

“Performance Analysis with the help of Value Added Ratios: A Comparative Study of Titan Ltd & Rajesh Export”

¹Shanaliya Hetalben Jayantilal, ²Thakrar Nishita Tulsidas

¹Research Scholar, Saurashtra University, Rajkot-360005, Gujarat, India

²Assistant Professor, Atmiya University, Rajkot-360005, Gujarat, India

Email: ¹hetalshanaliya@gmail.com, ²nishita.thakrar@atmiyauni.ac.in

Abstract: In this paper researcher analysed Generation of value added and Application of value added of selected sample. Researcher has select two Sample Company; Titan Ltd and Rajesh export. Sample is selected by using simple random sampling technique. 2018 to 2022 five years are selected as a study period. Aim of this study is to know Gross value added and Net value added based on value added statement. Researcher used t-test as statistical tools and Value added ratios as an accounting tools.

Key words: Value added statement, Generation of value added, Application of value added, GVA, NVA

INTRODUCTION

The Value Added Statement shows the value created and distributed between contribution to Government in form of different taxes, contribution to Providers capital in form of dividend and interest, contribution to employees in form of salary, wages and commission, remaining amount from NVA is Retained Earning. A VAS is simply a means of shows the wealth of business. There are mainly four types of value added; Gross value added (GVA), Net value added (NVA), Market value added (MVA) and Economic value added (EVA).

REVIEW OF LITERATURE:

(Maulidya W, 2019)The objective of this study was to evaluate the financial performance of PT Unilever Indonesia Tbk by analyzing its financial ratios and economic value added (EVA). The study employs various analytical methods, including financial ratios (such as liquidity, solvency, profitability, and activity ratios) and the EVA method. The findings indicate that the company's financial performance is strong, as evidenced by its high liquidity, solvency, and activity ratios. However, its liquidity ratio is below the standard ratio value. Overall, the financial ratio analysis suggests that the company is financially sound. Additionally, the EVA analysis reveals positive results from 2014 to 2018, indicating that the company has

successfully created economic value for both the company and its shareholders by improving its performance during this period.

(Winarko H, 2018) The aim of this study was to evaluate the financial performance of PT Media Nusantara Citra, Tbk. using profitability ratios and economic value added as key metrics. To compute these measures, various factors such as COGS, NOPAT, invested capital, cost of debt, cost of equity, market value of equity, income tax, market value of liabilities, weighted average cost of capital (WACC), and capital charges were considered. Analysis of the corporation's annual reports spanning from 2007 to 2015 indicates a fluctuating trend in financial performance with an average annual growth of 11% for ROA, 15% for ROE, 38% for GPM, 28% for NPM, and 47% for TAT. A detailed investigation, however, reveals that the company is generating sufficient profit to cover its cost of capital in the coming years. The paper concludes by proposing recommendations to optimize the company's value in the future.

(Setiabudhi 229, 2017) The management of a company's finances is reflected in its financial performance. One effective method for measuring financial performance is the EVA approach, which provides an accurate depiction of a company's actual value. This study focused on PT Kalbe Farma and examines its financial data from 2012 to 2014 using a descriptive quantitative method. The computed EVA values for the company demonstrate fluctuation, but remain consistently positive. A positive EVA value suggests that the company is capable of generating economic value added and achieving a return that exceeds the cost of capital. In essence, the company has created wealth for its shareholders. This study recommends strategies for enhancing the company's EVA value.

(Singh P, 2017) The Value Added Statement (VAS) can offer valuable insights to address the concerns of all stakeholders of a business. This study aims to empirically examine the performance of BHEL and INFOSYS from 2008-2009 to 2012-2013 by analyzing their value added ratios as indicators of profitability and productivity. The paper also seeks to evaluate the significance of the outcomes using regression analysis. The findings demonstrate that the management of both companies has not only enhanced their profitability but has also fulfilled their social responsibilities.

(Yogesh B, 2014) The objective of this research was to examine the value added ratios of a public sector enterprise in India, with a particular emphasis on Indian Oil Corporation Ltd. To achieve this, value added statements were compiled for the company using their audited financial statements from 2004-05 to 2011-12. The resulting value added ratios were analyzed to determine their usefulness in evaluating an organization's productivity and efficiency. Overall, this study highlights the importance of value added ratios as a performance metric for businesses.

OBJECTIVES OF THE STUDY

To understand performance of Titan Ltd and Rajesh exports.

To know Gross value added (GVA) and Net value added (NVA).

