



“BOOK VALUE APPROACH ON FINANCIALS OF KAVIKA LIMITED, BENGALURU”

(With reference to Karnataka Vidyuth Karkhane (KAVIKA) Limited)

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ABSTRACT

Power is an essential part of infrastructure for the growth and prosperity of the nation. The third-largest electricity producer and user are recognized as being India. The present study examines and interprets KAVIKA Limited's financial data over a four-year period. Indian government have initiative on “power for all” and focusing to accelerate additional capacity to cater rural and urban demand on electricity in the country. One of the most crucial infrastructure components, electricity is necessary for both well-being and economic growth of the nation. The present study scrutinizes book valuation approach which includes investor claim, asset liability for a period of 2016–2017 to 2019–2020. This makes an effort to understand the company's wealth to maximize shareholders value.

KEYWORDS: Power, KAVIKA, Asset and Liability, Electricity, Investor claim & Book Valuation.

INTRODUCTION

The present study examines and interprets KAVIKA Limited's financial data over a four-year period in order to identify the investor claim approach which involves the Investor in capacity, regardless of whether the obligations are direct, contingent, primary, secondary, several, joint, or several, and regardless of whether they are supported by a note, contract, account, or another type of document. Asset liability approach emphasizes on the timeliness of cash flows, despite the fact that corporate managers must prepare for the payment of obligations, conversion of a bond into equity is recorded using the book value technique. The present study aims to, serve the purpose of practicing the insights of analyzing and evaluation of financial statements based on valuation approach to the company.

STATEMENT OF THE PROBLEM

From the extensive Review of Literature, there were fewer of the studies found on Book Valuation Approach, this gave an opportunity to undergo this present study. It emphasizes on statements of the firm's Profits and losses and the balance sheet statements.

The study evaluates the company's performance through Investor claim Approach and Book Valuation Approach. However, the study serves and supports the company's investment decision and inflow to the firm year on year.

NEED FOR THE STUDY

The present study is vital to conduct an assessment to understand the financial performance of KAVIKA Limited. This attempts to analyse the financial statements between four years, monitoring the cash flows for future prospects results in better decision making on their financial position. The book value approach is used to record the transformation of a bond into equity. In essence, the bonds book value is moved from the issuer's books to the related equity account. The bond liability has been shown in the balance sheet's equity section. This aids the management of the company's assets and liabilities as well as the investment of the shareholders.

OBJECTIVES OF THE STUDY

- 1) To analyze on Strength(S), Weaknesses (W), Opportunity (O), & Treats (T) of KAVIKA Limited.
- 2) To analyze book value approach using, Investor Claims Approach from financial year 2016-2017 to 2019-2020.
- 3) To analyze book value approach using, Asset Liabilities Approach from financial year 2016-2017 to 2019-2020.

LITERATURE REVIEW

Gülcan Erkiyet, Gerrit Janke & Rainer Kasperzak (2021), In this study, the valuation methods employed by financial analysts to assess a company is investigating. Researchers undertake content analysis of 867 manually produced analyst reports on publicly traded German firms that were released between January 2014 and June 2017. A second research found that target price accuracy is increased by applying the sum of the components valuation, which is totally dependent on market or income methodologies.

Thang Nguyen, Charlie X. Cai & Charlie X. Cai (2015), this study extends recently recorded evidence that diversified companies store much less cash than specialized firms by taking into account variations in how diversified and specialized firms modify their cash flows to attain their goal cash balance.

Osama M. Al-Hares, Naser M. AbuGhazaleh and Ayman E. Haddad (2012), this study investigates the value relevance of book value, profits, and dividends for a sample of all non-financial firms listed on the Kuwait Stock Exchange (KSE).

Ervin L. Black & John J. White (2010), this study emphasizes that book values are more value relevant than earnings in Germany and Japan, whereas earnings are more value relevant in the US, since capital providers in Germany and Japan are more concerned with balance sheet indicators such as liquidity.

RESEARCH GAP

From the extensive Review of Literature, there were fewer of the studies found on Book valuation approach this gave an opportunity to undergo the present study.

TYPE OF RESEARCH

The present study is both descriptive and analytical in nature. To describe the characteristics of a population or phenomenon, descriptive research is utilized. Analytical research, takes use of critical thinking skills, includes the analysis of crucial facts and data.

