

## Relationship between economic value added and share prices of Hindustan Unilever Limited

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**ABSTRACT:** The concept of Economic Value Added (EVATM) has been propounded as an economic measure of the extent to which a company adds value to shareholders' wealth. Many Indian companies are discerning the key to their long-term progression does not fit in products and services only but in resources that can never be simulated, that is, their unique and distinctive relationship with employees, investors and the community they assist. The main focus of study is to define the shareholders' value (in reference of Economic Value Added) of Hindustan Unilever Limited from 1999 to 2017. Hindustan Unilever Limited have very strong and positive coefficient of determination between EVA and Share price during the study period. EVA and Share price of HUL is significant and possesses a linear relationship.

### 1 INTRODUCTION

Value creation, today, for a competitive lead and to have edge over other - is a widely accepted business objective over profit maximization and wealth maximization. Value is created when all the stake holders perceive a significant difference in quality or benefit, with the result that the offer is capable of commanding a premium relative to competitors offer.

Indian companies have gone through many changes in the last epoch like burden of prudential standards, greater antagonism among companies, etc. This archetype shift in the Indian companies is shown in two dimensions: First, it relates to operational facet especially performance and risk-management system and the second one is very important dimension that relates to structural and external environment. Traditionally the methods of measurement of corporate performance are many. Common bases used are: - Net Profit Margin (NPM), Operating Profit Margin (OPM), Return on Investment (ROI), Return on Net Worth (RONW) etc. Profit after Tax (PAT) is an indicator of profit available to the shareholder and Profit before Interest after Tax (PBIAT) is an indicator of the surplus generated using total funds. ROI is still recognized as the most popular yardstick of profitability measurement. Although these financial data have the advantage of being precise and objective, the limitations are far greater, making them less applicable in today's competitive market. For evaluation of the efficiency of any decision, value creation or value addition aspect is of utmost importance in the present backdrop of corporate governance. In order to maximize shareholder value, decisions must be made as to how best to allocate capital, how to evaluate investment opportunities and how to measure performance.

EVA enables the management to, invest in projects that are critical to shareholder's wealth. This will lead to an increase in the market value of the company. However, activities that do not increase shareholders value might be critical to customer's satisfaction or social responsibility. For example, acquiring expensive technology to ensure that the environment is not polluted might not be of high value from a shareholder's perspective.