



The Societal and Economical Contribution by TVS Motor Company Ltd : A Descriptive and Compendious Study through Value-added Ratios.

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Abstract : The main aim of this research paper is to analyse the Value Added Statement of TVS Motor Company Ltd. to find out its contribution to society from the economical point of view, with the help of major value added ratios. For this purpose Value Added Statement of TVS Motor Company Ltd is prepared from 2016-17 to 2020-21 from the data available in the annual reports of the company. Various Value Added Ratios are used to analyse and interpret the data of company. Findings and suggestions are given on the basis of Value Added Ratios.

Key Words : Value Added Statement (VAS) , Value Added Ratios, Gross Value Added (GVA) & Net Value Added (NVA)

Introduction

In this modern era lots of changes are taking place in all fields. So it is obvious that there are also many changes in the field of accounting & commerce. One the modern change of accounting is Value Added Statement. Currently Value Added Statement is gaining much more popularity than earlier. It is because it provides much more financial information than traditional statement. Providing more information and with much useful and interesting way are those points which give it an upper hand to traditional statement.

Concept of Value Added

Value Added is made up with two words , Value & Added. So the word meaning is to add up more or extra value to something.

From the business point of view , “ Value Added is a situation where with the help of any process or treatment on any product some surplus or extra value is added to its basic form in order to increase its usefulness and make it more financially enhanced to business.”

For ex. A simple wooden plank may not be useful for household but business give some treatment or process on wooden plank and turn it into a beautiful piece of furniture. Now it is more likely to be useful for the household. Here what a business do is just add some extra value to the original form – wooden plank and turn into a furniture – Value Added item.

Concept of Value Added Statement

In a brief explanation, a statement which shows that during a particular period of time how much value/ wealth is generated and distributed by a business entity is called Value Added Statement (VAS).

Review of Literature

Thomas Reichmann, Christoph Lange (1981),In this research paper , researchers are trying to explain the way in which Value Added Statement can be helpful in corporate Social Reporting. Yet they are also trying to know that the current format of Value Added Statement is good enough to provide all the details which it intended to provide. They also give some valuable suggestions.

Sumit Kumar Maji (2016), Value Added Statement is directly connected with disclosure of information and social reporting. That is why it is gaining more popularity in now days. This paper is also address the same thing that Value Added Statement should provide enough detail that it can satisfy it's very basic objective and also add some value in social reporting. Social reporting is much in demand , so it should be considered with everything else.

Dr. A.D.Patel (2018), This Paper talks about the conceptual framework of Value Added Statement. The basic of value , Value Added & origin and utility of Value Added Statement is covered into it. This paper also put some questions on how and why the standardization of Value Added Statement is not done yet.

Dr. A. Polisetty, S.J. Madhuri (2018), This paper is give the insight on Value Added Statement of Volkswagen company. Researchers used multiple regression analysis and multiple correlation analysis for the data analysis and interpretation purpose.

Objectives of the study

- To calculate Gross Value Added (GVA) and Net Value Added (NVA) of TVS Motor Company Ltd.
- To know and analyse the changes that takes place in Value Added Ratios of TVS Motor Company Ltd.

Methodology

➤ Sample

Sample is selected by researcher by using judgemental sampling – Non Probability Sampling method. Researcher chose TVS Motor Company Ltd.

➤ Sample Profile

TVS Motor Company Ltd. is currently 3rd – Third biggest automobile company in India. TVS Motor Company Ltd. was founded in 1978 by T. V. Sundaram Iyengar. In December 2020, they have 14.35% of market share. T.V.Sundram Iyengar & Sons Private Limited is parent company of TVS Motor Company Ltd.

➤ Period of Study

The period of study is 2016-17 to 2020-21.

Data Collection and Analysis

Data is collected from the annual reports of TVS Motor Company Ltd. For the period of 2016-17 to 2020-21. After that on the basis of that data Value Added Statement is prepared and analysed. For further analysis Value Added Ratio is also used.

➤ Value Added Ratio Analysis

Basically Value Added Ratios are those ratios by which we can make analysis and interpretation of Value Added Statement. Those ratios gives idea about how and to what extent changes are made and if it is beneficial to the company or not. Value Added Ratio Analysis is integral part of any Value Added Statement analysis.

