Darshan - The International Journal of Commerce and Management ISSN: 2583-1682 (online) Volume - 3, Issue - II, December -2023
Bi-Annual double-blind peer-reviewed International Journal
Paper Submission Date: 10th Sep 2023 Paper Sent Back For Revision: 29th Sep 2023 Paper Acceptance Date: 3rd Oct 2023

A Meticulous Comparative Analysis of Value Addition Ability of Selected Paints Companies of India

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Abstract: *This is an analytical study aimed to measure and find out any changes that took place in Value Addition ability of selected Paint companies of India. In context of Value Addition, this study only focused on two specific and fundamental value added namely, Gross Value Added (GVA) and Net Value Added (NVA). Both of these are calculated with the help of Additive method of Value Addition. For this study 4 sample companies from paint industry of India are chosen on the basis of Net Profit of 2022-23 (with the help of Non-Probability/ Judgmental Sampling technique). This study is based on 5 years data (from 2018-19 to 2022-23). For the purpose of analysis of Value Added, ANOVA – Parametric statistical test is used. On the basis of data, it is found out that there are major changes in the Gross Value Added (GVA) and Net Value Added (NVA) between sample companies. Asian Paints Ltd is generating most Gross Value Added (GVA) and Net Value Added (NVA) compared to all other companies combined. This is because of its high-volume sales as well profit.*

Key Words: *Paint Industry, Gross Value Added (GVA), Net Value Added (NVA)*

INTRODUCTION:

Value Addition Accounting is becoming more and more popular among the people. The main rational behind this is nothing but its usefulness that gives much more financial information than traditional information system. Value Added Account is a contemporary form of accounting which is becoming sensational among the masses. Generally, Value Added Accounting includes various kinds of Value – Added. [3],[7],[8]
Value Added Account consist of Value-Added Statement. This statement generally made on the basis of financial information of company. It provides insight onto two major aspects like Gross Value Added and Net Value Added. [1],[2], [9]

LITERATURE REVIEW:

A. Worthington (2001), This study is done in Australian context. This study included the data of 110 Australian companies for 7 years (From 1992-1998). This data is analysed through time series analysis and Cross section analysis. Here the main aim of this study was to determine whether the Economic Value Added (EVA) is more precise tool to measure the return than earning, Net cash flow and residual income. The study reveals the result that return is much more related to the earning than any other indicators. But EVA is most appropriate tool which has a massive explanatory power to explain the financial information better than any other technique.

D.E. Mackeys, et al. (2001),This is an analytical article about Economic Value Added (EVA). Article discuss about the claim of the founder company of EVA that it is the best measure to analyse the performance of the company. According to them this method is much better than older techniques like residual income which is already out dated for many multinational companies. As EVA's popularity increases, many authors and managers recommend this technique to be used in corporate. This article also explores Pros and Cons of using EVA.

A. Haller, C.V. Staden (2014), This paper is based on corporate culture of integrating report. It tells that how integrated reporting is very helpful in corporates. From this perspective how and to what extent Value Added Statement can be helpful in integrating reporting is explained in this paper. This paper also stresses the importance of Value Added Statement, it's format and some of its weaken part needed to be fixed to make integrated reporting more useful.[6]

B.S.Yogesha, B. Mahadevappa (2014), This paper stresses on Value Added Statement of Indian Oil Corporation Ltd. This paper is all about how value added ratio can be helpful to understand the changes that takes place during a specific period. The analysis of value added ratios is also provided into that paper. Ratios related to Gross Value Added and Net Value Added are also analysed and Interpretation is also done.[11]

A.P. Chirodiya (2023), This paper aimed to analyse the Value Addition capacity of Three giant steel companies of India namely TATA Steel, SAIL (Steel Authority India Limited) and JSW Steel. Research was conducted on 5 years study period. It was found out that TATA steel is making more GVA and NVA than other companies. It was because of the Installed capacity as well net profit of the company. [4]

RESEARCH METHODOLOGY:

- **Objectives of the study**
- To calculate Gross Value Added and Net Value Added of Selected Paint Companies
- To find out and analyze major change in Gross Value Added and Net Value Added

- **Sample and Sample Selection**
- All the samples from paint industry are selected with the help of Non-Probability technique (Judgmental method) of sampling.

All Companies are selected on the basis of Net Profit of the financial year 2022-23. Which are as below:

Name of Sample Company	Net Profit (in Rs.)
Asian Paints Ltd	4,100.18 Crores
Berger Paints India Ltd.	828.39 Crores
Kansai Nerolac Paints Ltd	486.43 Crores
Akzo Nobel Inda Ltd.	335.1 Crores

- **Period of the study**
- The study is conducted for 5 years starting from 2018-19 to 2022-23.

