



Research Article

A SURVEY OF EVA DISCLOSURE PRACTICES IN THE ANNUAL REPORTS OF THE INDIAN CORPORATES

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ABSTRACT

This study aims to shed light on the voluntary disclosure practices followed by the listed Indian Corporates of S&P BSE-500 Index to disclose Economic Value Added (EVA) in their Annual Reports. A total of 5500 Annual Reports of these 500 companies of S&P BSE-500 Index were studied for the period of 11 years (2005-2015). The data was hand-collected and analyzed. It was found that there are 47 companies in India which use EVA as their financial performance measurement metric, value creation, incentive compensation and for improving internal governance. This information was mentioned in their Annual Reports. The study took into account the various disclosure attributes like the Number of Years of reporting, Actual EVA values as reported in the Annual Reports, the Year-on-Year EVA changes, Industry-wise and Firm-age wise EVA Reporting, EVA Applications, and the Medium of Disclosure used in the Annual Reports. In this exhaustive and extensive survey of these S&P BSE-500 Index companies it is found that out of the 500 companies under this study, only about 9.4 percent Indian companies voluntarily disclose EVA figures or its other applications in their Annual Reports while the rest 90.6 percent companies do not. The original contribution of this research to the existing literature is the fact that this study has been conducted for a recent and a longer period of time (11 years) in the Indian context by hand-picking the information from the Annual Reports of the companies. It was also observed that the companies which reported EVA earlier have stopped reporting EVA in their Annual Reports in the recent years.

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INTRODUCTION

Although the roots of the concept of EVA go back to the late 1770s and 1890s, yet it gained its commercial acceptance as a corporate financial performance measurement metric, only after Stern Stewart & Co. developed it as the ultimate panacea to all the value and wealth maximization goals of the corporate houses wanting to measure the wealth generated by a company for its equity shareholders (Stewart, 1991). Having set up its roots in the American and European corporates, EVA found itself penetrating its roots in the global markets. However, Indian corporates joined this band-wagon of using and reporting EVA in their Annual Reports fairly late in comparison to their American and European counterparts. The current disclosure practices of financial reporting in India do not put together the disclosure of EVA as “Mandatory” for the reporting of EVA in the Annual Reports of the Indian Corporates. Currently, it is very well discretionary and voluntary even as per the listing requirements in the country.

We define EVA Disclosure as a voluntary, considerable levels of disclosures relating to EVA, in terms of EVA Figures in an assortment of its forms like EVA Statements, EVA Charts, Trends, Plain EVA Numbers, Complete EVA Implementation and Procedural Issues along with any mention of EVA Governance and / or EVA Approach being used for various EVA-based Applications and Implementation at any level of the given corporate hierarchy.

This study also examines the various attributes of how these EVA-Reporting Indian companies report EVA in their annual published accounts and if there are any consistencies in the measurement of EVA. This study also identifies and segregates EVA-Reporting companies from EVA-Non-Reporting ones on the basis of their EVA applications and the extent of the EVA disclosures in their Annual Reports. There was an apparent lack of any standardized disclosure practice all across the 47 EVA-Reporting Companies.

It still remains a challenge to know exactly how many companies actually adopt EVA scientifically into their hierarchical systems and governance and up to what levels. It could not be determined whether EVA has been implemented for the company as a whole or if it has also been implemented

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at the level of the divisions, departments, subsidiary companies and branches too. EVA Approach is not about merely creating numbers; it's about indoctrinating EVA into the behavior of the people in the organization using this tool. This study also presents an account of those 90.6 percent Indian Corporates which have still not used EVA as their corporate performance measurement tool and could have benefitted by using this technique into their helm of affairs.

Some of these companies do report using a performance-linked variable pay compensation system, which might or might not be using EVA to link the variable pay part of their compensation. Also, there is a high probability that these companies are aware about the utility of EVA and they do use and calculate EVA for internal performance evaluation but they do not disclose it and publish it in their Annual Reports since it is not yet statutorily recognized and mandatory to disclose.

REVIEW OF LITERATURE

There is a wealth of literature available on sub-themes of EVA like EVA and Stock Returns, EVA-MVA Relationship, EVA and Performance Management, EVA Concepts, its Criticism & Implementations Issues etc. But there is a limited literature available for review, on Disclosure Practices of EVA in Indian context. Corporate India is yet to get 'EVA' a statutory recognition in its Financial Statements and the Annual Reports. Neither there is any Indian Accounting Standard made till date to standardize the disclosure practices for EVA nor it has been made mandatory to disclose EVA for any of the listed companies. To make their disclosures more useful, companies should consider time, cost, resource constraints, and the regulatory disclosure requirements. Improving upon the disclosure quality relating to EVA might help investors big time.

In the various surveys conducted in the past in different countries on different premises relating to EVA, researchers had similar standpoints. Brabazon and Sweeney found that 38 respondents out of 153 used EVA for performance measurement and incentive compensation for managers (Brabazon & Sweeney, 1998), while Dodd and Johns statistically surveyed 37 out of 88 US Corporations which resulted in giving 13 (majorly traditional performance measures) of the 38 measurement variables as significantly different between the EVA adopters and the non-adopters as was reported in (Dodd & Johns, 1999). There were 29 respondents out of 89 US Corporations in a survey done by Weaver and 37 out of 500 Indian Corporations surveyed by Kaur and Narang during 2004 to 2008 and 17 Indian Companies out of the sample of 500 surveyed by Bhasin during 2010 to 2011, were providing EVA disclosures in their annual reports., provided evidences for the significant inconsistencies and variations found in how the firms measured EVA and its major components like NOPAT and Invested Capital by the EVA reporting companies (Weaver, 2001; Kaur & Narang, 2010; Thilakerathne, 2015; Bhasin, 2016e, 2017). Similar observations were also made in Srilankan context by Thilakerathne who found that only 15 (i.e. only 17.65 percent) out of largest 85 listed companies over a period of 5 years from 2009 to 2013 disclosed the EVA statement in their annual reports on the basis of business and financial performance measure while around 82.35 percent did

not report anything relating to EVA in its statements (Thilakerathne, 2015).

There were many studies conducted by various researchers to explore the sufficiency of the corporate financial disclosures relating to EVA made in the annual published accounts of various corporations across the globe. It was argued that disclosures should be made more transparent and the quality of the disclosures relating to EVA should improve, in order to make these disclosures more useful for the stakeholders of the companies (Amoozesh *et al.*, 2012). Some recommended that the disclosure of economic value added in companies' annual report should be done on compulsory basis as it is an important indicator of financial performance measures (Dhiman & Pruthi, 2012; Kaur & Narang, 2010; Thilakerathne, 2015). It was observed that in Indian setting there were wide variations in voluntary disclosures across different information items (Varghese, 2012). On one hand it was indicated that the disclosure quality, timeliness and reliability have a positive impact on stock returns and that the participants of the capital market in Iran react positively to the disclosure quality of information by companies and have the ability to understand and use this information in their decision models (Rashkan *et al.*, 2013), on the other it was found that disclosure quality, reliability, and firm size did not really affect economic value added in the similar context (Baygi & Javadi, 2015).

Shankar compared the disclosures made by the Indian Corporates to that of the US, UK, Japan and Germany and found inconsistencies, calling Indian Annual Reports to be "Artificial and Discontinuous" and recommended that accounting professionals can contribute to improve upon this glitch (Shankar, 1972). Similarly, 125 Annual Reports of Indian Companies were surveyed and it was found that only 12 Companies disclosed EVA, one of which disclosed EVA before the financial statements of its Annual Report, while rest 11 disclosed EVA post financial statements. Only 7 out of these 12 Companies disclosed the necessary theoretical information about EVA before showing any calculations. Only one company disclosed EVA for all 10 years, 8 companies for 5 years, 2 companies for 2 years and only one company for only one year. All 12 companies disclosed EVA in table format. Only 4 companies also disclosed EVA with graphical representations in addition to tables. He also found that EVA data representation for different companies was different (Reddy & Satish, 2001). In another study EVA Statements were identified as the most commonly used source of disclosure. The study also recommended firms reporting their own estimate of cost of equity capital along with EVA disclosure, so as to reduce the valuation error in investors' estimates of cost of equity (Ghani *et. al.*, 2005).