Data Analysis and Interpretation

Table No. 1

**Value Added Statement of TVS Motor Company Ltd. For
the period of 2016-17 to 2020-21**

[₹ in Crores]

| Generation of Value | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| Sales | 12,462.62 | 16,294.50 | 20,159.99 | 18,849.31 | 19,420.82 |
| Add :Change in stock | -48.77 | 33.96 | -78.95 | 6.73 | -0.19 |
| Value of Production | 12,413.85 | 16,328.46 | 20,081.04 | 18,856.04 | 19,420.63 |
| Add : other income | 165.44 | 145.36 | 25.44 | 51.83 | 47.22 |
| Gross Output | 12,579.29 | 16,473.82 | 20,106.48 | 18,907.87 | 19,467.85 |
| Less : Brought in Goods & Service | | | | | |
| (A) Material Used | 8,692.53 | 11,003.04 | 13,788.43 | 12,050.84 | 12,700.73 |
| (B) Other expenditure | 2,151.81 | 2,902.82 | 2,959.77 | 3,529.97 | 3,006.68 |
| GVA | 1,734.95 | 2,567.96 | 3,358.28 | 3,327.06 | 3,760.44 |
| Less : Depreciation | 316.82 | 373.6 | 441.71 | 556 | 564.82 |
| NVA | 1,418.13 | 2,194.36 | 2,916.57 | 2,771.06 | 3,195.62 |
| Distribution of Value | | | | | |
| To Employees | 828.05 | 1,149.79 | 1,432.15 | 1,539.35 | 1,689.37 |
| To Providers of capital (Interest on loan) | 59.62 | 338.22 | 663.4 | 854.54 | 881.49 |
| To Government (Tax) | 148.67 | 266.03 | 357.45 | 218.62 | 214.13 |
| To Owners | 381.79 | 440.32 | 463.57 | 158.55 | 410.63 |
| NVA | 1418.13 | 2194.36 | 2916.57 | 2771.06 | 3195.62 |

[Source : Annual Reports of TVS Motor Company Ltd.]

Table No. 2

NVA to Sales Ratio

[₹ in Crores]

| Year | NVA | Sales | NVA/Sales*100 (in %) |
|----------------|------------|--------------|-----------------------------|
| 2016-17 | 1,418.13 | 12,462.62 | 11.38 |
| 2017-18 | 2,194.36 | 16,294.50 | 13.47 |
| 2018-19 | 2,916.57 | 20,159.99 | 14.47 |
| 2019-20 | 2,771.06 | 18,849.31 | 14.70 |
| 2020-21 | 3,195.62 | 19,420.82 | 16.45 |

[Source : Annual Reports of TVS Motor Company Ltd.]

Analysis:

NVA to Sales Ratio show that how much value from the total Net Value Added (NVA) is generated by Sales. Remaining portion of that is generated through the outside parties of business. Generally speaking higher the ratio shows a good and healthy business performance and vice versa.

Table No.2, NVA to Sales Ratio showing the increasing trend during study period. Which is a good sign for the business. In the year 2016-17 it was 11.38 % (lowest) , however in the year 2020-21 it was 16.45 %. This increase is gradually taking place. It simply means company is making a slow but steady progress but they should try to increase with more pace.

Table No. 3

Contribution to Employees to NVA Ratio

[₹ in Crores]

| Year | Contribution to Employees | NVA | Contribution to Employees/NVA*100 (in %) |
|---------|---------------------------|----------|--|
| 2016-17 | 828.05 | 1,418.13 | 58.39 |
| 2017-18 | 1,149.79 | 2,194.36 | 52.40 |
| 2018-19 | 1,432.15 | 2,916.57 | 49.10 |
| 2019-20 | 1,539.35 | 2,771.06 | 55.55 |
| 2020-21 | 1,689.37 | 3,195.62 | 52.87 |

[Source : Annual Reports of TVS Motor Company Ltd.]

Analysis :

Contribution to Employees to NVA Ratio is showing that how much proportion of total NVA is applied for Employees. Generally expenses made for employees are considered as good because it increases their moral which ultimately increase the retention of employees and increase in productivity. On other hand it is an expense so it should be monitored closely

Table No.3 showing a mixed trend during Study period. On a positive side it is good that a good amount of total revenue is used for employees which is ultimately satisfy the need of company as well socially. It was highest in 2016-17 with 58.39% and lowest in 2018-19 with 49.10 %. Although company is spending more than half of its value generated to employees, this might cause a financial problems in coming time. So they need to be cautious about it.

