

# "How FMCG Company Utilize Their Reserve and Surplus"

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## ABSTRACT

Reserve and surplus is one of the most important part of profit . There have been a lot of studies on this and there is no consensus about the meaning of an optimum utilisation of reserve and surplus. In this study an attempt has been made to identify the factors that explain how FMCG company utilise their reserve and surplus in India. The study has been conducted on 10 leading FMCG companies operating in India. All these companies are listed on the Bombay Stock Exchange and NSE Fast Moving Consumer Goods Index. The study covers a financial statement period of 2020 to 2021. For the study, we analyse the reserve and surplus of all 10 firm.

## I INTRODUCTION

### Fast-Moving Consumer Goods (FMCG)

Fastmoving consumer goods are products that sell quickly at relatively low cost. These goods are also called consumer packaged goods.

FMCGs have a short shelf life because of high consumer demand (e.g., soft drinks and confections) or because they are perishable (e.g., meat, dairy products, and baked goods). These goods are purchased frequently, are consumed rapidly, are priced low, and are sold in large quantities. They also have a high turnover when they're on the shelf at the store

### Types of Fast-Moving Consumer Goods

As mentioned above, fastmoving consumer goods are nondurable goods, or goods that have a short lifespan, and are consumed at a fast pace.

FMCGs can be divided into several different categories, including:

- **Processed foods:** Cheese products, cereals, and boxed pasta
- **Prepared meals:** Ready-to-eat meals
- **Beverages:** Bottled water, energy drinks, and juices
- **Baked goods:** Cookies, croissants, and bagels
- **Fresh foods, frozen foods, and dry goods:** Fruits, vegetables, frozen peas and carrots, and raisins and nuts
- **Medicines:** Aspirin, pain relievers, and other medication that can be purchased without a prescription
- **Cleaning products:** Baking soda, oven cleaner, and window and glass cleaner
- **Cosmetics and toiletries:** Hair care products, concealers, toothpaste, and soap
- **Office supplies:** Pens, pencils, and markers

### **Reserves and Surplus Meaning**

- Reserves and Surplus are all the cumulative amount of retained earnings recorded as a part of the Share holders Equity and are earmarked by the company for specific purposes like buying of fixed assets, payment for legal settlements, debts repayments or payment of dividends etc.

"Reserves on the balance sheet" is a term used to refer to the shareholders' equity section of the balance sheet. (This is exclusive of the basic share capital portion.) You might be tempted to skip the reserves area without thinking much of it. Depending on the sector or industry of the business, that can be a mistake.

**Reserves and surplus** At the end of an accounting period the company may decide to transfer part of the profits to a reserve and retain the balance in the profit and loss account. The reserve created out of profits transferred from profit and loss account is called general reserve. The balance in the profit and loss account is called a surplus and will be shown under this head in the balance sheet. The company can use the general reserve for various purposes including issue of bonus shares to shareholders and payment of dividend when profits are insufficient. The premium received when shares are issued at a premium to the face value is shown under the head reserves and surplus.

## **CHAPTER 2**

### **LITERATURE Review**

Das and Roy (1998) in their study analysed the interindustry differences in the Reserve and surplus of the firms and identified the sources of variation in the reserve and surplus. They tried to find out the differences in financing pattern in the pre and post liberalization era. They used the technique of One Way Analysis of Variance (ANOVA) for this purpose. The size of the firm was found to be a crucial factor in deciding the reserve and surplus across industries. But the important source of variation was nature of the industry itself or more precisely differences in the differences in the fund requirement of the industry group based on the technology used.

Anand's (2002) analysis of reserve and surplus finds that the retained earnings are the most preferred source of finance followed by debt and then equity. The results seem to suggest that firms do not have specific capital reserve and surplus in mind when deciding as to how best to finance their projects. Low growth firms prefer more use of debt in their capital structure vis-à-vis the high growth firms. The large firms prefer making bonds issue in the primary market. Very few firms use hybrid securities as a source of finance to protect bondholders from the firm/shareholders taking on risky or unfavorable projects.