DATA COLLECTION

The present study depends on secondary data retrieved from company records, profit and loss statements, balance sheet statements, reports, and company websites.

STATISTICAL TOOL AND TECHNIQUES

1. **Book Value or Adjusted Book Value Approach**
 - a. **Investment Claim Approach**
Share capital + Reserves and surplus + Secured loans + unsecured loans
 - b. **Asset-liability approach**
Total assets - Current liabilities and provisions

SWOT ANALYSIS

STRENGTHS

- The first company to manufacture transformers in India.
- Consists of qualified engineers, technicians and skilled labor power.
- ISO certification.
- Emphases and continuous innovation.
- Latest technology in design, developing and testing.
- Excellent infrastructure possessing sophisticated equipment like vacuum drying plants oil filters annealing furnace etc.
- KAVIKA is a government organization. Has amazing customers such as GESCOM, HESCOM, BESCOM and different prestigious private clients.
- Largest maker of transformers in India.
- Brand value.

WEAKNESSES

- It is undertaken by government, hence there will certain restrictions.
- Specialized in production of only distribution of transformers.
- Is a maker of just conveyance transformers, it has no expansion of business.
- Each configuration must be tried according to government direction.
- It is a Public Sector Undertaking (PSU).

- Has limited product line is which major loss.
- Lack of innovation hinders its success since there is no foresight. Caste-based discrimination will be used in the hiring process, classifying people as unskilled or semi-skilled.

OPPORTUNITIES

- Increasing commercial customer requirements.
- Emphasis on increasing the export percentage by central government.
- Adopting digital marketing can offer boom to its sales and help getting more clients.
- New showcase openings could be an approach to push KAVIKA forward.
- As there is huge requirement of power, it has greater part to play it has additionally.
- Proper advancement of items and proper money management can develop enormous growth. Active support from global and interstates helps in tenders.

THREATS

- More number of private manufacturers.
- Changes in government rules and policies.
- Raise in cost could be major threat for KAVIKA as it would eat towards profit.
- Low price distribution transformers from private manufactures.

AJUSTED BOOK VALUE APPROACH

Table 1, Table 2, Table 3 & Table 4 showing INVESTOR CLAIM APPROACH for the financial year 2016-2017 to 2019-2020
(₹ In crores)

1. Investor claim approach of KAVIKA limited for the financial year 2019-2020

PARTICULARS	₹
Share capital	5,61,92,300
Reserves and surplus	88,98,40,490
Secured loans	24,19,29,764
Unsecured loans	-
TOTAL	1,187,962,554

2. Investor claim approach of KAVIKA limited for the financial year 2018-2019

PARTICULARS	₹
Share capital	5,61,92,300
Reserves and surplus	88,84,93,008
Secured loans	23,91,09,230
Unsecured loans	-
TOTAL	1,183,794,538

3. Investor claim approach of KAVIKA limited for the financial year 2017-2018

PARTICULARS	₹
Share capital	5,61,92,300
Reserves and surplus	95,87,01,569
Secured loans	27,51,42,852
Unsecured loans	-
TOTAL	1,014,894,152