Specific cases of individual companies were also studied to scrutinize the disclosure practices being followed by EVA reporting Indian companies as exemplified with a case analysis of EVA reporting by Hindustan Unilever Ltd. (Dhamija, 2008), Satyam Computer Services Ltd. back in the year 2008 (Kaur & Narang, 2008) and Infosys Technologies Ltd. (Bhattacharyya & Phani, 2000) whereby these researchers not only made comparisons with the actual EVA values reported but also provided for GAAP-based accounting adjustments only to find that there was a huge difference between the disclosed and calculated EVA numbers and that there was no uniformity in the beta variants, risk premiums and the methods for the calculations of cost of equity and debt, that were used

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over the study period. They suggested and recommended that the companies and accounting professionals should prepare EVA statement scientifically before publishing them in the annual reports. It was in fact found that although some of the leading Indian companies adopted the EVA-based corporate performance systems but most are not really keen on adopting this concept internally as there were no strong evidences that the EVA system works in India Sarkar (2011).

Pandey and Dogra both surveyed the 50 companies of Nifty-50, to detect disclosure of EVA in their annual reports and to calculate EVA using their financial information and Pandey reported that only 7 companies provided information on EVA in their annual reports which were Hindustan Unilever Ltd., NTPC, Hero Motocorp Ltd., BHEL, BPCL,

ACC and NMDC in Indian context during 2012 to 2014 (N N Pandey, 2015; Dogra, 2017). It was also revealed that there were significant differences in the disclosure of financial information of Sun Pharma, ICICI Bank, Dabur Limited and Britannia Limited while in the other companies gap in disclosure were insignificant (Jain, Naghshbandi, & Ombati, 2015).

Sampling and Data Collection

S&P BSE-500 indexed companies have been taken as the sample for our study.

EXHIBIT 1 Sample Profile

S.No.	Company Name	Firm Age (In years)	Industry group	Average Total Assets for 2005- 2015 (In Rs. Mn.)	Average Profits After Tax for 2005- 2015 (In Rs. Mn.)	Average Net Sales for 2005- 2015 (In Rs. Mn.)	Average Total Returns for 2005- 2015 (In %g)	Average EPS for 2005-2015 (In Rs.)	Average Market Capitalization fo 2005- 2015 (In Rs. Mn.
1	A C C Ltd.	80	Cement	93877.25	11075.17	77076.85	0.40	52.31	183476.91
2	A I A Engineering Ltd.	25	Castings & forgings	10104.82	1489.36	9991.47	0.48	25.90	37849.67
3	A P L Apollo Tubes Ltd.	30	Steel pipes & tubes	4066.95	170.75	8078.09	0.69	11.57	3218.15
4	Aditya Birla Fashion & Retail Ltd.	9	Retail trading	9080.85	-754.46	6017.45	-0.93	-21.63	9042.73
5	Aditya Birla Nuvo Ltd.	60	Diversified	97257.37	3217.54	57175.57	0.99	27.96	100964.68
6	Balrampur Chini Mills Ltd.	41	Sugar	33141.06	1039.18	22472.61	1.51	4.04	18664.13
7	Bharat Heavy Electricals Ltd.	52	Boilers & turbines	545276.40	36274.01	296353.80	0.62	40.29	666325.72
8	C G Power & Indl. Solutions Ltd.	79	Generators, transformers & switchgears	37514.49	4266.10	52205.23	0.99	11.60	90199.37
9	Cadila Healthcare Ltd.	21	Drugs & pharmaceuticals	37640.73	4952.36	23416.27	0.88	29.11	121008.50
10	Dr. Reddy'S Laboratories Ltd.	32	Drugs & pharmaceuticals	97981.45	9110.13	55196.15	1.12	51.45	235476.86
11	Emami Ltd.	33	Drugs & pharmaceuticals	9426.82	1535.83	9670.22	1.63	11.12	58589.44
12	Finolex Industries Ltd.	35	Plastic tubes, pipes, fittings & sheets	18442.44	799.20	16364.65	1.96	6.11	12141.68
13	Future Retail Ltd.	9	Retail trading	2889.96	-2770.28	9125.50	NA	NA	NA
14	Godrej Consumer Products Ltd.	16	Cosmetics, toiletries, soaps & detergents	22982.95	3336.65	20620.35	1.36	12.30	129940.16
15	Godrej Industries Ltd.	28	Organic chemicals	22671.92	1044.21	9783.53	-0.16	4.59	62398.46
16	Godrej Properties Ltd.	31	Other construction & allied activities	19527.46	776.52	2503.93	1.32	11.70	44039.66
17	Grasim Industries Ltd.	69	Man-made filaments & fibres	118419.75	12970.89	70640.52	0.20	132.08	222985.12
18	Greenply Industries Ltd.	26	Wood	8918.55	542.23	10197.94	2.01	21.35	5808.45
19	Hero Motocorp Ltd.	32	Two & three wheelers	75594.98	16400.07	169392.01	0.31	82.88	289061.27
20	Hindalco Industries Ltd.	58	Copper & copper products	445012.20	19083.19	213806.82	1.30	22.33	227488.61
21	Hindustan Unilever Ltd.	83	Cosmetics, toiletries, soaps & detergents	97530.04	25510.52	191737.83	-0.26	10.14	780276.88
22	Infosys Ltd.	35	Computer software	288851.82	64169.09	246065.45	0.35	106.35	1386283.38
23	J B Chemicals & Pharmaceuticals Ltd.	40	Drugs & pharmaceuticals	9396.68	1327.61	6812.08	0.65	10.55	7853.82
24	Jammu & Kashmir Bank Ltd.	78	Banking services	481443.05	5466.58	NA	1.56	101.58	37919.32
25	Kajaria Ceramics Ltd.	31	Ceramic products	7434.82	589.19	9889.27	1.42	9.39	12619.07
26	L I C Housing Finance Ltd.	27	Housing finance services	498250.31	7116.10	3.17	1.10	31.37	78757.76
27	Lakshmi Machine Works Ltd.	54	Industrial machinery	16506.55	1482.28	18462.25	1.50	221.54	24007.23
28	Larsen & Toubro Ltd.	70	Industrial construction	483231.85	33909.37	365164.15	0.13	61.53	782193.00
29	Marico Ltd.	28	Vegetable oils & products	18533.45	2738.85	23402.01	0.61	6.56	85510.15
30	National Aluminium Co. Ltd.	35	Aluminium & aluminium products	128255.77	12156.28	57420.52	-0.31	14.04	167069.49
31	Navneet Education Ltd.	32	Paper products	4898.27	728.61	5486.90	1.20	6.84	10869.79
32	Oracle Financial Services Software Ltd.	27	Computer software	57950.79	7139.45	22004.39	0.52	86.04	162646.06
33	Pidilite Industries Ltd.	47	Other chemicals	20298.74	2713.67	22577.79	1.03	8.53	85774.82
34	Piramal Enterprises Ltd.	69	Drugs & pharmaceuticals	100082.69	13042.75	15844.86	1.40	-9.27	76423.56
35	Rallis India Ltd.	68	Pesticides	9158.45	973.10	9804.78	1.29	23.34	16745.10
36	Rolta India Ltd.	27	Computer software	37289.46	2438.15	10587.98	0.36	24.28	19591.19
37	Siemens Ltd.	59	Diversified machinery	99754.95	6223.54	88354.01	1.41	27.58	227754.62
38	State Bank Of India	61	Banking services	11126493.09	87580.39	NA	-0.03	108.06	1126478.38
39	Sundram Fasteners Ltd.	54	Other automobile ancillaries	14345.80	849.85	15770.76	0.73	4.63	13087.27
40	Tata Consultancy Services Ltd.	21	Computer software	276704.11	83350.76	319562.60	-0.04	54.36	2046701.06
41	Tata Sponge Iron Ltd.	34	Sponge iron	7385.25	782.26	5355.64	1.29	50.56	4685.24
42	Tata Steel Ltd.	109	Steel	716463.81	52372.83	269430.13	1.41	63.55	367596.23
43	Thomas Cook (India) Ltd.	38	Tourism	8739.56	367.48	2751.85	-0.39	4.78	15690.50
44	Trident Ltd.	26	Cotton & blended yarn	25778.28	518.78	20684.74	2.12	1.88	4433.14
45	Ultratech Cement Ltd.	16	Cement	155130.98	13416.19	112838.19	1.13	62.01	287259.66
46	Unichem Laboratories Ltd.	54	Drugs & pharmaceuticals	8219.04	1013.96	7253.15	0.26	18.10	12398.03
47	Wockhardt Ltd.	37	Drugs & pharmaceuticals	30998.51	859.17	15820.73	1.80	4.21	69935.89