Pathak (2010) in his work examined the relative importance of six factors affecting the reserve and surplus of the publicly traded firms in India. This study covered 135 firms listed on the Bombay Stock Exchange (BSE) and it covered a period of 1990-2009. The study found that factors such as tangibility of assets, growth, size of the firm, risk associated with the business, liquidity and profitability have a significant impact on the capital structure decided by the firms

Mishra (2011), in his study on the capital structure of Indian Manufacturing Companies, concluded that asset tangibility, profitability and tax had a significant effect on the capital structure of the selected companies. The size, volatility and non-debt tax shield were found to be insignificant while deciding the capital structure of the companies.

Pahuja and Sahi (2012) conducted a study on Factors Affecting reserve and surplus Decisions: Empirical Evidence from Selected Indian Firms. This study was based on agency cost theory and pecking order theory. This study covered a period of three years from 2008- 2010 and sample was the 30 companies which were the constituents of BSE Sensex. The results of the study showed that growth and liquidity had a positive relationship with debt-equity ratio

### III OBJECTIVES OF THE STUDY

- To study the awareness about Reserve and Surplus in FMCG sector
- To find about how fmCG company make their reserve and surplus.
- To understand the nature of reserve and surplus in FMCG sector
- To study the awareness about how FMCG company utilize their reserve and surplus.

### IV RESEARCH METHODOLOGY & DATA INTERPRETATION

Research means a search for knowledge. It refers to scientific and systematic research pertinent information on a specific topic. Research methodology is a way to systematically solve the problem. In this the researcher studies about the various steps that are generally adopted in studying is research problem along with logic behind them.

Research methodology simply refers to the practical “how” of any given piece of research. More specifically, it’s about how a researcher systematically designs a study to ensure valid and reliable results that address the research aims and objectives.

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For example, how did the researcher go about deciding :-

- What data to collect (and what data to ignore)
- Who to collect it from (in research, this is called “sampling design”)
- How to collect it (this is called “data collection methods”)
- How to analyse it (this is called “data analysis methods”)

Quantitative surveys Regarded as one of the more common business research methods, a survey allows you to gather vast amounts of data in a very short space of time and at a comparatively low cost. A quantitative survey should always be used over a qualitative survey when you need to identify a numerical output that helps to answer your research question. The data can be collected through two sources

- Primary Source
- Secondary Source

A primary data source is an original data source. Primary data can be collected in a number of ways. However, the most common techniques are selfadministered surveys, interviews, field observation, and experiments.

Secondary data refers to secondhand information. It is not originally collected and rather obtained from already published or unpublished sources.

My research project is consist of data collection from secondary sources from various books , sites and research papers. My research project is consist of data collection from secondary sources from various books , sites and research papers.

#### AREA OF STUDY

This is done with the primary objective of ascertaining the utilization of reserve and surplus of FMCG sector.

## TOP FMCG COMPANIES IN INDIA

### 1. Hindustan Unilever

<b>TOTAL RESERVES AND SURPLUS</b>	<b>47459 CRORE</b>
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Capital Reserve: Balance as at 31st March, 2021 : 4 CRORE

Securities Premium: Balance as at 31st March, 2021 40350 CRORE

Capital Redemption reserve : Balance as at 31st March, 2021 6 CRORE

Employee Stock Options Outstanding Account : Balance as at 31st March, 2021 5 RORE