4. Investor claim approach of KAVIKA limited for the financial year 2016-2017

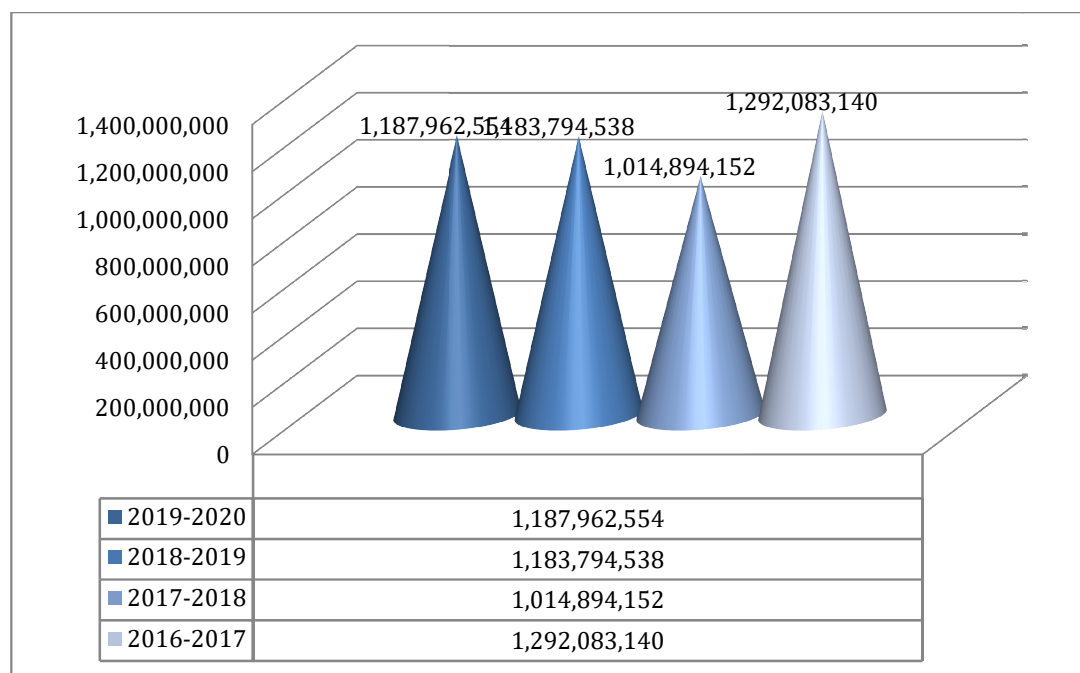
PARTICULARS	₹
Share capital	5,61,92,300
Reserves and surplus	1,01,36,24,651
Secured loans	22,22,66,189
Unsecured loans	-
TOTAL	1,292,083,140

Table 5, showing Consolidated INVESTOR CLAIM APPROACH for the financial year 2016-2017 to 2019-2020(**₹ In crores**)

YEAR	2019-2020	2018-2019	2017-2018	2016-2017
INVESTOR CLAIM APPROACH	₹1,187,962,554	₹1,183,794,538	₹1,014,894,152	₹1,292,083,140

ANALYSIS

From the above table, the investor claim approach reveals the financial year figures of 2019-2020, 2018-2019, 2017-2018 and 2016-2017 is ₹1,187,962,554, ₹1,183,794,538; ₹1,014,894,152 and ₹1,292,083,140 respectively.

Graph 1, showing Investor Claim Approach for the financial year 2016-2017 to 2019-2020**INTERPRETATION**

From the following graph, the investors claim is increasing year on year and the figures are in positive. It is a good sign for the investor, the return rate is comparatively high, and it is convincing for the investors to invest in future.

Table 6, Table 7, Table 8 & Table 9 showing Asset-Liability approach for the financial year 2016-2017 to 2019-2020(**₹ In crores**)

1. Asset-liability approach of KAVIKA limited for the financial year 2019-2020

PARTICULARS	₹
Total assets	2,11,89,27,19
Current liabilities and provisions	1,134,811,629
TOTAL	(922,918,910)

2. Asset-liability approach of KAVIKA limited for the financial year 2018-2019

PARTICULARS	₹
Total assets	2,03,11,68,158
Current liabilities and provisions	1,041,073,460
TOTAL	990,094,698

3. **Asset-liability approach of KAVIKA limited for the financial year 2017-2018**

PARTICULARS	₹
Total assets	2,12,39,18,850
Current liabilities and provisions	1,105,514,158
TOTAL	1,018,404,692

4. **Asset-liability approach of KAVIKA limited for the financial year 2016-2017**

PARTICULARS	₹
Total assets	2,05,38,78,936
Current liabilities and provisions	972,885,210
TOTAL	1,080,993,726

Table 10, showing Consolidated ASSET-LIABILITY APPROACH for the financial year 2016-2017 to 2019-2020