The Annual Reports of these 500 companies (i.e., 5500 Annual Reports) were used for data collection for the period of 2005 to 2015 (Refer Exhibit 1 for the Sample's Profile). These Annual Reports were downloaded from various sources like "Insight¹" which gets these Annual Reports compiled either by "Dion Global Solutions Pvt. Ltd." or by "Asian CERC Information Technology Ltd." to which a paid access was granted at IIM Indore in the month of November 2015, with due permissions from the authorities. Also, some of the Annual Reports had been downloaded from "Report Junction²" at XLRI accessed in the month of April 2017. Some of the Annual reports had also been downloaded from the "Moneycontrol³" website and some were even collected from the "BSE-India⁴" Website. The data regarding EVA was then hand-collected and analyzed using PDF and Nitro Pro 9 softwares and their keyword search features. The keywords which had been used were "economic value added", "EVA" and "economic value-added". The Annual Reports of the 47 hand-picked EVA- Reporting companies were downloaded and printed and thereafter studied and analyzed in details.

Exhibit 1(a) No. of EVA-Reporting Companies in the given Firm-Age Range

Firm Age Range	No. of Companies
Below 20	4
21 to 30	11
31 to 40	13
41 to 50	2
51 to 60	7
61 to 70	5
71 to 80	3
81 to 90	2
91 to 100	0
100 Above	1

Exhibit 2 No. of years of EVA-Reporting and Percentage of Companies Reporting EVA out of 47

No. of Years of EVA-Reporting in Annual Reports	No. of EVA-Reporting Companies	Percentage on 47 (in %)
1	12	25.53
2	3	6.38
3	4	8.51
4	4	8.51
5	3	6.38
6	3	6.38
7	4	8.51
8	2	4.26
9	2	4.26
10	2	4.26
11	8	17.02
Grand Total	47	100.00

Data Analysis and Findings

As shown in Exhibit 3, it was found that a total 47 (i.e. 9.4 percent) companies have reported EVA for different number of years during the study period of 2005 to 2015. That is only 255 (i.e. 4.6 percent of the total) Annual Reports of the companies have reported EVA out of the 5500 Annual Reports investigated exhaustively.

EVA-Reporting Companies

As shown in the Exhibit 2, there are about 12 companies (i.e. 25.53 percent) out of these 47 companies which have reported EVA only in one single year. There are 17.02 percent companies which have consistently reported EVA for all the 11 years of the period of the study. However, Hindustan

Unilever Ltd. can also be said to have reported EVA consistently for all 11 years. But in case of HUL, since they had one combined Annual Report for a period of 15 months (2007-2009), their Annual Report for one financial year (2007-2008) was not available in any of the data sources that were accessed.

There are 8.51 percent companies which have reported EVA either for 3 years or for 4 years time after time, after which they did not report anything relating to EVA in their Annual Reports. There are 6.38 percent companies which have reported EVA either for 2 years, 5 years or for 6 years and after which they also did not report anything relating to EVA in their Annual Reports. There are only 4.26 percent companies reporting EVA for 8 or more years consistently.

Total Number of Firm-Age-wise Reportings

As per the Exhibit 1(a), the companies that are most likely to report EVA in their Annual Reports belong to the age group of 21 to 40 Years. There were about 24 companies out of 47 that belonged to this age range. That is those companies which are in their growth phase of the life cycle. Followed by the firm age range of 51 to 70, which had about 12 companies in total, that report EVA in their Annual Reports. There were only 4 companies which belonged to the youngest firm-age range, while there are about 6 companies in totality in the declining phase of their life cycles and have existed beyond 70 years of their business operations and still going concern.

Total Number of Year-wise Reportings

As shown in Exhibit 3, it was also found that maximum number of companies that reported EVA figures explicitly in their Annual Reports was in the years 2005, 2006 and 2007. There were 26 such companies each year. Followed by 22 companies reporting EVA in the year 2008 and 20 Companies in the year 2009. EVA Reporting started declining after the year 2010 in the descending order of companies as 22 (2010), 19 (2011), 15 (2012), 13 (2013), 10 (2014) and finally only 9 companies for the year 2015. There are 3 companies which have started reporting EVA only as recently as 2012 and 2013. They are AIA Engineering Ltd., Rallis India Ltd. and State Bank of India.

Total Number of Industry-wise Reportings

As shown in Exhibit 1 and Exhibit 8, there are about 113 Industry Groups to which the S&P BSE 500 Indexed Companies belong to. Out of these 113 Companies 38 Companies (i.e. 34 percent) belong to Drugs & Pharmaceuticals, 34 Companies (i.e. 30 percent) to Banking Services, 27 Companies (i.e. 24 percent) to Computer Software, 14 Companies (i.e. 12 percent) to Cement, 14 Companies (i.e. 12 percent) to Other Asset Financing Services, 13 Companies (i.e. 12 percent) to Electricity Generation, another 13 Companies (i.e. 12 percent) to Trading, 12 Companies (i.e. 11 percent) Diversified, 12 Companies (i.e. 11 percent) to Other Chemicals, and another 11 Companies (i.e. 10 percent) to Other Fund-based Financial Services and the rest 312 Companies to various other industries.

Out of 34 Industry Groups to which these 47 Companies belong to, 7 Companies (i.e. 21 percent) companies belong to Drug and Pharmaceuticals Industry, 4 Companies (i.e. 12 percent) Companies belong to the Computer Software

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Industry. 2 Companies each (i.e. 6 percent each) belong to the industries Banking and Services, Cement, Retail Trading and Cosmetics, Toiletries, Soaps and Detergents while the rest 28 Companies (i.e. 56 percent) belong to various different industries as given in the Exhibit 8 industry-wise profiles. It was found that almost 100 percent companies of S&P BSE 500 Index belonging to Aluminium & Aluminium Products, Castings & Forgings, Organic Chemicals, Paper Products, and Sponge Iron Industries reported EVA.

Almost 50 percent of the companies belonging to the Copper & Copper Products, Diversified Machinery, Generators, Transformers & Switchgears, Industrial Machinery, Steel Pipes & Tubes, Tourism and Wood Industries reported EVA in their Annual Reports. 40 percent Companies belonging to Retail Trading Industry reported EVA. 33 percent Companies from each of Ceramic Products, Cotton & Blended Yarn, Man-made Filaments & Fibres, Plastic Tubes, Pipes, Fittings & Sheets, Steel and Vegetable Oils & Products Industries had reported EVA. 25 percent of Companies of Cosmetics, Toiletries, Soaps & Detergents, Pesticides, Sugar and Two & Three Wheelers Industries reported EVA.

In about 10 to 20 percent range Companies belonging to Boilers & Turbines, Drugs & Pharmaceuticals, Computer Software, Cement, Other Construction & Allied Activities, Housing Finance Services, Industrial Construction and Other Automobile Ancillaries Industries reported EVA and in the range of 5 to 10 percent they belonged to Diversified, Other Chemicals and Banking Services Industries.

Companies Withdrew Disclosing EVA

Nevertheless, it was observed that majority of the companies have stopped reporting EVA in their Annual Reports after a certain number of years. As shown in the Exhibit 3 and Exhibit 7, there are 2 companies which stopped reporting EVA after 2014 while after 2013 there were 4. There was one after 2012 and there were 4 after 2011. There are 4 companies which stopped reporting EVA after 2010. However, Kajaria Ceramics Ltd. reported EVA only in 2 distinct years 2005 and 2010. There are 2 companies which stopped reporting EVA after 2009 and there were 2 after 2008. There are 3 companies which stopped reporting EVA after 2007.