Other Reserves : Balance as at 31st March, 2021 9 CRORE

General Reserve: Balance as at 31st March, 2021 114 CRORE

Retained Earnings: Balance as at 31st March, 2021 6880 CRORE

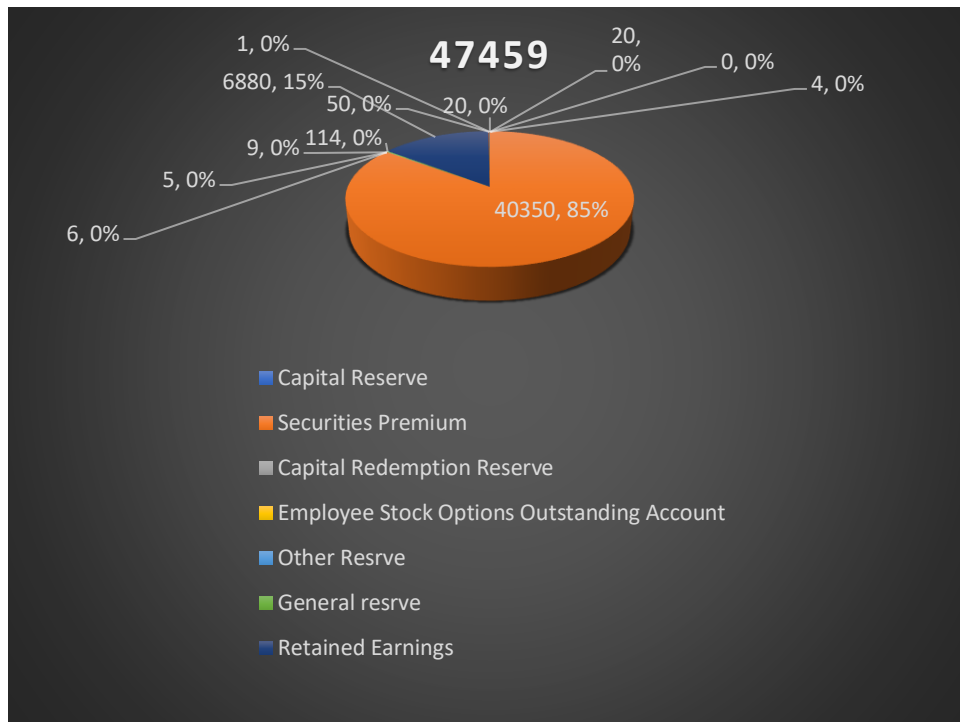
Employees' Housing Reserve : Balance as at 31st March, 2021 50 CRORE

Debt instruments through OCI : Balance as at 31st March, 2021 1 CRORE

Non - controlling Interests : Balance as at 31st March, 2021 20 CRORE

Cash flow Hedges through OCI : Balance as at 31st March, 2021 20 CRORE

+



## 2. ITC Limited

### TOTAL RESERVES AND SURPLUS

**59463.27**

CAPITALRESERVE Balance as at 31st March, 2021 77.67 CRORE

Securities Premium Balance as at 31st March, 2021 9582.81 CRORE

Special Reserve under Section 45IC of the RBI Act, 1934: Balance as at 31st March, 2021 15349 CRORE

Employees Housing Reserve under Nepal labour laws: Balance as at 31st March, 2021 94.26 CRORE

Subsidy Reserve: Balance as at 31st March, 2021 0.23 CRORE

Share Options Outstanding Account: Balance as at 31st March, 2021 1706.52 CRORE

Capital Redemption Reserve: Balance as at 31st March, 2021 0.22 CRORE

Contingency Reserve: Balance as at 31st March, 2021 363.05 CRORE

General Reserve: Balance as at 31st March, 2021 17672.57 CRORE

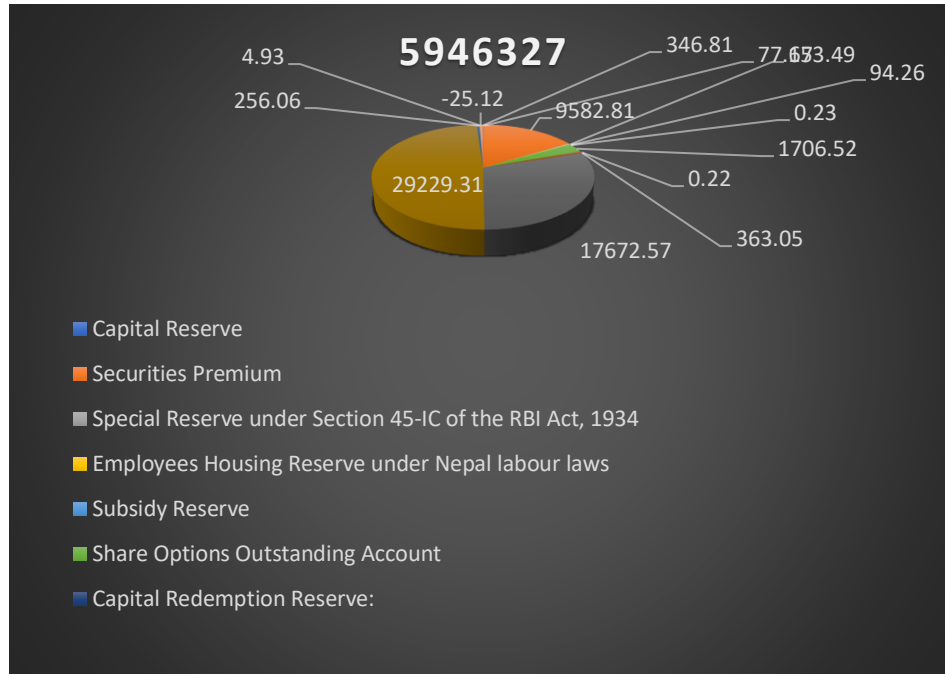
Retained Earnings: Balance as at 31st March, 2021 29229.31 CRORE