To analysed distribution of NVA among employees, government, providers of capital and owners.

HYPOTHESIS OF THE STUDY:

H0 = There would be no significant difference in GVA to Total Revenue of Titan Ltd and Rajesh Export.

H0 = There would be no significant difference in NVA to Total Revenue of Titan Ltd and Rajesh Export.

H0 = There would be no significant difference in Retained earnings to NVA of Titan Ltd and Rajesh Export.

RESEARCH DESIGN:

Table 1 showing Research Design of the Study

Types of Research	Descriptive study
Population	Diamond and jewelry Companies listed in BSE is consider population of the study.
Selected samples and Sampling Technique	Titan Ltd and Rajesh exports are selected by using simple random sampling technique.
Types of Data and Data collection	Secondary data collected and calculated from moneycontrol.com
Period of Study	2018 to 2022
Tools and Technique	Statistical Tools: Independent t-test Accounting tools: Valued added statement and value added ratios.

RESULT AND DISCUSSION

Table 2 showing Value Added Statement of Titan Ltd

Generation of Value Added					
Titan Ltd	2022	2021	2020	2019	2018
Total Revenue	27456	20783	20156.05	19248.47	15707.7
(-) Cost of Material	23.69	15364	14529.03	14023.83	11980.2
GVA	4387	5419	5627.02	5224.64	3727.5
(-) Depreciation	347	331	309.69	138.89	109.67
NVA	4040	5088	5317.33	5085.75	3617.83
Application of Value added					
Titan Ltd	2022	2021	2020	2019	2018
Employees	1143	911	1040.12	878.79	726.26

Government	752	356	587.34	553.01	407.85
Providers of capital	195	181	149.48	44.45	47.68
Retained earnings	2360	3640	3540.39	3609.5	2436.04
NVA	4040	5088	5317.33	5085.75	3617.83

(Sources: computed from moneycontrol.com)

Table 3 showing Value Added Statement of Rajesh Export

Generation of Value Added					
Rajesh Export	2022	2021	2020	2019	2018
Total Revenue	6248.38	2061.42	46901.89	42722.39	33698.72
(-) Cost of Material	6130.58	1815.61	46245.43	41928.7	32771.8
GVA	117.8	245.81	656.46	793.69	926.92
(-) Depreciation	0.91	0.98	1.14	1.41	1.49
NVA	116.89	244.83	655.32	792.28	925.43
Application of Value Added					
Rajesh Export	2022	2021	2020	2019	2018
Employees	2.65	4.22	6.09	6.87	6.08
Government	7.64	4.86	32.6	23.46	47.26
Providers of capital	83.94	136.98	213.41	319.84	430.83
Retained earnings	22.66	98.77	403.22	442.11	441.26
NVA	116.89	244.83	655.32	792.28	925.43

(Sources: computed from moneycontrol.com)

Value Added Ratios**Table 4 Showing GVA to Total Revenue Ratio**

Titan Ltd				Rajesh Export		
Years	GVA	Total Revenue	Ratio	GVA	Total Revenue	Ratio
2021-22	4387	27456	15.97829	117.8	6248.38	1.885289
2020-21	5419	20783	26.0742	245.81	2061.42	11.9243
2019-20	5627.02	20156.05	27.91728	656.46	46901.89	1.399645
2018-19	5224.64	19248.47	27.14314	793.69	42722.39	1.857785
2017-18	3727.5	15707.7	23.7304	926.92	33698.72	2.750609
Average			24.168662			3.963526

(Sources: computed from moneycontrol.com)

Interpretation:

Table 4 shows gross value added to total revenue ratios of selected companies and years. It can be stated that how much gross value generated by companies. As per this ratio Titan ltd was performing best as comparing to Rajesh export because mean of this ratio in Titan ltd was 24.168662 and Rajesh export was 3.963526.

Table 5 Showing Independent t-test on GVA to Total Revenue Ratio

Particular	Titan	Rajesh
Mean	24.168662	3.9635256
Variance	23.45124961	20.04294757
Observations	5	5
Pooled Variance	21.74709859	
Hypothesized Mean Difference	0	
Df	8	
t Stat	6.850639736	
t Critical two-tail	2.306004133	

Interpretation

From the above table 5 stated that calculated value 6.85 was greater than table value 2.31. it means there is a significant difference in GVA to Total Revenue ratios of selected companies and Null hypothesis H0 was rejected.

