比较股份成本与股东每股的利润。P/E比率有助于了解市场愿意为一间企业的收益量付出多少投资。P/E值越高，市场为企业收益付出的意愿则越高。

从表1得知，在上海证交所上柜的晋亿实业拥有高P/E值，远高于整体扣件业与整体制造业的平均值。高P/E值也代表投资者预期该企业未来的收益将更高，这也与该公司稳定的销售成长率同调，此部分将在后文提到。

## 股息

股利殖利率用于衡量投资的生产力，图1列出该三家企业的股利殖利率。在台湾证交所上市的东明公司与其他两家相较下拥有最高的股利殖利率，达4.24，也比扣件业平均值高出3倍。若不考虑资本额的增加，股利殖利率反映出东明股票的投资报酬率相当高。

## 成长率

整体来说，成长率反映出某一特定变量(variable)在特定时期与情境下获得的成长量。表2列出最近一季对比去年同季的销售成长率。晋亿实业的成长率最高，高于扣件业平均值；相对地，上海集优公司的成长率为负值。

## 财务强度

此比率用来衡量企业的财力强度，如表3所示。虽然这三家企业财务强度明显低于扣件业整体平均值，但在香港证交所上柜的上海集优公司之速报与当前比率仍趋近于制造业平均值。三家企业的债务比率皆低于制造业平均值，从这方面来看可说是它们的优势。

## 获利比率

每间企业无疑都高度关注自身的获利能力。其中一项最常用到的财务分析工具就是获利比率，用以衡量企业的盈亏以及投资者的报酬率。毛利、营业利润与净利润率都是财务计量的级距，列于表4以了解企业获取收益的能力，并与企业在特定时间范围内的支出与其他相关成本做比较。


Table 4 / 表4

| Profitability Ratio<br>获利比率           | Gem-Year<br>晋亿实业 | Shanghai Prime<br>上海集优机械 | Tong Ming<br>东明 | Whole Industry<br>整体扣件业 | Whole Sector<br>整体制造业 |
|---------------------------------------|------------------|--------------------------|-----------------|-------------------------|-----------------------|
| Gross Margin (TTM)<br>毛利 (TTM)        | 21.89            | 19.2                     | 12.74           | 39.93                   | 32.84                 |
| Operating Margin (TTM)<br>营业利润率 (TTM) | 7.25             | 4.11                     | 5.25            | 21.94                   | 14.29                 |
| Net Profit Margin (TTM)<br>净利润率 (TTM) | 5.84             | 2.03                     | 3.87            | 15.39                   | 9.12                  |

## Profitability Ratio

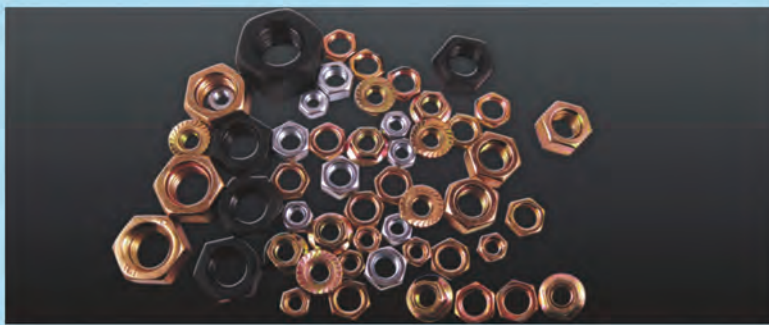
With no doubt every firm is most concerned with its profitability. One of the most frequently used tools of financial ratio analysis is profitability ratios which are used to determine the company's bottom line and its return to its investors. Gross, operating and net profit margins, as a class of financial metrics are illustrated in the following table to assess the


business's ability to generate earnings as compared to its expenses and other relevant costs incurred during the specified period of time.




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## Efficiency Ratio

The efficient ratios are typically used to analyse how well a firm uses its assets and liabilities internally. In this part three major efficiency ratios are examined. These ratios are more meaningful when compared to peers in the same industry and can identify business that is better managed relative to the others. Moreover, these ratios are important because an improvement in the ratios usually translates to improved profitability.

## Conclusion

The strong financial position of three selected companies in the fastener market could be another proof for this fast growing market in Asia and more specifically in China. Sharp fixed investments and growth in number of manufacturing bases have raised fastener demand from the emerging economies compared to the more developed markets. With the increased number of manufacturing activities, investments and developments in the direction of becoming an economic superpower, China is anticipated to register largest gains compared to any other national market in the world. Further, favourable economic environment and rising income levels leading to increase in demand for durable goods would drive growth in other countries such as Taiwan.

## References

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Table 5 / 表5

| Efficiency Ratio<br>效率比率                   | Gem-Year<br>晋亿实业 | Shanghai<br>Prime<br>上海<br>集优机械 | Tong<br>Ming<br>东明 | Whole<br>Industry<br>整体扣件业 | Whole<br>Sector<br>整体制造业 |
|--|------------------|---------------------------------|--------------------|----------------------------|--------------------------|
| Receivable Turnover (TTM)<br>应收帐款周转率 (TTM) | 3.86             | 2.46                            | 7.54               | 4.67                       | 11.86                    |
| Inventory Turnover (TTM)<br>存货周转率 (TTM)    | 1.62             | 3.53                            | 3.28               | 3.53                       | 13.5                     |
| Asset Turnover (TTM)<br>资产周转率(TTM)         | 0.69             | 0.58                            | 1.27               | 0.64                       | 0.74                     |

## 效率比率

效率比率特别用来分析企业内部是否得宜运用资产与债务。在此将检视三项主要效率比率(表5)。若用于比较同产业下的竞争同业,则可得出更具解读意义的结果,且可指出哪家企业的管理效率优于其他家。此外该比率的数值也相当重要,因为该比率的成长也代表获利能力的成长。

## 结论

该三家企业在扣件领域的强大市场地位可证明亚洲,尤其是「中国」的快速成长。与较发达市场相比,生产据点急速增加的投资已带动新兴经济体的扣件需求。中国为了成为经济强权,不断增加生产活动、投资与发展,预计获利将比世界任一国家还要高。此外,有利的经济环境与收入水平上升带动耐耗财需求成长,这也将驱使其他国家例如「台湾」的成长。



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