Exhibit 3 Years in which Companies reported EVA in their Annual Reports

S.No.	Company Name As Per Prowess	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	Total Company- Wise
1	A C C Ltd.			✓	✓	✓	✓	✓	✓	✓	✓		8
2	Aditya Birla Fashion & Retail Ltd.			✓									1
3	Aditya Birla Nuvo Ltd.			✓									1
4	A I A Engineering Ltd.		✓	✓	✓								3
5	A P L Apollo Tubes Ltd.			✓	✓	✓	✓			✓	✓	✓	7
6	Balrampur Chini Mills Ltd.					✓		✓	✓	✓	✓	✓	6
7	Bharat Heavy Electricals Ltd.			✓	✓	✓	✓	✓	✓	✓	✓	✓	9
8	Cadila Healthcare Ltd.										✓	✓	2
9	C G Power & Indl. Solutions Ltd.							✓	✓	✓	✓	✓	5
10	Dr. Reddy's Laboratories Ltd.								✓	✓	✓	✓	4
11	Emami Ltd.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	11
12	Finolex Industries Ltd.											✓	1
13	Future Retail Ltd.			✓									1
14	Godrej Consumer Products Ltd.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	11
15	Godrej Industries Ltd.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	11
16	Godrej Properties Ltd.						✓						1
17	Grasim Industries Ltd.			✓									1
18	Greenply Industries Ltd.						✓	✓	✓	✓	✓		5
19	Hero Motocorp Ltd.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	11
20	Hindalco Industries Ltd.		✓										1
21	Hindustan Unilever Ltd.	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓	10
22	Infosys Ltd.					✓	✓	✓	✓	✓	✓	✓	7
23	Jammu & Kashmir Bank Ltd.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	11
24	J B Chemicals & Pharmaceuticals Ltd.									✓	✓	✓	3
25	Kajaria Ceramics Ltd.						✓					✓	2
26	Lakshmi Machine Works Ltd.								✓	✓	✓	✓	4
27	Larsen & Toubro Ltd.		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	10
28	L I C Housing Finance Ltd.					✓							1
29	Marico Ltd.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	11
30	National Aluminium Co. Ltd.							✓	✓	✓			3
31	Navneet Education Ltd.						✓	✓	✓	✓	✓	✓	6
32	Oracle Financial Services Software Ltd.				✓	✓	✓	✓	✓	✓	✓	✓	8
33	Pidilite Industries Ltd.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	11
34	Piramal Enterprises Ltd.						✓	✓	✓	✓	✓	✓	6
35	Rallis India Ltd.	✓	✓	✓									3
36	Rolta India Ltd.					✓	✓	✓	✓	✓	✓	✓	7
37	Siemens Ltd.					✓	✓	✓	✓	✓	✓	✓	7
38	State Bank of India	✓	✓	✓	✓								4
39	Sundram Fasteners Ltd.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	11
40	Tata Consultancy Services Ltd.			✓	✓	✓	✓	✓	✓	✓	✓	✓	9
41	Tata Sponge Iron Ltd.					✓	✓	✓	✓	✓	✓	✓	5
42	Tata Steel Ltd.		✓							✓	✓	✓	4
43	Thomas Cook (India) Ltd.											✓	1
44	Trident Ltd.									✓	✓		2
45	Ultratech Cement Ltd.			✓									1
46	Unichem Laboratories Ltd.					✓	✓	✓	✓	✓	✓	✓	7
47	Wockhardt Ltd.										✓		1
	Total Year-wise	11	15	22	17	22	25	25	26	30	31	31	255

Exhibit 4 EVA Disclosure in Rs. Crores by Indian Corporates for the Period 2005-2015

S.No.	Company Name As Per Prowess	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
1	A C C Ltd.			12	307	375	301	913	570	901	813	
2	Aditya Birla Fashion & Retail Ltd.											
3	Aditya Birla Nuvo Ltd.											
4	A I A Engineering Ltd.											
5	A P L Apollo Tubes Ltd.			38.3	24.36	23.57	14.01			5.19	0.5	-0.0559
6	Balrampur Chini Mills Ltd.					169.19	12.84	-59.13	-216.19	275.8	79.03	
7	Bharat Heavy Electricals Ltd.			2657	4032	3793	2670	2008	1810	1657	1079	504
8	Cadila Healthcare Ltd.										63.1	59.6
9	C G Power & Indl. Solutions Ltd.											58.29
10	Dr. Reddy's Laboratories Ltd.								-136.7	257	-122.9	-240
11	Emami Ltd.	282.54	272.02	220.4	166.52	139.79	96.44	51.66	37.13	25.07	32.57	16.7
12	Finolex Industries Ltd.											53.46
13	Future Retail Ltd.											
14	Godrej Consumer Products Ltd.				309.4	260	216.1	124.7	134.8	113.2	106.9	78.8
15	Godrej Industries Ltd.											
16	Godrej Properties Ltd.											
17	Grasim Industries Ltd.											
18	Greenply Industries Ltd.						16.686		14.23	8.17	7.98	
19	Hero Motocorp Ltd.	1393	1228	1334	1677	1376	1723	835	575	485	641	564
20	Hindalco Industries Ltd.											
21	Hindustan Unilever Ltd.	3380	3147	2926	2250	1750	1791	2154		1314	1126	1014
22	Infosys Ltd.					2732	2936	3379	2286	2122	1540	1132
23	Jammu & Kashmir Bank Ltd.	6.12%	17.41%	17.31%	15.67%	14.47%	14.12%	12.18%	13.18%	12.06%	8.07%	4.16%
24	J B Chemicals & Pharmaceuticals Ltd.									16.7	14.04	11.43
25	Kajaria Ceramics Ltd.						13.58					10.67
26	Lakshmi Machine Works Ltd.								95.2	91.48	75.76	23.63
27	Larsen & Toubro Ltd.		459	219	430	503	590	890	890	591	253	79
28	L I C Housing Finance Ltd.					143.42						
29	Marico Ltd.	407	313	283	199	175	196	144	132	79	51	46
30	National Aluminium Co. Ltd.							32	360	1219		
31	Navneet Education Ltd.						25.3	26.46	17.17	16.24	9.65	6.84
32	Oracle Financial Services Software Ltd.				119.4	421.6	233.5	285.98	91.16	129.4	114.98	92.4
33	Pidilite Industries Ltd.	257.9	247.6	237.6	169.5	182.4	167.9	42	97.3	54.1	35.91	31.86
34	Piramal Enterprises Ltd.						232.53	141.48	164.71	68.36	18.25	96.89
35	Rallis India Ltd.	40.85	56.88	45.73								
36	Rolta India Ltd.					78.1	93.8	140.5	66.9	40.4	33.7	41.6
37	Siemens Ltd.											
38	State Bank of India	6201	4668	7275	5469							
39	Sundram Fasteners Ltd.	45.96	35.16	44.16	69.45	38.05	16.75	-10.17	22.09	38.78	37.86	39.1
40	Tata Consultancy Services Ltd.			9304	7254	6808	5759	3738	3724	3283	2263	1569
41	Tata Sponge Iron Ltd.											
42	Tata Steel Ltd.									2707	2336	2329
43	Thomas Cook (India) Ltd.											14.6
44	Trident Ltd.											
45	Ultratech Cement Ltd.											
46	Unichem Laboratories Ltd.					33.18	62.14	69.03	23.42	45.06	44.93	33.04
47	Wockhardt Ltd.											
Total EVA (Rs. Cr.) Reported in Annual Reports Year-wise		9	10	13	15	19	22	20	22	26	26	27

However, Tata Steel mentioned about EVA Governance once again in the year 2014 after having stopped reporting after 2007 while Cadila Healthcare Ltd. did not report EVA after the year 2006 itself.

