EFFECTS OF RAISING CAPITAL ON FINANCIAL INDICATORS OF THE COMPANY

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The financial consequences of growth capital are different depending of accomplishing technical. In these circumstances the General Meeting of Shareholders decide to increase capital. The decision depends on the effect of increasing the potential financial capital, financial stability and financial structure of the company. Next, I will present the financial consequences of growth capital to a company profile in the petrochemical industry.

Keywords share capital, growth, petrochemicals product, financing

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1. Introduction

Severe economic crisis during 2009-2013, manifested by decreased demand, tighter lending conditions from the banks, acute lack of liquidity has affected the business environment.

According to the Global Competitiveness Report 2012-2013, Romania is ranked 78 of 144 countries. In the EU, Romania has managed to overcome a single country, namely Greece, strongly affected by the economic crisis started in 2008 (1).

Regarding the business environment in 2009-2013 were set 365 232 enterprises, while 334,403 firms closed their doors, most of them small and medium category. In 2013, they went on the market 68 589 firms, about 3 times less than the previous year (2).

Creating a company, maintaining market position and support its growth requires resources to conduct the optimum operating activities, development investments. Choosing resource constraints involve compliance with the legal nature (minimum capital needed to create a company) and financial (insurance solvency, financial independence and economic business profitability) .

Over the life of the company, the share capital can be increased by new contributions by incorporation of reserves and debt conversion company (ie of receivables that creditors have on it) . Generate capital growth:

- Change the status of the company:
- Decision to increase either the number of shares or par value of shares already issued (if applicable).

2. Opportunity of capital increase

Determining appropriateness capital increase is based on rigorous market research based, economic forecasts and measurements of operating profit obtainable after additional infusions of liquid assets.

Market studies reach in terms of complexity all areas of the marketing mix (3).

Thus, in our case, it aims in particular: the main suppliers of raw materials to finished goods manufacturers which include derivatives of petroleum. Since oil, the main raw material for wide range of manufacturers, with a very diverse use price derivatives based on different markets it is determined by the stock exchanges operating in the area. This system produces the following effects (4):

- Increasing the profitability of its products, both directly by selling its products and indirectly through its holdings in joint ventures that produce the oil derivatives;
- Better utilization of oil derivatives by using high technologies and collaborations with partners who have extensive experience in the processing of this superior material;
- Increase market share by working with partners who already have a positive experience on the world market and can contribute through their investments in the expansion already approved brands.

3. Ways to increase

Because it is concerned with making investments to upgrade and capacity expansion for the core, and given the amount of investment needed to ensure production capacity to cover potential product development production petrochemical proposed that the development of production of these panels to be conducted under a joint venture to be established by the company in partnership with a private investor.

The private investor will be selected in the tender offers based on its experience in the field of activity proposed and based on its financial capacity and management, able to ensure the extension of the petrochemical market in Romania and achieving exports of these products foreign markets.

Production capacity of the joint venture will consist of the contribution in kind of society, namely buildings, land, equipment, core fixed assets and inventory related, what will be the contribution unencumbered, and the equipment that will be purchased by joint venture using the investor's cash contribution (4).

1. Provide access to technology, know -how and modern equipment and industry leading.

2. Society will provide petroleum coke, liquefied petroleum gas, sodium benzoic increasing their own profits manufacture these products by its stake in the joint venture profit, which will be higher due to the higher degree of processing.

3. Society will provide utility and will give such a clear destination production and storage spaces that are not used at the moment as a result of modernization achieved in the past or following removal from production of unprofitable products.

4. The company will be relieved of the financial burden necessary for the investment to develop the production of petrochemical products , while developing and expanding market share both domestic and foreign markets.

5. Through the involvement of the private investor, the joint venture will provide products sales on foreign markets in terms of competitiveness by hiring and training of specialists in marketing policies, with the know-how and experience of established companies in the market.

6. Society will not be perceived to other petrochemicals producers as a competitor and therefore will accept in the future to buy petroleum coke, liquefied petroleum gas, sodium benzoic society, thereby increasing sales for those products (5).

Formation of the joint venture is based, mainly the following arguments:

a. joint venture activities may be initiated in the short term ;

b. represents a production unit of oil derivatives in the vicinity of a large producer of raw materials , which will have a positive effect on the rate of return on the activity of the joint venture;

c. The company thus creates no extra cost in the vicinity, a large consumer product thereof, which is a major advantage in terms of enlarging the production capacity for these products.

d. Determine the local economy due to the positive effects on related sectors and operators in the area.