Table 6 showing Net Value Added to Total Revenue Ratio

Titan Ltd				Rajesh Export		
Years	NVA	Total Revenue	Ratio	NVA	Total Revenue	Ratio
2021-22	4040	27456	14.71445	116.89	6248.38	1.870725
2020-21	5088	20783	24.48155	244.83	2061.42	11.87676
2019-20	5317.33	20156.05	26.38081	655.32	46901.89	1.397214
2018-19	5085.75	19248.47	26.42158	729.28	42722.39	1.707021
2017-18	3617.83	15707.7	23.03221	925.43	33698.72	2.746187
Average			23.00612			3.9195814

(Sources: computed from moneycontrol.com)

Interpretation

Table 6 stated that NVA to Total Revenue ratio of selected units. It can be said that how much Net Value created by companies. Higher NVA suggest that company earn higher profit. The average ratio of Titan Ltd and Rajesh export was 23.006 and 3.919 respectively.

Table 7 showing Independent t-test on Net Value Added to Total Revenue Ratio

Particular	Titan	Rajesh
Mean	23.00612	3.9195814
Variance	23.49581634	20.03727977
Observations	5	5
Pooled Variance	21.76654805	
Hypothesized Mean Difference	0	
Df	8	
t Stat	6.468482377	
t Critical two-tail	2.306004133	

Interpretation

From the above table 7 stated that calculated value 6.45 was greater than Critical Value (table value) 2.31. It means there is a significant difference in NVA to Total Revenue ratios of selected companies and Null hypothesis H0 was rejected.

Table 8 showing Retain earning to Net value Added Ratio

Titan Ltd				Rajesh Export		
Years	Retained Earning	NVA	Ratio	Retained Earning	NVA	Ratio
2021-22	2360	4040	58.41584	22.66	116.89	19.38575
2020-21	3640	5088	71.54088	98.77	244.83	40.34228
2019-20	3540.39	5317.33	66.5821	403.22	655.32	61.53024
2018-19	3609.5	5085.75	70.97282	442.11	729.28	60.62281
2017-18	2436.04	3617.83	67.33429	441.26	925.43	47.68162
Average			66.969186			45.91254

(Sources: computed from moneycontrol.com)

Interpretation

Table 8 shows Retained earnings to NVA ratio. It can be stated that how much of total earning was distributed among the owners of company. As per the above data of selected years it can be said that Titan Ltd was financially sound than Rajesh Export; because the average ratio of Retained earnings to total revenue of Titan Ltd was higher that is 66.9691 than Rajesh export that is 45.9125.

Table 9 showing Independent t-test on Retain earning to Net value Added Ratio

Particular	Titan	Rajesh
Mean	66.969186	45.91254
Variance	27.59308388	299.5331562
Observations	5	5
Pooled Variance	163.5631201	
Hypothesized Mean Difference	0	
Df	8	
t Stat	2.603253776	
t Critical two-tail	2.306004133	

Interpretation:

From the above table 9 stated that calculated value 2.60 was greater than table value 2.31. It can be state that, there is a significant difference in GVA to Total Revenue ratios of selected companies and Null hypothesis H0 was rejected.

CONCLUSION

In the present study researcher examine the performance of selected diamond and jewellery companies; Titan Ltd and Rajesh Export. Researcher was found that significant difference in all the value added ratios. As per the value added statement and value added ratios; in all the selected financial years of both companies the retained earnings of Titan Ltd was higher. It means Titan Ltd was financially stronger than Rajesh export.

REFERENCES:

- Maulidya W, S. A. (2019). Analysis of Financial Performance Based on Financial Ratio and Economic Value Added (Case Study: PT. Unilever Indonesia Tbk). *IJIEEB* , 2 (2), 115-121.
- Setiabudhi 229, B. 4. (2017). Financial Performance Analysis Using Economic Value Added (EVA). *IOP Conf. Series: Materials Science and Engineering* , 1-9.
- Singh P, S. P. (2017). Value Added Ratios as A Performance Indicator For Profitability And Productivity Measurement: A Study Of Selected Indian Companies. *PrAStuti* , 6 (1), 11-18.

- Winarko H, J. F. (2018). USING PROFITABILITY RATIO AND ECONOMIC VALUE ADDED FOR FINANCIAL PERFORMANCE ANALYSIS IN AN INTEGRATED MEDIA COMPANY. *Journal of Business and Entrepreneurship* , 6 (2), 22-45.
- Yogesha B, M. B. (2014). Analysis of Value Added Ratios of Indian Oil Corporation Ltd. *IOSR Journal Of Humanities And Social Science (IOSR-JHSS)* , 19 (11), 18-25.