



## A CRITICAL ANALYSIS OF BHARAT HEAVY ELECTRICAL LIMITED THROUGH VALUE ADDED REPORTING

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### ABSTRACT :

*This paper represents Value added concept is comparatively new concept but is gaining considerable importance those days, particularly for taxation and managerial performance purposes. A growing number of companies in India have started including a value added statement (VAS) on the lines of the companies in western countries, as a part of their published annual reports and accounts. Value added reporting is part of financial reporting that shows value addition by firm during the specific of time and their application towards Employees , Government, Capital providers and retained by the firm himself towards development and expansion activities. Value added is meaningful measure of corporate performance rather than conventional measures based on traditional financial accounting and can be particularly useful for employees' oriented approach, which will be more fruitful discussion with employees and can be especially useful in productivity arrangements. In this context this paper tries to explain performance evolution by **Bharat Heavy Electrical Limited** by the value added reporting, from 2014-15 to 2018-19*



**KEYWORDS :** Accounting System, Value Creation & Disposal, Knowledge Accounting & Finance, Value Added Reporting, Disclosure.

### 1. INTRODUCTION:

“Accounting is a language of business. Accounting is an analysis and interpretation of accounting records containing financial and economic information of transactions and other events profitably to a business. To operate a business profitably and to star solvent, profitability and solvency of a firm should be measured at regular intervals in order to know the aggregate position since alarming is the art of measuring, describing and interpreting financial and economic activities of a business, it is essential, for an accounting system, to record, classify and summaries the entire. Lot of events since accounting is a language of business, it should be communication to the parties related to an integrated in its act ivies. Such communication is made through corporate reporting process. It has assumed goat significances in recent years. In many countries the users of such reports. There are many parties who are much interested such as equity shareholders, lenders, bankers, financial institutions, tax-levying authorities, regulating authorities, government and various authorities in the accounting reporting of companies. By statutes, all the companies and corporate entities are reporting minimum information mandatorily”. According to **S.Gupta**, ‘Value added means excess of turnover plus income from services over the cost of goods and services’. Value added

amount computed by deducting from sales revenue plus income from services, the cost of bought-in-materials and services excluding depreciation is termed as "Gross Value Added" (NVA). The added value concept has got many uses. Economists have used the VA concept for long in a 'Macro' sense. The G.N.P. is calculated as  $G.N.P = \text{Wages} + \text{Rent} + \text{Interest} + \text{Profit}$ .

## 2.ABOUT INDUSTRY: BHARAT HEAVY ELECTRICAL LIMITED

**Bharat Heavy Electricals Limited (BHEL)** is one of the oldest and largest state-owned engineering and manufacturing enterprises in India in the energy-related and infrastructure sector which includes Power, Railways, Transmission and Distribution, Oil and Gas sectors and many more. It is the 12th largest power equipment manufacturer in the world. In the year 2011, it ranked ninth most innovative company in the world by US business magazine Forbes. BHEL is the only Indian Engineering company on the list, which contains online retail firm Amazon at the second position with Apple and Google at fifth and seventh positions, respectively. It is also placed at 4th place in Forbes Asia's Fabulous 50 List of 2010. BHEL is a celebration of India's industrial achievements. In its journey of over 55 years, it has gained the status of being one of the strongest pillars of Indian industry. BHEL serves the core sectors of the economy and provides a wide range of solutions to customers in power, transmission, transportation, renewables, water, defense & aerospace, oil & gas, and industry. One of the largest engineering and manufacturing companies in India, BHEL has created value for all its stakeholders due to the scale and depth of its operations, rich experience, competent manpower, innovative ecosystem, diverse product mix and focus on sustainable business solutions. BHEL's greatest asset- its highly skilled and committed workforce of more than 37,000 employees is the cornerstone of its success.

- Prime Minister's Shram Awards (27 numbers) to 42 BHEL employees including 4 Shram Bhushan, 10 ShramVir/Virangna and 13 Shram Shree/devi Awards in recognition of their distinguished performance, innovative abilities, and outstanding contribution in the field of productivity. This also includes 8 women employees from BHEL who have made history by winning the highest share out of 20 women employees awarded at the national level.
- Vishwakarma Rashtriya Puraskars (15 numbers) to 63 BHEL employees for their innovative suggestions leading to cost reduction, improvement in quality, productivity and working conditions.
- Golden Peacock Innovation Management Award under the category of Large Enterprise - Engineering Sector.
- PSE Excellence Award 2016 for Human Resource Management Excellence, Contribution of Women in PSEs, R&D, Technology Development and Innovation by Indian Chamber of Commerce.
- Vayoshreshtha Samman 2017 for Best PSU in promoting the well-being and welfare of senior citizens presented by the Hon'ble President of India.

## 3. Research Methodology

### 3.1 Data Collection

This research paper is based on the 5 years financial performance of the **Bharat Heavy Electrical Limited** which is one of the leading IT companies in India. The data of **Bharat Heavy Electrical Limited** for the year (2013-14 to 2017-18) used in this study, have been taken from secondary sources e.g. published annual reports of the company.