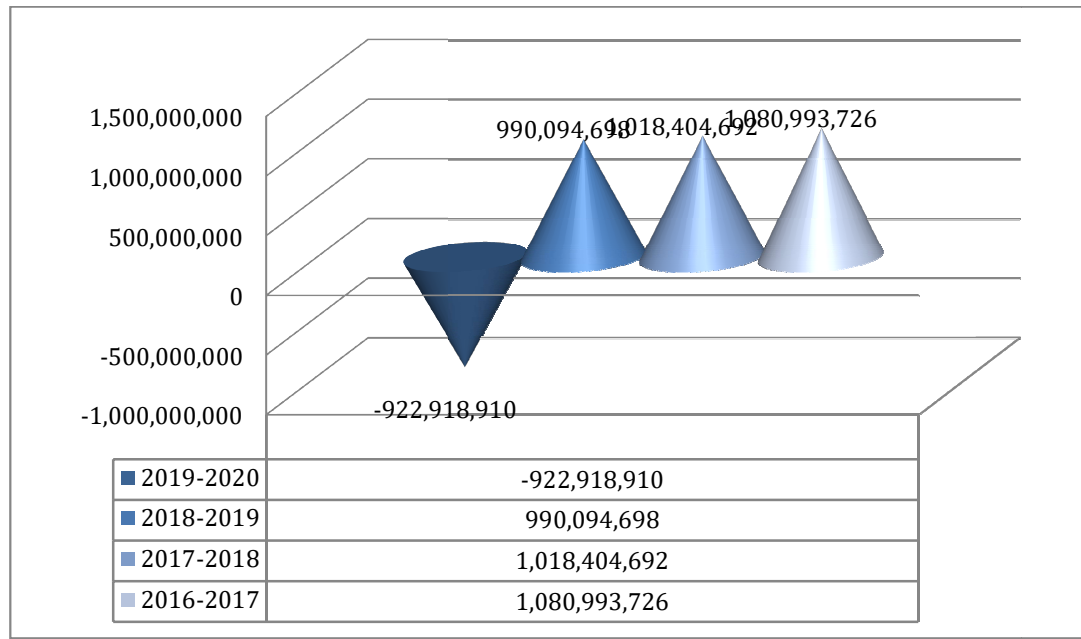
(₹ In crores)

YEAR	2019-2020	2018-2019	2017-2018	2016-2017
ASSET-LIABILITY APPROACH	(₹922,918,910)	₹990,094,698	₹1,018,404,692	₹1,080,993,726

ANALYSIS

From the above table, the Asset-Liability Approach reveals the financial year figures of 2019-2020, 2018-2019, 2017-2018 and 2016-2017 are (₹922,918,910), ₹990,094,698; ₹1,018,404,692 and ₹1,080,993,726 respectively.

Graph 2, showing ASSET-LIABILITY APPROACH for the financial year 2016-2017 to 2019-2020:



INTERPRETATION

From the above graph, the asset-liability is observed that the values has been decreasing from the year 2016-2017 to 2019-2020, but in the financial year 2019-2020, depreciated to negative figure impacts the firm in a major way, the firm has to focus towards it

FINDINGS:

1. The first company to manufacture transformers in India.
2. It is undertaken by government, hence there will certain restrictions.
3. Proper advancement of items and proper money management can develop enormous growth. Active support from global and interstates helps in tenders.
4. Changes in government rules and policies.
5. The study found that the investor claim at KAVIKA Limited is growing from four financial years 2016-2017 to 2019-2020 it is convincible for the investors to invest in future.
6. The asset-liability at KAVIKA Limited has increased from 2016-2017 to 2018-2019 due to pandemic and covid circumstances the figure has fallen down to (₹922,918,910).

FUTURE VISTAS

From the resent study it can be extended to analyse on Free Cash Flow (FCF), Financialratios, Net Present Value (NPV), Payback period method, Weighted Average Cost of Capital (WACC). The above mentioned areas are flexible enough to carry forward the upcoming research by researcher.

CONCLUSION

Karnataka Vidyuth Karkhane Limited (KAVIKA), an entirely owned Government of Karnataka venture, took the position of the Government Electric Factory (Transformers). KAVIKA is the country's first manufacturer of electrical distribution transformers. It was established on 1933. According to the study, KAVIKA Limited's financial performance is satisfactory, and it performs well in Book Valuation Approach which includes investor claim and asset liability approach for the year 2016-2017 to 2019-2020. The firm is been improving its financial situation and continuing its development and expansion. The ultimate result of the KAVIKA Limited research aids in obtaining a critical examination of a firm's entire financial features on a sum of period.

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