EVA Figures as Reported in the Annual Reports

EVA Figures and the Currency-Units

It was found that companies have been reporting EVA in Rupees Crores, Rupees Lakhs, Rs. Millions, or as a Percentage Ratio. There are 34 Companies with a total of 209 Annual Reports reporting EVA figures explicitly in their Annual Reports. Out of these 34 Companies 10 companies had reported EVA in Rupees Lakhs, namely Navneet Education Ltd., JB Chemicals & Pharmaceuticals Ltd., Cadila Healthcare Ltd., Rallis India Ltd., Emami Ltd., Pidilite Industries Ltd., Sundram Fasteners Ltd., Greenply Industries Ltd., Unichem Laboratories Ltd., Godrej Industries Ltd. There are 6 companies which had reported EVA in Rupees Millions namely APL Apollo Tubes Ltd., Thomas Cook (India) Ltd., Kajaria Ceramics Ltd., Rolta India Ltd., Oracle Financial Services Software Ltd., Piramal Enterprises Ltd.

While the rest 31 of them have reported it in Rupees Crores, with an only exception of "Jammu & Kashmir Bank Ltd." which has reported its EVA as a Percentage Ratio for all the 11 years. However, for the sake of the convenience, all the values in the Exhibit 4 have been converted to Rupees Crores.

Section of the Annual Reports used as the Medium of Disclosure of EVA

As shown in Exhibit 5, the medium of disclosure used by the 47 EVA-Reporting Companies is a combination of sections of the Annual Reports. While some companies disclose EVA exclusively using EVA Statements, while others use various sections of the Annual Reports like Corporate Governance Report, Management Discussion and Analysis, Financial Highlights etc. It was found that these 47 Companies use approximately 14 to 15 types of such sections of the Annual Reports to disclose EVA. Some companies have entirely separate sections where they have disclosed EVA in details.

A Survey of Eva Disclosure Practices in the Annual Reports of the Indian Corporates

EXHIBIT 5 Mediums of EVA Disclosure in Annual Reports

S.No.	Company Name	Mediums of Disclosure in the Annual Reports**												
		VCS / EVAS / EVAA	ESHVS / VRS	MDA	DR	CGR	FS & / or NFS	CHM / CHS / LTRSH / JPS or FS	ENVR / SDR / SPC	FINP / FINH / FR / KR (10Yr / 5Yr / YAG)	PerfT / PerfH / PerfAG	AWD&R Section	INTA Section	Notice / SHInfo / AddInfoS / H / CSR
1	A C C Ltd.	✓					✓				✓			
2	Aditya Birla Fashion & Retail Ltd.							✓						
3	Aditya Birla Nuvo Ltd.								✓					
4	A I A Engineering Ltd.								✓					
5	A P L Apollo Tubes Ltd.		✓											
6	Balrampur Chini Mills Ltd.		✓											
7	Bharat Heavy Electricals Ltd.									✓				✓
8	Cadila Healthcare Ltd.	✓								✓				
9	C G Power & Indl. Solutions Ltd.	✓		✓										
10	Dr. Reddy's Laboratories Ltd.											✓		
11	Emami Ltd.	✓		✓	✓	✓		✓		✓				
12	Finolex Industries Ltd.			✓										
13	Future Retail Ltd.							✓						
14	Godrej Consumer Products Ltd.	✓		✓	✓		✓							
15	Godrej Industries Ltd.				✓	✓	✓							
16	Godrej Properties Ltd.					✓								
17	Grasim Industries Ltd.								✓					
18	Greenply Industries Ltd.		✓											
19	Hero Motocorp Ltd.	✓								✓				
20	Hindalco Industries Ltd.								✓	✓				
21	Hindustan Unilever Ltd.	✓			✓					✓	✓			
22	Infosys Ltd.	✓	✓			✓								✓
23	Jammu & Kashmir Bank Ltd.					✓								✓
24	J B Chemicals & Pharmaceuticals	✓												
25	Kajaria Ceramics Ltd.		✓											
26	Lakshmi Machine Works Ltd.		✓							✓				
27	Larsen & Toubro Ltd.			✓										
28	L I C Housing Finance Ltd.									✓				
29	Marico Ltd.									✓	✓			
30	National Aluminium Co. Ltd.	✓		✓										
31	Navneet Education Ltd.	✓								✓				
32	Oracle Financial Services Software									✓				
33	Pidilite Industries Ltd.	✓												
34	Piramal Enterprises Ltd.			✓						✓				
35	Rallis India Ltd.			✓										
36	Rolta India Ltd.	✓			✓			✓						✓
37	Siemens Ltd.										✓			
38	State Bank of India					✓				✓				✓
39	Sundram Fasteners Ltd.			✓						✓				
40	Tata Consultancy Services Ltd.			✓	✓	✓					✓			
41	Tata Sponge Iron Ltd.													✓
42	Tata Steel Ltd.			✓		✓								
43	Thomas Cook (India) Ltd.	✓												
44	Trident Ltd.					✓								
45	Ultratech Cement Ltd.								✓					
46	Unichem Laboratories Ltd.									✓				
47	Wockhardt Ltd.					✓		✓						
Total		14	7	10	6	10	3	7	5	15	4	1	1	6

**EVAS / EVAA = EVA Statement / EVA Analysis, VCS / ESHVS / VRS = Value Creation Statement / Enhancing Shareholder Value Statement / Value Reporting Statement, MDA = Management and Discussion and Analysis, DR = Director's Report, CGR = Corporate Governance Report, FS & / or NFS = Financial Statements and / or Notes to Financial Statements or Schedules, CHM / CHS / LTRSH / JPS or FS = Chairman's Message / Chairman's Statement / Letter to Shareholders / Joint Promoter's Statement or Founder's Statement, ENVR / SDR / SPC = Environment Report / Sustainability and Development Reports / Sustainability Policy and Charter, FINP / FINH / FR / KR or KM (10Yr / 5Yr / YAG) = Financial Performance / Financial Highlights / Financial Review / Key Ratios or Key Metrics / 10 Years or 5 Years or Year At a Glance H ighlights, PerfT / PerfH / PerfAG = Performance Trends / Performance Highlights / Performance at a Glance, AWD&R Section = Awards and Recognition Section, INTA Section = Intangible Accounting Section, Notice / SHInfo / AddInfoSH / CSR = Notice / Shareholder's Information / Additional information to Shareholders / Corporate Social Responsibility Section

The maximum number of companies opt for the *Financial Performance or Financial Highlights or Financial Review or Key Ratios or Key Metrics or 10 Years' or 5 Years' Financial Highlights or in Year at a Glance Section* of the Annual Reports to disclose EVA and related matters. There are 15 such Companies out of 47, which do so. Followed by, 14 companies which chose to disclose EVA as *EVA Statement or EVA Analysis*, where they detail out its computation, trends and comparatives. There are 10 Companies each disclosing EVA issues in either the section of *Management Discussion and Analysis* or in the *Corporate Governance Report Section* of their Annual Reports. There are 7 Companies each which disclose EVA either in their *Value Creation Statement or Enhancing Shareholder Value Statement or Value Reporting Statements* or in their *Chairman's Message or Chairman's Statement or Letter to Shareholders or Joint Promoter's Statement or Founder's Statements Section* of the Annual Reports.

There are 6 Companies each which used the *Director's Report and Notice or Shareholder's Information or Additional information to Shareholders or Corporate Social Responsibility Sections* of the Annual Reports for disclosing EVA. About 5 Companies disclosed EVA in their *Environment Report or Sustainability and Development Reports or Sustainability Policy and Charter Section* of the Annual Reports and 4 Companies which have disclosed EVA in the *Performance Trends or in Performance Highlights or in Performance at a Glance Sections*. There are 3 Companies which have disclosed EVA as a part of their *Financial Statements and / or in the Notes to Financial Statements or Schedules Sections*. Finally, there is one Company each to have disclosed EVA in either *Awards and Recognition Section or Intangible Accounting Section* of their Annual Reports.

EVA Applications

As shown in Exhibit 6, these 47 Companies had been using EVA for 6 basic purposes i.e.

