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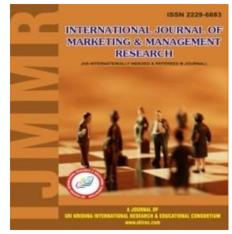

A STUDY ON VALUE CREATION THROUGH EVA AND MVA

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ABSTRACT

The value-based management movement is based on two assumptions. The first is that the main aim of any business in a market economy is to maximize shareholder value. The second is that markets are too competitive for companies to create such value by accident. They must plan for it. And that means having the right culture, systems, and processes in place so managers make decisions in ways that deliver better returns to shareholders. At the very least, corporate functions must be informed by value-based thinking—planning, capital allocation, operating budgets, performance measurement, incentive compensation, and corporate communication. EVA (Economic Value Added) is a tool for achieving this. EVA is a measure of performance, but its uses extend further. When implemented properly, and especially if tied to management compensation, it is a powerful way to promote shareholder value. From the study, it was found that the EVA was showing negative figures, but Market Value Added (MVA) was showing positive values that mean the company was adding value to the shareholders.

***KEYWORDS**: Economic Value Added, Market Value Added, shareholders' value creation, Cost of Capital Employed, Net Operating profit after Tax.*