

Research Journal of Pharmaceutical, Biological and Chemical Sciences

Capital Structure Analysis Of Agricultural Organizations In Modern Conditions.

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ABSTRACT

In modern conditions, the process of capital formation, optimization of its structure, the establishment of a rational ratio of various sources of funding and, therefore, the quality of resource management are of particular importance. Achieving the optimal structure of the financial resources of agricultural organizations is realized through the adequate management of them. The article discusses issues of opportunity and necessity, in the current situation, of attracting financial resources by agricultural organizations in the domestic market with the help of equity instruments.

Keywords: agricultural sector, economic growth, the structure of sources, capital, public offering, the stock market, debt instruments, investors.

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SHORT REVIEW

In the current financial and economic conditions, the development of the agro-industrial complex is a priority for the world economy, as there is an urgent need to ensure food security and improve the quality of life of the population. Over the past decades, this problem is one of the keys for Russia, it has not lost its relevance in the current conditions of continuing Western sanctions, falling oil prices, instability in the foreign exchange market and lower consumer spending. Russia's response in the form of a food embargo opens up opportunities for the country to replace imports and develop the agricultural sector [4]. Compared to other sectors of the economy, agriculture has good prospects and analysts predict a growth in the agro-industrial sector by an average of 3.5% per year until 2017, while other sectors will add less than 3%. The share of agriculture in GDP will increase from 3.4% in 2013 to 3.8% in the next three years (Fig. 1).

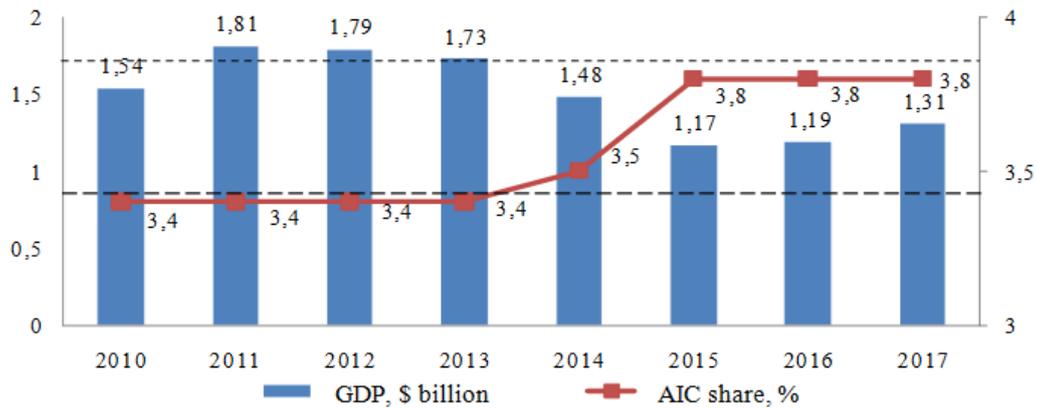


Figure 1: The share of agriculture in GDP

At the same time, it is impossible to solve the problem of forming an efficient, competitive, sustainable and environmentally safe production that would correspond to the world level without a specific set of measures [5].

Increasing the research intensity of the products produced underpins world agriculture. This is especially obvious in economically developed countries. The prevailing conditions allow them to easily penetrate the leading markets of the world while maintaining the balance of their own domestic market, both in terms of demand and supply.

In this case, the main problem is the creation of an optimal structure of sources of financing investments. As a rule, such sources include financial resources of an economic entity and its reserves, attracted and borrowed funds, as well as financial resources received by the enterprise in the form of state support from budgets of various levels and extrabudgetary funds.

In the present conditions, for a number of reasons, including the devaluation of the ruble, rising prices, declining incomes and expenses of consumers of enterprises own funds of enterprises is not enough to ensure expanded reproduction. The fall in commodity prices and business decline led to a revision of government support for the agro-industrial sector due to sequester budgets. Western financial sanctions, the growth of credit rates, problems with the liquidity of banks exacerbated and brought to a new level the problem of the lack of real sources of long-term investment in Russia.