Exhibit 6 EVA Application

S.No.	Company Name As Per Prowess	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
1	A C C Ltd.			I	I	I	I	I	I	I	I	
2	Aditya Birla Fashion & Retail Ltd.			I,II								
3	Aditya Birla Nuvo Ltd.			I,II								
4	A I A Engineering Ltd.		II	II	II							
5	A P L Apollo Tubes Ltd.			I, III	I, III	I, III	I, III			I, III	I, III	I, III
6	Balrampur Chini Mills Ltd.					I, III		I, III	I, III	I, III	I, III	I, III
7	Bharat Heavy Electricals Ltd.			I	I	I	I	I	I	I	I	I
8	Cadila Healthcare Ltd.										I	I
9	C G Power & Indl. Solutions Ltd.							IV	IV	IV	IV	IV
10	Dr. Reddy's Laboratories Ltd.								V	V	V	V
11	Emami Ltd.	I, III	I, III	I, III	I, III	I, III	I, III	I, III	I, III	I, III	I, III	I, III
12	Finolex Industries Ltd.											I, III
13	Future Retail Ltd.			I,II								
14	Godrej Consumer Products Ltd.	IV	IV	IV	IV	IV	IV	IV	IV	IV	IV	IV
15	Godrej Industries Ltd.	IV	IV	IV	IV	IV	IV	IV	IV	IV	IV	IV
16	Godrej Properties Ltd.						IV					
17	Grasim Industries Ltd.			I,II								
18	Greenply Industries Ltd.						I,III	I,III	I,III	I,III	I,III	
19	Hero Motocorp Ltd.	I	I	I	I	I	I	I	I	I	I	I
20	Hindalco Industries Ltd.		I,II									
21	Hindustan Unilever Ltd.	I,III	I,III	I,III	I,III	I,III	I,III	I,III		I,III	I,III	I,III
22	Infosys Ltd.					I	I	I	I	I	I	I
23	Jammu & Kashmir Bank Ltd.	I	I	I	I	I	I	I	I	I	I	I
24	J B Chemicals & Pharmaceuticals Ltd.									I,III	I,III	I,III
25	Kajaria Ceramics Ltd.						I					I
26	Lakshmi Machine Works Ltd.								I	I	I	I
27	Larsen & Toubro Ltd.		I,III	I,III	I,III	I,III	I,III	I,III	I,III	I,III	I,III	I,III
28	L I C Housing Finance Ltd.					I						
29	Marico Ltd.	I,III	I,III	I,III	I,III	I,III	I,III	I,III	I,III	I,III	I,III	I,III
30	National Aluminium Co. Ltd.							I	I	I		
31	Navneet Education Ltd.						I	I	I	I	I	I
32	Oracle Financial Services Software Ltd.				I	I	I	I	I	I	I	I
33	Pidilite Industries Ltd.	I	I	I	I	I	I	I	I	I	I	I
34	Piramal Enterprises Ltd.						I	I	I	I	I	I
35	Rallis India Ltd.	I	I	I								
36	Rolta India Ltd.					I,III	I,III	I,III	I,III	I,III	I,III	I,III
37	Siemens Ltd.											II
38	State Bank of India	I	I	I	I							
39	Sundram Fasteners Ltd.	I	I	I	I	I	I	I	I	I	I	I
40	Tata Consultancy Services Ltd.			IV	IV	IV	IV	IV	IV	IV	IV	IV
41	Tata Sponge Iron Ltd.					I,II	I,II	I,II	I,II			I,II
42	Tata Steel Ltd.		II							I,II,VI	I,II,VI	I,II,VI
43	Thomas Cook (India) Ltd.											I,II
44	Trident Ltd.									I	I	
45	Ultratech Cement Ltd.			I,II								
46	Unichem Laboratories Ltd.					I	I	I	I	I	I	I
47	Wockhardt Ltd.										IV	

*I = Performance Measure, II = EVA Governance, III = Value Creation, IV = Incentive Compensation, V = Intangible Accounting, VI = CAPEX Evaluation

Exhibit 7 Year-on-Year Change in EVA (i.e. Negative or Positive EVA Created) by EVA-Reporting Companies for the particular years in the period 2005-2015

S.No.	Company Name As Per Prowess	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	EVA Disclosure Withdrawn	EVA Application in the Company that Withdrew EVA Disclosure**
1	A C C Ltd.			-295.00	-68.00	74.00	-612.00	343.00	-331.00	88.00		Yes	PM
2	Aditya Birla Fashion & Retail Ltd.*												
3	Aditya Birla Nuvo Ltd.*												
4	A I A Engineering Ltd.*												
5	A P L Apollo Tubes Ltd.			13.94	0.79	9.56				4.69		Yes	PM, VC
6	Balrampur Chini Mills Ltd.							71.97	157.06	-491.99	196.77	Yes	PM, VC
7	Bharat Heavy Electricals Ltd.			-1375.00	239.00	1123.00	662.00	198.00	153.00	578.00	575.00	Yes	PM
8	Cadila Healthcare Ltd.										3.50	Yes	PM
9	C G Power & Indl. Solutions Ltd.*												
10	Dr. Reddy's Laboratories Ltd.								-393.70	379.90	117.10	Yes	INTA
11	Emami Ltd.	10.52	51.62	53.88	26.73	43.35	44.78	14.53	12.06	-7.50	15.87		
12	Finolex Industries Ltd.*												
13	Future Retail Ltd.*												
14	Godrej Consumer Products Ltd.				49.40	43.90	91.40	-10.10	21.60	6.30	28.10	Yes	IC
15	Godrej Industries Ltd.*												
16	Godrej Properties Ltd.*												
17	Grasim Industries Ltd.*												
18	Greenply Industries Ltd.								6.06	0.19		Yes	PM, VC
19	Hero Motocorp Ltd.	165.00	-106.00	-343.00	301.00	-347.00	888.00	260.00	90.00	-156.00	77.00		
20	Hindalco Industries Ltd.*												
21	Hindustan Unilever Ltd.	233.00	221.00	676.00	500.00	-41.00	-363.00			188.00	112.00		
22	Infosys Ltd.					-204.00	-443.00	1093.00	164.00	582.00	408.00	Yes	PM
23	Jammu & Kashmir Bank Ltd.	-11%	0%	2%	1%	0%	2%	-1%	1%	4%	4%		PM
24	J B Chemicals & Pharmaceuticals Ltd.									2.66	2.61	Yes	PM, VC
25	Kajaria Ceramics Ltd.*												
26	Lakshmi Machine Works Ltd.								3.72	15.72	52.13	Yes	PM
27	Larsen & Toubro Ltd.		240.00	-211.00	-73.00	-87.00	-300.00	0.00	299.00	338.00	174.00	Yes	PM, VC
28	L I C Housing Finance Ltd.*												
29	Marico Ltd.	94.00	30.00	84.00	24.00	-21.00	52.00	12.00	53.00	28.00	5.00		
30	National Aluminium Co. Ltd.								-328.00	-859.00		Yes	PM
31	Navneet Education Ltd.						-1.16	9.29	0.93	6.59	2.81	Yes	PM
32	Oracle Financial Services Software Ltd.				-302.20	188.10	-52.48	194.82	-38.24	14.42	22.58	Yes	PM
33	Pidilite Industries Ltd.	10.30	10.00	68.10	-12.90	14.50	125.90	-55.30	43.20	18.19	4.05		
34	Piramal Enterprises Ltd.						91.05	-23.23	96.35	50.11	-78.64	Yes	PM
35	Rallis India Ltd.	-16.03	11.15										
36	Rolta India Ltd.					-15.70	-46.70	73.60	26.50	6.70	-7.90	Yes	PM
37	Siemens Ltd.*												
38	State Bank of India	1533.00	-2607.00	1806.00									
39	Sundram Fasteners Ltd.	10.80	-9.00	-25.29	31.40	21.30	26.92	-32.26	-16.69	0.92	-1.24		
40	Tata Consultancy Services Ltd.			2050.00	446.00	1049.00	2021.00	14.00	441.00	1020.00	694.00	Yes	IC
41	Tata Sponge Iron Ltd.*												
42	Tata Steel Ltd.									371.00	7.00	Yes	PM, GV, CPX
43	Thomas Cook (India) Ltd.*												
44	Trident Ltd.*												
45	Ultratech Cement Ltd.*												
46	Unichem Laboratories Ltd.					-28.96	-6.89	45.61	-21.64	0.13	11.89	Yes	PM
47	Wockhardt Ltd.*												

*These companies either reported EVA for single years or had not reported any figures explicitly. However, they did provide information in relation to EVA being applied within the organization as an approach for internal governance or for various other EVA Applications, which is why they are a part of these 47 companies.