- **Hypotheses of the study-**
- $\mathbf{H_0}$ = There is no major change in Gross Value Added of Selected Paint companies.
- $\mathbf{H_0}$ = There is no major change in Net Value Added of Selected Paint companies.

- **Tool for analysis**
- ANOVA (ANalysis Of VAriance) is parametric statistical test used in this study for the purpose of analysis and interpretation. ANOVA test mainly used to know whether there is any significant difference between more than two sample means or not.

ANALYSIS & INTERPRETATION:

Table No. 1 Asian Paints Ltd.

(Rs. In Crores)

Years	PBT	(+)Cost Of Employees	(+) Depreciation	(+) Interest	GVA	(-) Depreciation	NVA
2018-19	3,170.25	900.14	540.77	78.60	**4,689.76**	540.77	**4,148.99**
2019-20	3,413.03	985.43	689.97	78.38	**5,166.81**	689.97	**4,476.84**
2020-21	4,089.67	1,128.66	697.47	71.66	**5,987.46**	697.47	**5,289.99**
2021-22	4,194.14	1,310.14	721.56	70.25	**6,296.09**	721.56	**5,574.53**
2022-23	5,489.60	1,513.89	755.83	93.06	**7,852.38**	755.83	**7,096.55**

(Source : www.moneycontrol.com)[12]

Analysis: Generation of Gross Value Added (GVA) by Asian Paints Ltd was impressive during the study period. It was showing continuously increasing trend during the study period. In 2018-19, it was 4,689.76 Crores then it increased in very next year to 5,166.81 crores in 2019-20. In next three years it increased continuously and reached to 5,987.46 Crores, 6,296.09 Crores and 7,852.38 Crores in 2020-21,2021-22 and 2022-23 respectively.

On the other hand, Net Value Added (NVA) of Asian Paints Ltd was also showing stepping up trend during the study period. It was 4,418.99 Crores in 2018-19 then it went up to 4,476.84 Crores and 5,289.99 Crores in 2019-20 and 2020-21 respectively. Again, it shows no downward trend but raised to 5,574.53 Crores and ended to 7,096.55 Crores in last two years of study.

Table No. 2 Berger Paints India Ltd

(Rs. In Crores)

Years	PBT	(+)Cost Of Employees	(+) Depreciation	(+) Interest	GVA	(-) Depreciation	NVA
2018-19	692.26	311.67	122.17	20.79	**1,146.89**	122.17	**1,024.72**
2019-20	905.42	342.52	170.52	32.68	**1,451.14**	170.52	**1,280.62**
2020-21	918.58	352.71	186.12	33.22	**1,490.63**	186.12	**1,304.51**
2021-22	1,005.19	400.58	197.53	42.93	**1,646.23**	197.53	**1,448.70**
2022-23	1,102.72	458.12	234.00	86.28	**1,881.12**	234.00	**1,647.12**

(Source : www.moneycontrol.com)[12]

Analysis : Gross Value Added (GVA) of Berger Paints India Ltd was showing upward trend during the study period. It was 1,146.89 Crores in 2018-19. It increased and went to 1451.14 Crores in next year. In 2020-21, it shows a little but increase and ended up to 1,490.63 Crores. Then again it increased and reached to 1,646.23 Crores and 1,881.12 Crores in 2021-22 and 2022-23 respectively.

On the other side, Net Value Added (NVA) of the same was also showing increasing trend during the period. It was recorded at 1,024.72 Crores in 2018-19. Then it went to highest in 2022-23 at 1,647.12 Crores just before recorded at 1,280.62 Crores, 1,304.51 Crores and 1,448.70 Crores in 2019-20,2020-21 and 2021-22 respectively.

Table No. 3 Kansai Nerolac Paints Ltd

(Rs. In Crores)

Years	PBT	(+)Cost Of Employees	(+) Depreciation	(+) Interest	GVA	(-) Depreciation	NVA
2018-19	713.41	255.38	90.47	-	**1,059.26**	90.47	**968.79**
2019-20	683.60	269.38	119.88	5.00	**1,077.86**	119.88	**957.98**
2020-21	714.51	258.58	138.97	7.49	**1,119.55**	138.97	**980.58**
2021-22	505.12	312.37	153.82	9.87	**981.18**	153.82	**827.36**
2022-23	650.36	333.84	164.63	9.73	**1,158.56**	164.63	**993.93**

(Source : www.moneycontrol.com) [12]