The current model of the Russian financial market - bank lending and debt instruments, led to an unfavorable situation and a significant increase in the debt of agricultural enterprises. The main creditor of the agricultural sector "Russian Agricultural Bank" and the majority of large banks in these difficult conditions reduced the share of loans for agricultural enterprises. The enterprises of the agricultural sector had problems with lending to development projects and working capital. Banks have increased interest rates, reduced limits and terms of loans, often selling debts (the recent bankruptcy of the Razgulay group and a lawsuit from the Rusagro agricultural holding).

Rates in rubles increased from an average of 9-11% to 17-21%.

A lot of negative and in the debt market: investors demand the redemption of bonds in full and refuse to restructure.

In conditions of high cost and inaccessibility of borrowed funds necessary for the implementation of investment programs, the development of the internal IPO market is an alternative form of investment financing. The potential of the public market in recent years opens up new opportunities for agricultural enterprises [6].

A qualitatively new level of development for any company is entering the public market. This direction will allow the company to gain market value, as well as change the composition of the owners while providing great opportunities for the stock market.

The meaning of the concept of "initial public offering of shares" (IPO) fully corresponds to its name: this is the first public sale of the company's shares and a listing of these shares on the stock exchange [1] (Fig. 2).

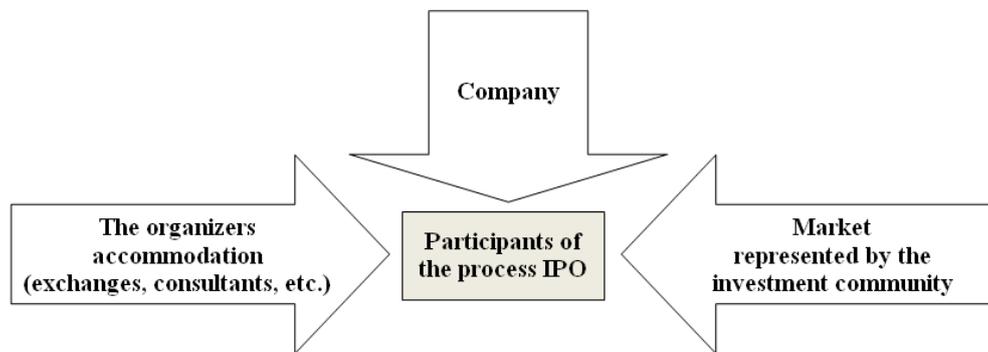


Figure 2: Participants in the IPO process

For most Russian companies, IPO is no longer a news. Another thing, if the placement goes the enterprise of the agricultural sector.

In 2006, Russia was in fifth place in the world in the number of initial offerings. And although the bulk of IPOs still belongs to enterprises of the commodity sector, there is also a positive trend in the agro-industrial sector. In recent history, there are already examples of successful placements. Thus, in 2002, Wimm-Bill-Dann Foods OJSC placed on the NYSE (New York Stock Exchange) an IPO of \$ 18.5 per share and opening stock trading at a price of 21.5 percent per share. In 2005, Siberian "Pava" (former agro-industrial complex "Bread of Altai") placed 10% of shares for \$ 8 million on the RTS and MICEX, and 2006 - Razgulay placed on the MICEX (Moscow Interbank Currency Exchange) and RTS (Russian Trading System) 30 million shares. During the IPO, Razgulay raised \$ 144 million, selling to investors 23% of the increased authorized capital.

The funds received were planned to be spent on the acquisition of new capacities and the development of our own production. In the same year, Cherkizovo entered the IPO. The company's shares were listed on the London Stock Exchange, Moscow Stock Exchange, and RTS. In the course of the transaction, investors received 30.4% of the capital, while the company itself offered \$ 228.5 million in placement, and the demand for securities exceeded the supply four times. Then in 2011-2014. IPO - Abrau-Durso, Russian Sea, GlavTorgProdukt, Krasny Oktyabr, Rusagro, Novorossiysk Bread Products Plant, Rusgrain Holding [2].

Investors, including Western investors, have a potentially high interest in the agrarian sector. AIC is promising, it is one of the few sectors where those who have access to financing can intensively expand and reinvest the borrowed money for high returns. In contrast to retail and consumer goods market, where it is impossible to increase sales simply by building a new plant, in agriculture the growth potential is limited only by the possibilities of attracting financing.