** PM = Performance Measurement, VC = Value Creation, IC = Incentive Compensation, INTA = Intangible Accounting, GV = EVA Governance, CAPX = CAPEX Evaluation

Note: The column for the year 2005 has been removed because the change in EVA could not be calculated for that year as the previous years' data was not available for the year 2004, as the study period was from 2005 to 2015.

Performance Measurement, Governance, Value Creation, Incentive Compensation, Intangible Accounting and CAPEX Evaluation, as per the information provided in their Annual Reports. There are 19 companies (i.e. 40.4 percent) which mention using EVA explicitly for *Performance Measurement*, and which they disclose in the form of EVA Statements, Charts or Trends. There are 11 companies (i.e. 23.4 percent) which mention using *EVA Governance* apart from using it as performance measurement tool. Out these 11 companies 6 companies belong to the Aditya Birla Group and have only reported EVA explicitly for only one year 2013. Aditya Birla Group⁵ has been known to have used EVA before 2005 (Misra & Kanwal, 2007). There are 10 companies (i.e. 21.2 percent) which use EVA for the purpose of *Value Creation* apart from Performance Measurement. Their Annual Reports mention clearly that EVA is implemented in order to create value for their shareholders. There are 6 companies (i.e. 12.7 percent) which find an application of EVA into their *Remuneration and Compensation Systems*. These 6 companies have explicitly mentioned the use of EVA as an incentive compensation tool and linking EVA to their variable performance pay systems.

Dr. Reddy's Laboratory is the only company which had explicitly mentioned the use of EVA for their *Intangible Accounting* for the period of 2005 to 2008. *Tata Steel Ltd.* is the only company which uses EVA not only for Performance Measurement and EVA-based Governance but also for evaluation of its *Capital Expenditure i.e. CAPEX*.

Year-on-Year Changes in EVA

Out of these 34 Companies, for 29 companies (i.e. 61.7 percent), an analysis of change in absolute EVA (i.e. whether the company reported a positive EVA in a particular year or not) over the previous year's for the respective years of EVA being reported in the Annual reports has been done, as shown in Exhibit 7. As it can be clearly seen in the table, there is a peculiarity which persists in this analysis for the EVA reporting companies and that is, if the companies reported EVA only for single years, this trend was not applicable, as the previous years' value of EVA numbers were not available for these companies for calculating the change in EVA, and hence, the Exhibit 7 does not include them. Also, there were no numbers available to show the change in EVA for the reported EVA figures for the year 2005, as the previous years' values were not available, since the study period is restricted to 2005-2015.

Exhibit 8 Industry-wise Comparison of all the S&P BSE-500 Companies with 47 EVA-Reporting Companies

S.No.	No. of Industries to which S&P BSE 500 Companies Belong	No. of Companies	Percentage on 113 Industries to which they belong	No. of EVA-Reporting Companies	Percentage on 34 Industries to which they belong	Percentage of Industries
1	Drugs & Pharmaceuticals	38	34%	7	21%	18%
2	Banking Services	34	30%	2	6%	6%
3	Computer Software	27	24%	4	12%	15%
4	Cement	14	12%	2	6%	14%
5	Other Asset Financing Services	14	12%			
6	Electricity Generation	13	12%			
7	Trading	13	12%			
8	Diversified	12	11%	1	3%	8%
9	Other Chemicals	12	11%	1	3%	8%
10	Other Fund-based Financial Services	11	10%			
11	Infrastructural Construction	10	9%			
12	Other Automobile Ancillaries	10	9%	1	3%	10%
13	Housing Finance Services	9	8%	1	3%	11%
14	Industrial Construction	9	8%	1	3%	11%
15	Media-Broadcasting	9	8%			
16	Cosmetics, Toiletries, Soaps & Detergents	8	7%	2	6%	25%
17	Other Construction & Allied Activities	8	7%	1	3%	13%
18	Business Consultancy	7	6%			
19	Telecommunication Services	7	6%			
20	Metal Products	6	5%			
21	Natural Gas Trading & Distribution	6	5%			
22	Refinery	6	5%			
23	Tyres & Tubes	6	5%			
24	Boilers & Turbines	5	4%	1	3%	20%
25	Dairy Products	5	4%			
26	General Purpose Machinery	5	4%			
27	Health Services	5	4%			
28	Infrastructure Finance Services	5	4%			
29	Other Miscellaneous Services	5	4%			
30	Retail Trading	5	4%	2	6%	40%
31	Transport Logistics Services	5	4%			
32	Auto Finance Services	4	4%			
33	Commercial Vehicles	4	4%			
34	Media-Print	4	4%			
35	Paints & Varnishes	4	4%			
36	Pesticides	4	4%	1	3%	25%
37	Sugar	4	4%	1	3%	25%
38	Two & Three Wheelers	4	4%	1	3%	25%
39	Air Transport Services	3	3%			
40	Beer & Alcohol	3	3%			
41	Ceramic Products	3	3%	1	3%	33%
42	Cloth	3	3%			
43	Commercial Complexes	3	3%			
44	Cotton & Blended Yarn	3	3%	1	3%	33%
45	Engines	3	3%			
46	Fertilisers	3	3%			
47	Gems & Jewellery	3	3%			
48	Hotels & Restaurants	3	3%			
49	Man-made Filaments & Fibres	3	3%	1	3%	33%
50	Other Agricultural Products	3	3%			
51	Other Textiles	3	3%			
52	Other Transport Equipment	3	3%			
53	Plastic Packaging Goods	3	3%			
54	Plastic Tubes, Pipes, Fittings & Sheets	3	3%	1	3%	33%
55	Steel	3	3%	1	3%	33%
56	Tobacco Products	3	3%			
57	Vegetable Oils & Products	3	3%	1	3%	33%
58	Abrasives	2	2%			
59	Air-Conditioners & Refrigerators	2	2%			
60	Bakery Products	2	2%			
61	Coffee	2	2%			
62	Copper & Copper Products	2	2%	1	3%	50%
63	Crude Oil & Natural gas	2	2%			
64	Diversified Machinery	2	2%	1	3%	50%
65	Exhibition of Films	2	2%			
66	Footwear	2	2%			
67	Generators, Transformers & Switchgears	2	2%	1	3%	50%
68	Glass & Glassware	2	2%			
69	Industrial Machinery	2	2%	1	3%	50%
70	ITES	2	2%			
71	Lubricants, etc.	2	2%			
72	Minerals	2	2%			
73	Miscellaneous Electrical Machinery	2	2%			

Exhibit 8 Industry-wise Comparison of all the S&P BSE-500 Companies with 47 EVA-Reporting Companies

S.No.	No. of Industries to which S&P BSE 500 Companies Belong	No. of Companies	Percentage on 113 Industries to which they belong	No. of EVA-Reporting Companies	Percentage on 34 Industries to which they belong	Percentage of Percentage of Industries
74	Other Domestic Appliances	2	2%			
75	Other Financial Services	2	2%			
76	Other Recreational Services	2	2%			
77	Plastic Films & Flexible Packaging	2	2%			
78	Plastic Furniture, Floorings & Miscellaneous Items	2	2%			
79	Readymade Garments	2	2%			
80	Shipping Transport Infrastructure Services	2	2%			
81	Shipping Transport Services	2	2%			
82	Steel Pipes & Tubes	2	2%	1	3%	50%
83	Storage Batteries	2	2%			
84	Tea	2	2%			
85	Tourism	2	2%	1	3%	50%
86	Wires & Cables	2	2%			
87	Wood	2	2%	1	3%	50%
88	Agricultural Machinery	1	1%			
89	Aluminium & Aluminium products	1	1%	1	3%	100%
90	Castings & Forgings	1	1%	1	3%	100%
91	Coal & Lignite	1	1%			
92	Communication Equipment	1	1%			
93	Consumer Electronics	1	1%			
94	Dry Cells	1	1%			
95	Electricity Distribution	1	1%			
96	Housing Construction	1	1%			
97	Industrial Cooling Equipment	1	1%			
98	Inorganic Chemicals	1	1%			
99	Mining & Construction equipment	1	1%			
100	Organic Chemicals	1	1%	1	3%	100%
101	Other Electronics	1	1%			
102	Other Fee-based Financial Services	1	1%			
103	Other Non-ferrous Metals	1	1%			
104	Paper & Newsprint	1	1%			
105	Paper Products	1	1%	1	3%	100%
106	Passenger Vehicles	1	1%			
107	Processed Foods	1	1%			
108	Production & Distribution of Films	1	1%			
109	Railway Transport Services	1	1%			
110	Road Transport Services	1	1%			
111	Soda Ash	1	1%			
112	Sponge Iron	1	1%	1	3%	100%
113	Storage & Distribution	1	1%			

