



Analysis of Net worth (NW) Market Value Added (MVA) and Shareholder's Value Added (SVA) of Divi's Lab

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Abstract: Market value added is the change in market value of company between two different points of time with references to fixed quantity of outstanding share. If the number of shares changes between two given point, MVA or Market Value Added should be calculated with reference to share outstanding on latest point of time. The fundamental objective of market value added is the maximisation of companies' value. Special used by the researcher in this research paper NW- Net Worth, SVA, and MVA. Statistical tools used One Way ANOVA Single Factor for testing hypotheses.

Keywords: NW, SVA, MVA

I. INTRODUCTION

Stewart had observed that "If the total market value of company is more than amount of capital invested, the company is said to have created shareholder's value on the other hand in opposite situation, the company is said to have destroyed shareholder's value. MVA is generally defined as absolute rupee between a company's market value and its invested capital. It is the difference between market value of invested capital and book value of invested capital at a given point of time, but market value of debts is not easily available.

So according to this concept, definition of MVA becomes as under.
"Market value added equals to market capitalisation less net worth"

In which market capitalization is measured as closing share price multiplied by the number of outstanding share as on that data i.e. data of balance sheet and net worth is measured as equity share capital plus reserves and surplus net of revaluation reserve accumulated losses and miscellaneous expenditure.

II. IDENTIFICATION OF RESEARCH PROBLEM

Consequently, researcher recognition of variables, statistical tools and techniques would for suitable findings. Researcher has framed for the purpose of the study entitled.

ANALYSIS OF NET WORTH (NW) MARKET VALUE ADDED (MVA) AND SHAREHOLDER'S VALUE ADDED (SVA) OF DIVI'S LAB

III. REVIEW OF THE LITERATURE

Value Added Reporting is developing concept that why some studies conducted in context with the performance through value added reporting to the corporate sector. The researcher has studied those works which are as follows:

- ❖ The study made by **Dr. Mohana Rao** who published a book in "**Value Added Reporting - in Theory, Practice and Research**". He has studied concept of value added, value added-computation formula. Value added ratios analysis and value added reporting has been examined in the united states in forms of its relevance to capital market. He studied analysis of value added statement of SAIL (Steel Authority of India Ltd.) part of creation of value added and disposal of value added. He made several suggestions. For the strengthening the financial soundness.
- ❖ **Kaushal A. Bhatt** has done his M.phil under guidance on **Dr. Prof. S. J. Parmar, Saurashtra Uni.** Thesis on "**Value Added as a Performance Measurement Tool.** (A combative study of GSFC & GNFC) for the period from 2001-02 to 2005-06. He had made an attempt to analysis of value added statement of GSFC & GNFC. He had studied distributed to net value added towards Employees, Government, Capital Providers and Owner (Retained in Business). He had also analyzed value added ratios between comparatively studies on GSFC & GNFC. He also suggested to GNFC better performance compare to GNFC through analyzed value added ratios.



IV. OBJECTIVE OF THE STUDY

The main objectives of the study are as under:

- To examine the concept of shareholders' value creation and value based management.
- To analyze the trend and growth of shareholders value in Divi's Lab in terms of SVA (Shareholders Value Added) and MVA (Market Value Added).

V. TESTING HYPOTHESIS

The broader hypothesis of the study is as under:

- There is no significant difference between NW – Net Worth, MVA- Market Value Added And SVA – Shareholder Value Added of Divi's Lab.

VI. SCOPE OF THE STUDY

The selection of the company would be done from the last type of company in the pharmaceutical industry of India. The researcher selected this company which is having the highest market share in term of volumes.

VII. PERIOD OF THE STUDY

The present study was undertaken by the researcher for the period of seven (7) Accounting years from 2005-2006 to 2011-12. The researcher had selected the base year 2005-2006 because this year was normal for the present research of analysis and evaluation.

VIII. SAMPLE OF THE STUDY

By the researcher following company had been selected for the purpose of the present research.

Divi's Labs

IX. SOURCES OF DATA

The study is based on secondary data. To analyze the trend and growth of value addition in terms of EVA, MVA and Accounting Value Added in Divi's Labs, Required financial data of Sample Company would be collected through

- Annual reports published by the company.
- Financial reports published by the company.

