

Original Research Article

Analysis of the operating capacity of the automotive industry - taking sinotruk as an example

Wei Liu

Xi 'an Polytechnic University, Xi'an, Shaanxi, 710600, China

Abstract: The operational capability of a company is a key indicator for assessing the efficiency of resource allocation and profitability. Enhancing operational capability is essential for achieving corporate strategic goals. As a pillar of the national economy, the automotive industry significantly impacts economic growth. This paper focuses on China National Heavy Duty Truck (CNH) as a case study, using financial data to analyze the company's operational capabilities, explore the underlying issues, and propose improvement strategies, aiming to provide valuable insights for new energy vehicle companies. Adjust in a timely manner through different management methods, and change the management methods of the enterprise to improve the operational capacity of the enterprise.

Keywords: Operational Capacity; Sinotruk; Index analysis

1. Introduction

The continuous rise in energy prices, the shortage of automotive chips, and the implementation of the national "dual carbon" policy have all created opportunities for the development of new energy vehicles, and the industry competition is becoming increasingly fierce. In order to develop and operate steadily in today's complex and ever-changing business environment, enterprises must always pay attention to various problems within themselves, among which the analysis of operational capacity has become a crucial link^[1].

2. Overview of the relevant theories of operating capacity

Operating capability is a key indicator that measures the efficiency of asset utilization and revenue generation in a company. It reflects the company's ability to plan operational activities based on the production attributes of its assets and to achieve social returns through economic resource analysis. Conducting an operating capability analysis is of great significance. It helps managers identify inefficient or idle resource usage through indicators such as asset turnover, optimize resource allocation, overcome operational bottlenecks, and enhance overall operational efficiency and profitability. It also assists investors in comprehensively assessing the effectiveness of asset operations, profit potential, and potential risks, enabling them to make rational judgments about the company's operational status and development prospects, provide scientific evidence for investment decisions, and effectively mitigate investment risks.

3. Company profile

Sinomach Automobile Co., Ltd. was established in 1993 and listed in 2001 (600335), primarily engaged in automobile import and export, vehicle sales, and aftermarket services. Leveraging its advantages in craftsmanship, technology, and service, the company has maintained a leading position in the industry. Backed by its central state-owned enterprise background, it has built a comprehensive industrial chain and a global network, with operations spanning over 30 countries, and has been consistently ranked among the top 100 companies for

many years.

4. Analysis of operating capacity indicators

Table 1. Operating capacity indicators of Guoji automobile from 2020 to 2024.

Project/Year	2020	2021	2022	2023	2024
Accounts Receivable Turnover Rate (times)	9.48	8.75	6.43	6.65	7.21
Inventory Turnover Rate (times)	4.29	7.93	6.69	5.62	5.06
Current Assets Turnover Rate (times)	1.60	1.76	1.57	1.57	1.45
Fixed Assets Turnover Rate (times)	15.29	18.17	17.31	17.72	15.73
Total Asset Turnover (times)	1.26	1.41	1.26	1.30	1.21

4.1. Analysis of accounts receivable turnover rate

The data shows that the accounts receivable turnover rate of Guoji Automobile has a trend of first decreasing and then recovering. The accounts receivable turnover rate of Guoji Automobile dropped from 9.48 times in 2020 to 6.43 times in 2022. Although it slightly rebounded in 2023 and 2024, reaching 6.65 times and 7.21 times respectively, the overall level is still lower than that in 2020. From the above data, it can be seen that the enterprise has problems in the management of accounts receivable. The enterprise has a large amount of accounts receivable, and the accounts receivable of Guoji Automobile occupy a large proportion of the operating income. The liquidity of the enterprise’s funds is thus slow. This leads to low utilization of enterprise funds and makes it difficult for the enterprise to operate. Therefore, the enterprise should make timely adjustment plans based on its own situation, adjust in a timely manner through different management methods, and change the management methods of the enterprise to improve the operational capacity of the enterprise.

4.2. Inventory turnover rate analysis

A high inventory turnover rate indicates that an enterprise has a fast inventory turnover speed and high efficiency in managing inventory. The inventory turnover rate can reflect the operational capabilities of the enterprise. The inventory turnover rate of Guoji Automobile rose from 4.29 times in 2020 to 7.93 times in 2021, and then decreased year by year. It dropped to 5.06 times in 2024. The increase from 2020 to 2021 indicates that the enterprise significantly improved its inventory management efficiency during this period, with smooth product sales and accelerated inventory turnover speed. This effectively reduced the occupation of funds on inventory and enhanced the operational capabilities. However, the inventory turnover rate has continued to decline after 2021, suggesting that the enterprise may face inventory accumulation problems in the future or that the market demand has changed, resulting in slower sales and affecting the inventory turnover efficiency. This has weakened the operational capabilities. Therefore, the enterprise should make timely adjustments based on its own situation, promptly adjust through different management methods, and change the inventory management approach to improve the operational capabilities^[2].

5. Analysis of the problems in the operating capacity of Guojigong auto

The accounts receivable turnover ratio of SINOMACH Automotive has shown a declining trend in recent years, primarily due to two factors: First, the decrease in operating revenue, as the automotive industry faces intense competition both domestically and internationally, with significant differences in consumer demand between first-tier and lower-tier markets. Meanwhile, the “Made in China 2025” initiative promotes the development of energy-efficient and new energy vehicles. While technological advancements such as electrification

and intelligentization drive industrial adjustments and business expansion, they also lead to the accumulation of accounts receivable. Second, the scale of corporate accounts receivable has increased, particularly with SINOMACH Automotive accounting for a relatively large proportion, resulting in slower liquidity.

In the current economic environment, credit sales are a common method for companies to expand sales. Given the lengthy supply chain in automotive manufacturing, industrial adjustments and scale expansion driven by technological development are more likely to accumulate accounts receivable across multiple stages. Therefore, companies need to strengthen accounts receivable management while accelerating the development of new energy vehicles.

6. Conclusion

The overall operational capacity of Sinomach Auto shows a characteristic of steady progress with room for further improvement. In terms of asset turnover efficiency, its inventory turnover rate and accounts receivable turnover rate are at a medium level in the industry, indicating that the company has basic competitiveness in inventory management and collection efficiency, but there is still room for optimization compared with leading enterprises. The fixed asset turnover rate reflects a relatively reasonable capacity utilization rate, and the operational efficiency of equipment and facilities is effectively exerted.

From the perspective of industry comparison and strategic adaptability, the company has enhanced asset utilization efficiency by integrating industrial chain resources (such as the synergy of automotive trade and service businesses). However, under the backdrop of the transformation towards new energy vehicles, the layout of lightweight assets and digital operation capabilities still need to be strengthened^[3].

About the author

Wei Liu (2000--), Han Chinese, a graduate student , Xi 'an Polytechnic University, Xi' an, Shaanxi , 710600

References

- [1]Huang Rong. Analysis of the Operating Capacity of the Automotive Industry: A Case Study of Y Automobile Company [J]. Modern Industrial Economy and Informatization, 2024, 14(8): 23-25.
- [2]Shi Youzhi, Xu Meiyans. Research on the Development of Intelligent Connected Vehicle Majors in Higher Vocational Education Based on the "51020" Modern Industrial System [J]. Internal Combustion Engine & Parts, 2023(20): 111-113.
- [3]Kumar Singh Vinay, et al."Improving operational performance with world class quality (WCQ) technique: A case in Indian automotive industry."Materials Today: Proceedings 72.P3(2023): 1561-1567.