### 3.2 Tools of Analysis

For the analysis of value-added reporting data are analyzed in a following way:

- Value Added Statement.
- II. Statistical Tools: For assessing the behaviors of data statistical techniques they have also used **Mean, Coefficient of Correlation, Growth Rate, Student T- Test**

### 3.3 . Objectives of The Study

This research paper is based on the following objectives:

- 1) To understand the concept of Value-Added Reporting
- 2) To evaluate performance of the sample company with value added accounting
- 3) To study intra firm comparison of last five years performance

### 3.4 Hypothesis of The Study

The following hypotheses are framed for this study:

#### 3.4.1 Null Hypothesis ( $H_0$ )

- 1) There is no significant relation between Sales and Gross value added
- 2) There is no significant relation between Sales and Net value added

#### 3.4.2 Alternative Hypothesis ( $H_1$ )

- 1) There is significant relation between Sales and Gross value added
- 2) There is significant relation between Sales and Net value added

### 3.5 Limitation of The Study

- 1) This research paper is a micro nature research based in the sample ***Bharat Heavy Electrical Limited***
- 2) This research paper is based in the 5 years financial performance of the sample company from 2013-14 to 2017-18.

## 4. REVIEW OF 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:

1. 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.
2. **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.
3. **Ravi M. KISHORE** has written a book "**Advance Management Accounting**" published by **Taxmann Publishing Company**, New Delhi (2005). Which covers the concept of value added, application of value added and generation of value and its also formats of value added statement in detail.
4. **Dr. Sanjay J. Bhayani** has written a book "**Practical Financial Statement Analysis**" published by **Raj book Enterprise** the study covered 18 cement companies for the period from 1990-91 to 1996-97. He studied analysis of activity, analysis of financial structure and value added analysis. He made several suggestions for the strengthening the financial soundness.

5. **Dr. Pradeep Singh**, has written an article in “**The Management Accountant, August, 2008.**” On the value-added reporting with the title “**Social Performance Through Value Added Reporting**” --*An Empirical study of Lupin Lab. Ltd.* In this article, he has analyzed to explain performance volition by Lupin Ltd. By the value added reporting from 1995-96 to 2004-05. He has suggested to analysis and interpretation of Value Added Statement and Value Added Ratios could be concluded that the management of Lupin Lab. Ltd. Has served to the society vary well as total value added has been distributed among the employees, government, financial Institutions, banker & shareholders, on the other hand it also contributed of value added forwards the growth and development of the company retained in the business.

## 6. ANALYSIS & INTERPRETATION VALUE ADDED REPORTING

Accounting procedure: In case of value added reporting accounting procedure will be divided in two parts:

1). **Generation of Value Added and, 2). Application of Value Added.**

### 6.1 Testing of Hypothesis of The Study

The following hypotheses are framed for this study:

#### 6.1.1 Null Hypothesis ( $H_0$ )

1. There is no significant relation between Sales and Gross value added
2. There is no significant relation between Sales and Net value added

#### 6.1.2 Alternative Hypothesis ( $H_1$ )

1. There is significant relation between Sales and Gross value added
2. There is significant relation between Sales and Net value added

A coefficient of correlation is calculated between two variables Sales (X) and Gross value added (Y) it is that shows higher degree and Net value added (Z)

## 7. CONCLUSION

Researcher may conclude that as compare to generation of value added registered increasingly due to increases of productivity, operational efficiency and market share by the company our main conclusion is as:

### ❖ Bharat Heavy Electrical Limited

- Revenue from the sales marked continuously decreased throughout the study period except in year 2017-18. It increases ₹.38,389 Crore to ₹.27,740 crore.
- Cost of brought in material and services significantly controlled by the management especially in last five years that positively affects value addition of the company.
- Payment to Employee to Net Value Added registered continuously decreasing trend throughout the period of study except in year 2017-18. It increases ₹.5933 crore to ₹.5395 crore and 32.89% to 39.78% to net value addition during the period of study.
- Payment to the Government has been decreased significantly during the study period that shows social contribution by the company in ay of excise duty, custom duty and other taxes. It decreases ₹.1671 crore to ₹.211 crore in year 2013-14 to 2017-18 and after increase in year 2017-18 at ₹.914 crore.
- Interest liability fluctuating trend during the years 2013-14 to 2017-18.
- In case of shareholders first three year decreasing trend in the year 2013-14 to 2015-16 and after its increase ₹.693 in year 2017-18.
- Re-invest in business is the highest 31.41% in 2013-14 in form of Retained Earnings. It is an appropriate amount for investment and development point of view.

**SUGGESTIONS:**

❖ The mandatory suggestions to **Bharat Heavy Electrical Limited** are given below:

1. The company should try to reduce their Cost of Bought in materials to maximum their Net Value Added.
2. The company should also reduce cost of services like administration, marketing and other expenses to meet the highest Net Value Added.
3. The Excise duty & other taxes on industries which have been continuously on the rise during the study period should be lowered down by the central government so that cost of production and selling price of industries products can be reduced and thus sales of industries products & services can be further promoted.
4. The companies should reduce individual expenses by reducing these expenses companies can transfer more amounts to Retained in Business.
5. The companies should try to increase rate of dividend because dividend is part of Earning and create good image in market.
6. The company should try to increase more Benefit to Employees to motive through incentive schemes or bonus schemes especially **Bharat Heavy Electrical Limited**

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