X. MEASUREMENT OF SHAREHOLDER'S VALUE ADDED

Two steps are required for measurement of SVA which are given follows:

- In this MVA is calculated as
 $MVA_t = MV_t - MV_{t-1}$

Where,

MVA_t = market value added at time t

MV_t = closing price of equity share at time t x No. of equity shares at time t

MV_{t-1} = closing price of equity shares at time t-1 x No. of equity shares at time t

- In this MVA is converted into SVA
 $SVA_t = MVA_t + EDIV_t$

Where,

SVA_t = Shareholder's value at time

MVA_t = Market value added at time t

$EDIV_t$ = Equity Dividend a time t

If in between the two dates the number of shares remains same then by using the formula given below MVA_t can be calculated.

MVA_t = (market capitalization at time t) – (Market capitalization at time t - 1)

But the above concept of **MVA** was strictly contradicted by stem stewart & Co According to tem

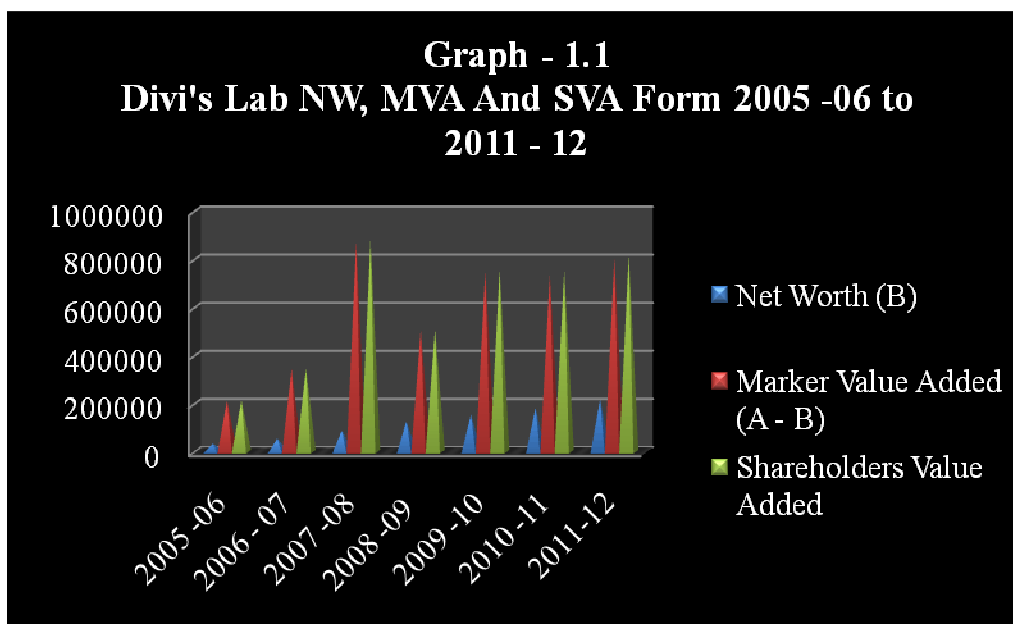
MVA = Market capitalisation – net worth

In this **SVA** is simply the sum of **MVA** for the year and equity dividend.

Buy back of shares, fresh issue i.e. private placement and public issue, issue of bonus shares i.e. capitalisation and retained earnings, and conversion of preference share and debts into equity were some important equity transactions which change number of outstanding equity share at a particular date.