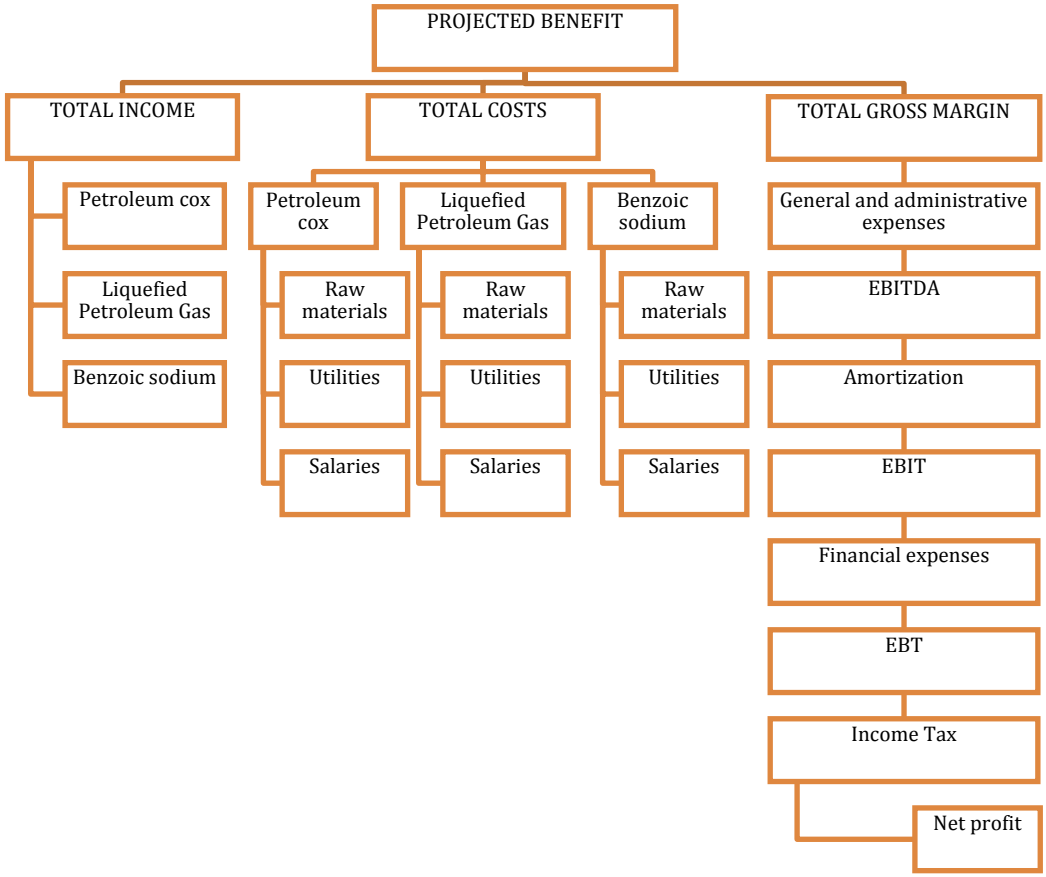
4. Analysis of projected benefits

The analysis presents the projected benefits for previzonat horizon, business development for the sectors to be implemented / upgraded after the action of growth capital.

It covered such determination for forecasting, operational net profit or net loss that determine operational and capital efficiency.

In this case, the analysis projected benefits can start at the diagram below:

The scheme analysis of projected benefits



Source: Own contribution

Based on this scheme, we determined the expected development benefits to the forecast horizon in 2020, a trend which is shown in the table below:

Evolution benefits projected forecast horizon 2020

Buget (thousands lei)	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total 2014-2020
A. Petroleum coke - investitional effort			1.500,00	1.500,00	1.500,00					4.500,00
B. Liquefied petroleum gas - investitional effort			1.500,00	1.500,00	1.500,00					4.500,00
C. Sodium benzoic - investitional effort			600,00	600,00	600,00					1.800,00
Total - investitional effort			3.600,00	3.600,00	3.600,00					10.800,00
A.revenue			5.390,00	5.929,00	6.521,90	7.174,09	7.891,50	8.680,65	9.548,71	51.135,85
Raw materials			(3.976,00)	(4.373,60)	(4.810,96)	(5.292,06)	(5.821,26)	(6.403,39)	(7.043,73)	(37.720,99)
Utilities			(30,00)	(33,00)	(36,30)	(39,93)	(43,92)	(48,32)	(53,15)	(284,62)
Salaries			(168,00)	(184,80)	(203,28)	(223,61)	(245,97)	(270,57)	(297,62)	(1.593,84)