There are 28 Companies (i.e. 59.57 percent) which reported positive EVA figures in absolute terms while there were only 7 Companies (i.e. 14.8 percent), for which the change in EVA over the previous was found to be positive for all the years for which the changes were computed based on their reported EVA values. There are 22 Companies which reported negative EVA figures in absolute terms and also, there are 22 Companies (i.e. 46.80 percent), for which the change in EVA over the previous was found to be mixed (i.e. both positive and negative change in EVA) for different years. There are 18 Companies (i.e. 38.29 percent), for which the EVA numbers were not available, either because the company's Annual Reports were not available, or because the companies had not reported anything relating to EVA for some particular year. Apart from these 18 Companies which did not report EVA figures explicitly or reported them only in single years, there are 20 more Companies (i.e. 42.55 percent) which withdrew reporting EVA in later years. Out of these 20 Companies, 11 (i.e. 55 percent) were using EVA for Performance Measurement, 5 (i.e. 25 percent) were using it for Value Creation along with Performance Measurement, 2 (i.e. 10 percent) were using EVA for Incentive Compensation, 1 (i.e. 5 percent) was using it for the purpose of Intangible Accounting and 1 (i.e. 5 percent) was using EVA for CAPEX Evaluation along with EVA Governance and Performance Measurement.

Also, out of these 20 Companies which withdrew disclosing EVA after a certain number of years, 10 (i.e. 50 percent) Companies stopped disclosing EVA after reporting a negative year-on-year change in EVA.

Interpretation and Discussion

In general, it was also found that EVA was not the only metric that was being used by these 47 Companies. We found that out of the 500 companies under this study, only about 9.4 percent Indian companies voluntarily disclose EVA figures or its other applications in their Annual Reports while the rest 90.6 percent companies do not. This happens because more profitable a company, more willing it is to disclose detailed information in its financial statements but if the companies are not showing any real profitability they would be reluctant to disclose and same goes with the fact that larger the company, more the regulatory surveillance and pressures it will have to disclose and vice versa. Companies also tend to disclose less if their earnings potentials are low because higher the earnings potential of the company, higher the tendency to disclose to show better capital productivity. Companies with less debt will be more willing to disclose as they would be less risky and might have better profitability. These companies had been using EVA in conjunction with the traditional measures of corporate performance like Return on Capital Employed, Return on Equity, Total Shareholder Return, Earnings Per

Share, Return on Assets and Return on Net Worth among the most noticeable ones. Indian Stocks are more responsive to these long-established traditional financial performance metrics and mandatory disclosure of these long-established financial metrics leads Indian Corporates to have a reluctant attitude towards the disclosure of EVA Practices.

It was found that Firms which belonged to the age range of 21-40 Years reported and disclosed EVA more frequently the reason being if the company is a long-established one it would have a more established staff dealing with the technical aspects of their financial statements and will be having better established Accounting Systems. Younger firms may suffer competitive disadvantage due to disclosures of information about their R&D or introduction of New Technology or Innovative Solutions or Products or Services etc. Neither there is a standard format nor any standard practice which is being applied by the EVA-Reporting Companies for reporting and disclosing EVA and related statements in their Annual Reports and hence reporting inconsistencies persist. We also found that there is no disclosure of how the EVA components are calculated, and some corporates were found to be using accounting adjustments, while some don't. We also found that the number of adjustments used also varies and are customized as per the industry. Majority of these EVA-Reporting Companies haven't used any of the 164-250 Accounting Adjustments as were suggested by Stern Stewart and Co. Indian Companies reluctant to change accounting systems because the notional profits can well disappear when adjustments are made for accounting anomalies. And will have detrimental effects on the managerial compensation and position. Pharmaceutical and Software Industries turned out to be the industries which would report and disclose their EVA Practices more frequently, since Pharmaceutical Industry uses Intangible Accounting in order to account for their Drug Patents while the software companies which are multi-nationals either have subsidiaries or are themselves subsidiaries of such multi-nationals are subject to broader range of regulatory authorities, political risks owing to different geographies and hence are more prone to economic exploitation and hence expected to disclose better.

It was also noted that the companies had stopped reporting EVA after a certain number of years of the period under study. The reasons might be a recessionary phase that struck for the years 2008 onwards or there could be companies which started to show their EVAs in the negatives and hence stopped disclosing EVA so as not to displease their investors. The fact that EVA disclosures were always voluntary in Indian and never mandatory lead to such a discontinuity of EVA related disclosures. We found that since EVA Disclosure is not mandatory in India, Indian Corporates tend to disclose and report their EVA practices only voluntarily which leads to inconsistencies over the years, across the cross-sections and also within the industry. Such is the case with EVA Disclosures in Indian context.

CONCLUSION

This study explored the extent of disclosure of EVA related practices made by the 500 indexed companies of S&P BSE-500 in their published annual accounts of corporate financial performance. The companies were segregated into EVA-Reporting and EVA-Non-Reporting Companies. As depicted in Exhibit 1 it was found that only a small number of

companies (i.e. only 9.4 percent) companies cared to report EVA and related statements in their Annual Reports during the period of 2005 to 2015 (11 years). It seems that most companies stopped reporting EVA in their Annual Reports after seeing negative changes in their EVAs year- after-year. As shown in the Exhibit 1(a) it was found that the companies which belong to the firm-age range 21-40 report EVA more frequently. In fact, EVA was reported most frequently in the years 2005, 2006, 2007, 2008 and 2009 after which there was a declining trend in EVA Disclosing tendencies of the companies. As per Exhibit 3, the maximum numbers of Companies which mention using EVA for various Applications in their Annual Reports of Indian Corporates were 31 for each of the years 2005, 2006 respectively and 30 for 2007. Also, as per Exhibit 4, the maximum number of companies reporting the actual financial numbers for EVA in Rs. Crores are 27 for 2005 and 26 each for the years 2006 and 2007. As shown in the Exhibit 5, the maximum number of EVA-Reporting Companies prefer to use *Financial Performance or Financial Highlights or Financial Review or Key Ratios or Key Metrics or 10 Years' or 5 Years' Financial Highlights or in Year at a Glance Section* of their Annual Reports for disclosing EVA, followed by Separate Sections for EVA Statements. As per Exhibit 6, the maximum number of EVA-Reporting Companies i.e. 40.4 percent, mention the application of the EVA as a financial metric of Performance Measurement followed by 23.4 percent companies applying EVA Approach as a part of their Corporate Governance. As shown in the Exhibit 8, the top three industries with maximum EVA-Reporting Companies were 21 percent from *Drugs & Pharmaceuticals*, 12 percent from *Computer Software* and 6 percent each from *Banking Services*, *Cement* and *Cosmetics, Toiletries, Soaps & Detergents* Industries respectively.

In general, it was also found that EVA was not the only metric that was being used by these 47 Companies. These companies had been using EVA in conjunction with the traditional measures of corporate performance like Return on Capital Employed, Return on Equity, Total Shareholder Return, Earnings Per Share, Return on Assets and Return on Net Worth among the most noticeable ones. Neither there is a standard format nor any standard practice which is being applied by the EVA-Reporting Companies for reporting and disclosing EVA and related statements in their Annual Reports and hence reporting inconsistencies persist. Majority of these EVA-Reporting Companies haven't used any of the 164-250 Accounting Adjustments as were suggested by Stern Stewart and Co. It was also noted that the companies had stopped reporting EVA after a certain number of years of the period under study.

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