The leaders of the enterprises of the agro-industrial complex are currently forming a new business strategy, as they have already occupied a certain niche in the market. The priority is to increase the company's capitalization, given that a significant portion of Russian enterprises has an underestimated market value. The real assessment can be obtained only in the public market. At the same time, the management of the company has the ability to remove dependence on strategic investors and gain independence in making financial and managerial decisions in the event of entering the public market.

Agriculture is not a protective sector from the point of view of a portfolio investor, but it can be protective for a direct investor building farms or cultivating the arable land.

Taking into account a number of conditions, such as limiting external financing, the devaluation of the ruble, reducing liquidity in the banking sector and rising interest rates, budget deficits at all levels and reducing government programs, and taking into account such a paradox as companies striving to enter external public and debt markets with individuals and companies have a total of almost 11 trillion rubles in their currency accounts (approximately 173 billion dollars). These foreign exchange reserves exceed liquid gold reserves (gold reserves) by almost half. Moreover, the currency of the population is almost a trillion rubles more than that of corporations.

Using even 2-3% of these resources you can attract a lot of capital as investments.

Therefore, it is necessary to stop treating the domestic public market as an attribute and take advantage of this institution and its tools [3].

Carrying out internal IPOs in the agricultural sector will provide capital for further development, increase financial reputation and the ability to place bond loans on much more favorable terms, strengthen lobbying and social potential, by including influential financial institutions and the general public in shareholders, will provide an effective tool assessing the current market value of the company, will enable the use of shares as collateral in attracting loans, increase prestige when boat with partners and contractors, including and foreign companies to obtain a profitable mechanism for merger/acquisition operations.

Thus, the main objectives of an IPO are (Fig. 3):

- raising money by an enterprise for long-term financing of its economic activity. As a result of the public sale of shares, the company attracts capital that should not be returned in the future;
- increasing the value (capitalization) and liquidity of its assets. The objective capitalization of the company is formed on the organized market - the stock exchange.

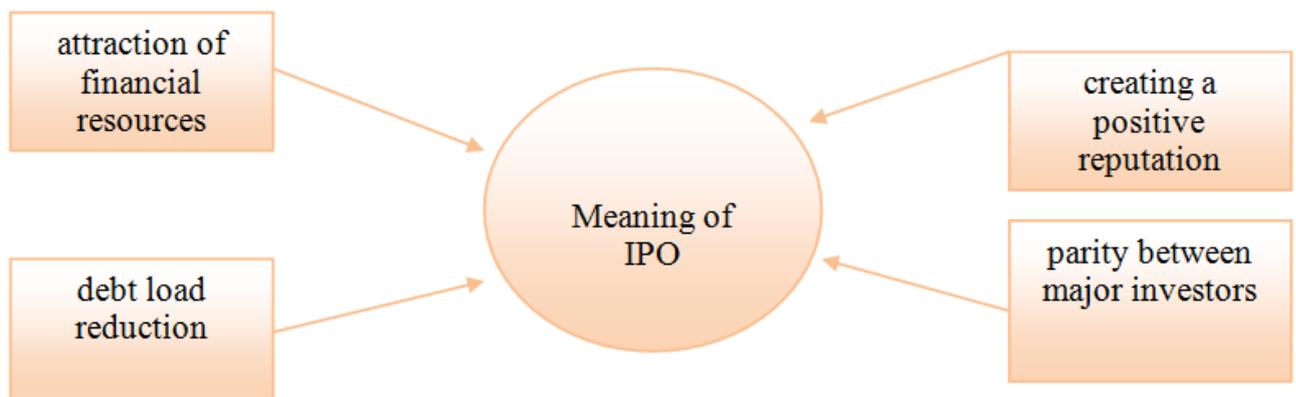


Figure 3: The main objectives of the initial public offering

The higher the capitalization of the company, the easier it is to borrow money in the money and debt markets.

In general, the active development and use of IPOs of agrarian companies in the domestic public market will stimulate economic growth and attract the necessary investments in the sector, promote the restructuring of the agro-industrial complex, and give impetus to venture to finance.

CONCLUSION

Thus, the correct conduct of the IPO procedure opens up access for the agrarian company to a wide range of investors: investment and pension funds, insurance companies and individuals. The company becomes public and can rely on a cheaper source of capital in the future, such as issuing Eurobonds or loans from foreign banks.

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