Table No. 4

Contribution to Providers of Capital to NVA Ratio

[₹ in Crores]

| Year | Contribution to Providers of Capital | NVA | Contribution to Providers of Capital/NVA*100 (in %) |
|---------|--------------------------------------|----------|---|
| 2016-17 | 59.62 | 1,418.13 | 4.20 |
| 2017-18 | 338.22 | 2,194.36 | 15.41 |
| 2018-19 | 663.4 | 2,916.57 | 22.75 |
| 2019-20 | 854.54 | 2,771.06 | 30.84 |
| 2020-21 | 881.49 | 3,195.62 | 27.58 |

[Source : Annual Reports of TVS Motor Company Ltd.]

Analysis :

Contribution to Providers of Capital to NVA Ratio shows that how much value is distributed to loan capital providers. Higher the ratio shows that more debt capital is used in capital structure. Which results in high leverage as well giving the pace for progress. Even the interest amount is deductible to income tax. So it provides a tax shield. But on the other hand with increase in debt capital it increases the chances of financial distress. So this ratio should be maintained in a moderate form.

From the Table No. 4, we can clearly see that Contribution to Providers of Capital to NVA Ratio showing increasing trend in first four financial year of period of study but in the last year it shows a slight decrease. It was highest and lowest in 2019-20 with 30.84 % and 4.20 % in 2016-17 respectively. It shows company is relying much on debt capital but they have to be make sure that this should not create an situation of financial distress and increase financial risk.

Table No. 5
Contribution to Government to NVA Ratio

[₹ in Crores]

| Year | Contribution to Government | NVA | Contribution to Government/NVA*100 (in %) |
|---------|----------------------------|----------|---|
| 2016-17 | 148.67 | 1,418.13 | 10.48 |
| 2017-18 | 266.03 | 2,194.36 | 12.12 |
| 2018-19 | 357.45 | 2,916.57 | 12.26 |
| 2019-20 | 218.62 | 2,771.06 | 7.89 |
| 2020-21 | 214.13 | 3,195.62 | 6.70 |

[Source : Annual Reports of TVS Motor Company Ltd.]

Analysis :

Contribution to Government to NVA Ratio shows that from total value a particular amount of value is disbursed to Government as Various kinds of taxes. Higher the ratio address a situation where company is paying more tax which means company is making more profit and in a healthy condition and vice versa. But on other hand it also point out that company is not doing a proper tax planning to save taxes. After all tax is also an expense for company so it is better to do a tax planning as a legal way to save tax.

From the Table No. 5 , we are observing that Contribution to Government to NVA Ratio showing mixed trend during study period. It was increasing in first three years constantly but in last two years, it was depleted by a slight amount. It was lowest in the year of 2021-21 at 6.70 % and highest in the year of 2018-19 at 12.26 %. This may be as a result of decreasing sales.

Table No. 6
Contribution to Owners to NVA Ratio

[₹ in Crores]

| Year | Contribution to Owners | NVA | Contribution to Owners/NVA*100 (in %) |
|---------|------------------------|----------|---------------------------------------|
| 2016-17 | 381.79 | 1,418.13 | 26.92 |
| 2017-18 | 440.32 | 2,194.36 | 20.07 |
| 2018-19 | 463.57 | 2,916.57 | 15.89 |
| 2019-20 | 158.55 | 2,771.06 | 5.72 |
| 2020-21 | 410.63 | 3,195.62 | 12.85 |

[Source : Annual Reports of TVS Motor Company Ltd.]

Analysis :

Contribution to Owners to NVA Ratio shows that how much amount of value is distributed to owners of the business. Generally higher the ratio means a more amount of value is spend for owners of business. It generally includes retained earnings, dividend etc. So higher the ratio means more amount is available for owners for retained earnings and dividend. Retained earnings is a good source of internal financing for future projects of company. None the less a fair amount of dividend increase the trust of shareholders on company.

From Table No.6, Contribution to Owners to NVA we can see that it was inconsistent during the study period. It was highest in 2016-17 at 26.92 % and lowest in 2019-20 at 5.72 %.

shows company is lacking in giving good amount of value to owners. This should be reversed and a fair amount should be given to owners.

Findings

- Although, it is showing increasing trend but still, TVS Motor Company Ltd is not generating a decent amount of value from its sales.
- Company is spending on an average of 51 % of its total generated value for their employees.
- Contribution to Government to NVA Ratio is less as compared to other companies in automobile industry.
- Company is distributing less amount to its owners.

Suggestions

- Company needs to increase its Sales to improve NVA to Sales Ratio. If they successfully did this the contribution to government also improved.
- Company needs to optimise the amount spent for employees.
- Company should allocate more amount to its owners.
- TVS Motor Company Ltd should try to decrease debt capital in their capital structure to reduce financial risk.

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