Analysis: Gross Value Added (GVA) of Kansai Nerolac Paints Ltd showing mixed trend during the study period. It was at 1,509.26 Crores in 2018-19. In very next year (2019-20), it shows a minor increase and reached to 1,077.86 Crores. In 2020-21, again it raised and went to 1,119.55 Crores but in 2021-22, it was reduced to 981.18 Crores. Still in very next year (2022-23), it shows a recovery and went to 1,158.56 Crores. Net Value Added (NVA) also showing the mixed trend during the study. Which is evident from the figures of it. It was 968.79 Crores in 2018-19 then it went down to 957.98 Crores. Then again in 2020-21, it went up and touched to 980.58 Crores but in very next year, it got dumped to 827.36 Crores. Still, it recovers and went up to 993.93 Crores in 2022-23.

Table No. 4 Akzo Nobel India Ltd

(Rs. In Crores)

Years	PBT	(+)Cost Of Employees	(+) Depreciation	(+) Interest	GVA	(-) Depreciation	NVA
2018-19	315.60	265.00	65.20	4.50	**650.30**	65.20	**585.10**
2019-20	323.20	255.10	79.00	9.30	**666.60**	79.00	**587.60**
2020-21	278.20	251.10	75.50	10.30	**615.10**	75.50	**539.60**
2021-22	366.70	263.20	75.90	14.50	**720.30**	75.90	**644.40**
2022-23	455.90	300.20	82.50	14.10	**852.70**	82.50	**770.20**

(Source : www.moneycontrol.com) [12]

Analysis: Akzo Nobel India Ltd.'s Gross Value Added (GVA) is showing the mixed trend during the period. It was 650.30 Crores in 2018-19 then it increased a bit to 666.60 Crores in 2019-20. In 2020-21, it witnessed a fall and ended to 615.10 Crores, which is also its lowest. In very next year, it shows recovery and climbed to 720.30 Crores and 852.70 Crores (highest in study period) in 2021-22 and 2022-23 respectively.
Net Value Added (NVA) of it was also having mixed trend during the study period. It was increasing for initial 2 years then it dropped in 2020-21 and still managed to increase in last 2 years. It was recorded 585.10 Crores in 2018-19 and 587.60 Crores in 2019-20. Then it suffered a fall and went down to 539.60 Crores but it increased in next year ad reached to 644.40 Crores and finally, it was recorded it highest in 770.20 Crores in 2022-23.

- **Application of ANOVA test**

Table no. 5 Gross Value Added (GVA)

Source of Variation	*SS*	*df*	*MS*	*F*	*P-value*	*F crit*
Between the Groups	91633353	3	30544451	77.89941	9.21E-10	3.238872
Within the Groups	6273619	16	392101.2			
Total	97906972	19				

Table no. 6 Net Value Added (NVA)

Source of Variation	*SS*	*df*	*MS*	*F*	*P-value*	*F crit*
Between the Groups	72135012	3	24045004	69.14131	2.23E-09	3.238872
Within the Groups	5564258	16	347766.1			
Total	77699270	19				

Table no. 7 Result of Study

No.	Ratio	Calculated Value (F)	Table Value (F crit)	Result
1	Gross Value Added (GVA)	77.899	3.238	**H_0 is REJECTED**
2	Net Value Added (NVA)	69.141	3.238	**H_0 is REJECTED**

Analysis: It can be observed from the result of the study that table value or critical value for Gross Value Added (GVA) is 3.238 and calculated value of the same stands to 77.899, which is higher than table value. It means **Null hypothesis for Gross Value Added (GVA) failed to be accepted**. Hence, it is clear that **there is a major difference in the Gross Value Added (GVA) of selected Paint Companies.**

For Net Value Added (NVA), it is quite evident that Calculated value of it stands to 69.141. whereas table value of the same is 3.238 which is lower than the calculated value, which means **Null hypothesis for Net Value Added (NVA) failed to be accepted**. Hence, it can be said that **there is a major difference in Net Value Added (NVA) of selected Paint Companies.**

FINDINGS :

- Asian Paints Ltd is generating most Gross Value Added (GVA) compared all other samples during the study period. The main reason behind it is its high amount of sales and profit.
- In context of Net Value Added (NVA), Asian paints Ltd. Again, beats all its competitors (from sample). It is generating almost twice Net Value Added (NVA) than all of other samples combined.
- Among all the samples only Asian Paints Ltd and Berger Paints India ltd were able to generate continuously increasing Gross Value Added (GVA) and Net Value Added (NVA) during research period. Remaining were suffered a setback anywhere in generation of the same.

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