Buget (thousands lei)	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total 2014-2020
Cost of Sale			(4.174,00)	(4.591,40)	(5.050,54)	(5.555,59)	(6.111,15)	(6.722,27)	(7.394,50)	(39.599,45)
Gross margin			1.216,00	1.337,60	1.471,36	1.618,50	1.780,35	1.958,38	2.154,22	11.536,40
%			22,56%	22,56%	22,56%	22,56%	22,56%	22,56%	22,56%	157,92%
B. Revenue			5.845,00	6.429,50	7.072,45	7.779,70	8.557,66	9.413,43	10.354,77	55.452,51
Raw materials			(3.940,00)	(4.334,00)	(4.767,40)	(5.244,14)	(5.768,55)	(6.345,41)	(6.979,95)	(37.379,45)
Utilities			(30,00)	(33,00)	(36,30)	(39,93)	(43,92)	(48,32)	(53,15)	(284,62)
Salaries			(168,00)	(184,80)	(203,28)	(223,61)	(245,97)	(270,57)	(297,62)	(1.593,84)
Cost of Sale			(4.138,00)	(4.551,80)	(5.006,98)	(5.507,68)	(6.058,45)	(6.664,29)	(7.330,72)	(39.257,91)
Gross margin			1.707,00	1.877,70	2.065,47	2.272,02	2.499,22	2.749,14	3.024,05	16.194,60
%			29,20%	29,20%	29,20%	29,20%	29,20%	29,20%	29,20%	204,43%
C. Revenue			720,00	792,00	871,20	958,32	1.054,15	1.159,57	1.275,52	6.830,76
Raw materials			(583,00)	(641,30)	(705,43)	(775,97)	(853,57)	(938,93)	(1.032,82)	(5.531,02)
Utilities			(25,00)	(27,50)	(30,25)	(33,28)	(36,60)	(40,26)	(44,29)	(237,18)
Salaries			(10,00)	(11,00)	(12,10)	(13,31)	(14,64)	(16,11)	(17,72)	(94,87)
Cost of Sale			(618,00)	(679,80)	(747,78)	(822,56)	(904,81)	(995,30)	(1.094,82)	(5.863,07)
Gross margin			102,00	112,20	123,42	135,76	149,34	164,27	180,70	967,69
%			14,17%	14,17%	14,17%	14,17%	14,17%	14,17%	14,17%	99,17%
Total incomes		80,00	11.955,00	13.150,50	14.465,55	15.912,11	17.503,32	19.253,65	21.179,01	113.419,13
Total costs		(80,00)	(8.930,00)	(9.823,00)	(10.805,3)	(11.885,8)	(13.074,4)	(14.381,8)	(15.820,0)	(84.720,4)
Total gross margin			3.025,00	3.327,50	3.660,25	4.026,28	4.428,90	4.871,79	5.358,97	28.698,69
Maintenance			(101,00)	(101,00)	(101,00)	(101,00)	(101,00)	(101,00)	(101,00)	(707,00)
Salaries		(96,00)	(384,00)	(422,40)	(464,64)	(511,10)	(562,21)	(618,44)	(680,28)	(3.643,07)
Sales and Marketing			(251,00)	(276,10)	(303,71)	(334,08)	(367,49)	(404,24)	(444,66)	(2.381,28)
Services		(6,00)	(12,00)	(13,20)	(14,52)	(15,97)	(17,57)	(19,33)	(21,26)	(113,85)
Other		(5,00)	(5,00)	(5,50)	(6,05)	(6,66)	(7,32)	(8,05)	(8,86)	(47,44)
General and administrative expenses		(107,00)	(753,00)	(818,20)	(889,92)	(968,81)	(1.055,59)	(1.151,05)	(1.256,06)	(6.892,64)
EBITDA		(107,00)	2.272,00	2.509,30	2.770,33	3.057,46	3.373,31	3.720,74	4.102,91	21.806,06
			19,00%	19,08%	19,15%	19,21%	19,27%	19,32%	19,37%	134,42%
Amortization			(728,00)	(728,00)	(728,00)	(728,00)	(728,00)	(728,00)	(728,00)	(5.096,00)
EBIT		(107,00)	1.544,00	1.781,30	2.042,33	2.329,46	2.645,31	2.992,74	3.374,91	16.710,06

Buget (thousands lei)	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total 2014-2020
Financial expenses			(301,00)	(301,00)	(301,00)	(301,00)	(301,00)	(301,00)	(301,00)	(2.107,00)
EBT		(107,00)	1.243,00	1.480,30	1.741,33	2.028,46	2.344,31	2.691,74	3.073,91	14.603,06
Income Tax			(198,88)	(236,85)	(278,61)	(324,55)	(375,09)	(430,68)	(491,83)	(2.336,49)
Net profit		(107,00)	1.044,12	1.243,45	1.462,72	1.703,91	1.969,22	2.261,06	2.582,09	12.266,57
Recover of the invested capital			29,00%	31,77%	34,72%	50,50%	68,74%	89,67%	113,58%	

Source: Own contribution

6. Conclusion

Through the capital increase and the parallel development of three production lines will get an operating profit of £ 12,266,570, profit which will provide coverage in investment (10.8 million USD) in 7 years from the start of the project.

It is established that the capital increase carried out after the relevant market studies and following a rigorous cost-benefit analysis can be substantiated premise of economic development of a society that operates in a competitive environment affected by the economic crisis.

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