XI. ANALYSIS OF NW, SVA AND MVA OF THE SELECTED PHARMACEUTICALS COMPANY UNDER THE STUDY

Table – 1.1 Calculation of NW- Net Worth, MVA – Marker Value Added And SVA Shareholders Value Added of Divi's Lab from 2005-06 to 2011 -12							
PARTICULARS	2005- 06	2006 -07	2007 -08	2008 -09	2009 -10	2010 -11	2011 -12
No. Of Equity Shares	12818700	12911420	67758025	64758025	132144145	132595110	132734290
Closing Share Price (Rs.)	1920	3090	1419.58	975	685.4	692.5	771
Market Capitalisation (A)	249119.04	398962.88	962062.32	631390.74	905715..57	918221.14	1023381..38
Equity Share Capital	1281.87	1291.14	1291.14	1295.16	2642.88	2641.91	2654.69
Add: Reserve and Surplus	32799.78	52913.37	86107.49	124883.60	151564.63	180152.64	214824.87
less : miss. Expenditure and Revaluation Reserve	0	0	0	0	0	0	0
Net Worth (B)	34081.65	54204.51	87398.63	126178.76	154207.51	182794.55	217479.56
Marker Value Added (A – B)	212037.39	344758.37	874663.69	505211.98	751508.46	735426.59	805901.82
Market Value Added	212037.39	344758.37	874663.69	505211.98	751508.46	735426.59	805901.82
Add: Equity Dividend	1281.87	1291.14	2585.28	3890.88	7828.65	13259.51	13267.33
Shareholders Value Added	213319.26	346049.51	877248.97	509102.86	759437.11	748686.09	819169.14



NW – Net Worth:

Above table- 1.1 And Graph 1.1 Shows the Net worth (NW) of Divi’s Lab during the study period from 2005 -06 to 2011 – ’12 increased. It’s shown as 2005 -06 was Rs. 34081.65 and reached at Rs. 217479.56 in 2011 – ’12

MVA – Market Value Added:

Above table- 1.1 And Graph 1.1 Shows the MVA – Market Value Added fluctuate trend for the whole study period. For the year 2005 -06 to 2007- 08 the MVA – Market Value Added increased as Rs.212037.39 to Rs. 874663.687 but in the year 2008 -09 it was decreased as Rs. 505211.98 but it was increased in 2009- 10 as Rs. 751508.46. In the year 2010 -11 it had been decreased As Rs. 735426.59 and 2011 -12 it was increased as Rs. 805901. 82.

SVA – Shareholder Value Added:

Above table- 1.1 And Graph 1.1 Shows the MVA – Shareholder Value Added fluctuate trend for the whole study period. For the year 2005 -06 to 2007- 08 the MVA – Market Value Added increased as Rs. 213319.26 to Rs. 877248.97 but in the year 2008 -09 it was decreased as Rs 509102.86 but it was increased in 2009- 10 as Rs. 759437.11 in the year 2010 -11 it had been decreased As Rs. 748686.09 and 2011 -12 it was increased as Rs. 819169.14.

One Way ANOVA Test for NW, MVA and SVA

Null Hypotheses (H₀)

➤ There is no Signification difference between NW, SVA and MVA of Divi’s lab.

Alternative Hypotheses (H₁)

➤ There is Signification difference between NW, SVA and MVA of Divi’s lab.

Level of Signification at 5%

Groups	Count	Sum	Average	Variance
Net Worth (B)	7	856345.17	122335.0243	4564907212
Marker Value Added (A - B)	7	4229508.293	604215.4704	63942420981
Shareholders Value Added	7	4273012.953	610430.4218	65657238554



Source of Variation	SS	df	MS	F	F crit
Between Groups	1097797183101.19	2.00	548898591550.60	12.27	3.55
Within Groups	804987400480.43	18.00	44721522248.91		
Total	1902784583581.63	20.00			

- Degree of freedom = $21-1= 20$
- Table Value of 'F' =3.55
- Calculate Value of 'F' = 12.27

F calculate > F table
12.27 > 3.55
F calculate > F table

Table No-1.1.2 indicates the calculate value of 'F' is 12.27 and the table value of 'F' at 5% levels of significance is 3.55 so, the calculate value 'F' which is greater than the table value. It indicates that the Null Hypothesis is rejected and Alternate Hypothesis is accepted. It indicates that There is Signification difference between NW, SVA And MVA of Divi's lab.

XII. LIMITATIONS OF THE STUDY

Every living and non living thing has its own limitation which restricts the usability of that thing. The same rule applies to this research work. The main limitation of the study is as under:

- This research work is a micro nature research based in the sample selected one corporate unit.
- This study is based on secondary data derived from published annual reports of the selected unit. The reliability and finding are contingent. Upon the data published in annual report.
- This research work is based on the 7 years financial performance of the sample selected corporate unit from 2005-06 to 2011-12.

XIII. CONCLUSION

The present research shown the null hypothesis has been rejected. And alternative hypostasis is accepted show There is significant difference between NW – Net Worth, MVA- Market Value Added And SVA – Shareholder Value Added of Divi's Lab.

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