Equity Instruments through Other Comprehensive Income: Balance as at 31st March, 2021 256.06 CRORE

Effective portion of Cash Flow Hedges: Balance as at 31st March, 2021 4.93 CRORE

Exchange differences on translating the financial statements of foreign operations: Balance as at 31st March, 2021 (25.12) CRORE

Non - controlling Interests : Balance as at 31st March, 2021 346.81 CRORE



### 3. Nestle India Limited

#### TOTAL RESERVES AND SURPLUS

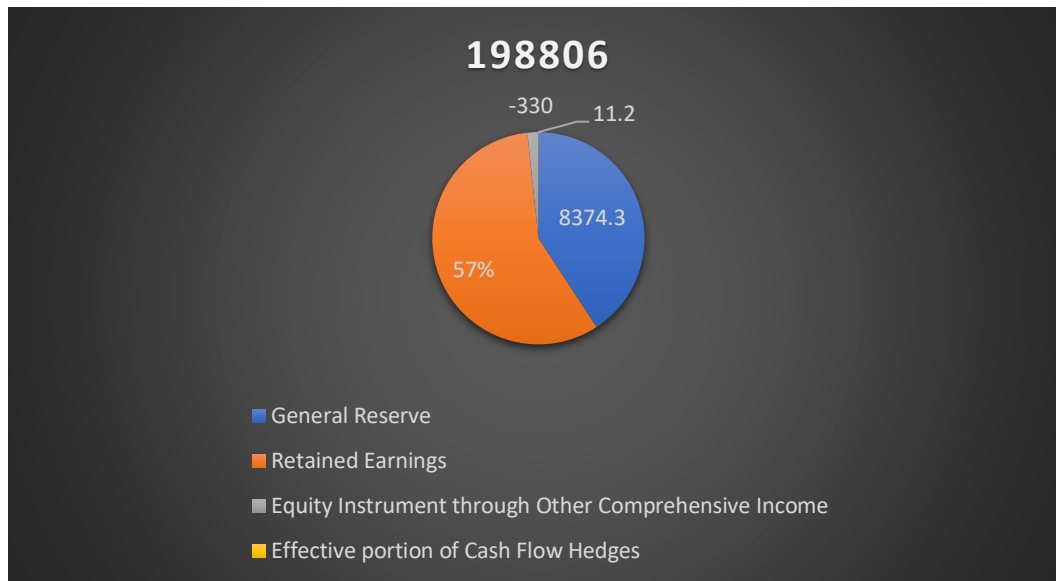
19880.6 MILLION

General Reserve: Balance as at 31st March, 2021 8,374.3 MILLION

Retained Earnings: Balance as at 31st March, 2021 11,825.1 MILLION

Equity Instrument through Other Comprehensive Income : Balance as at 31st March, 2021 (330.0) MILLION

Effective portion of Cash Flow Hedges : : Balance as at 31st March, 2021 11.2 MILLION



#### 4. Parle Agro

**TOTAL RESERVES AND SURPLUS**

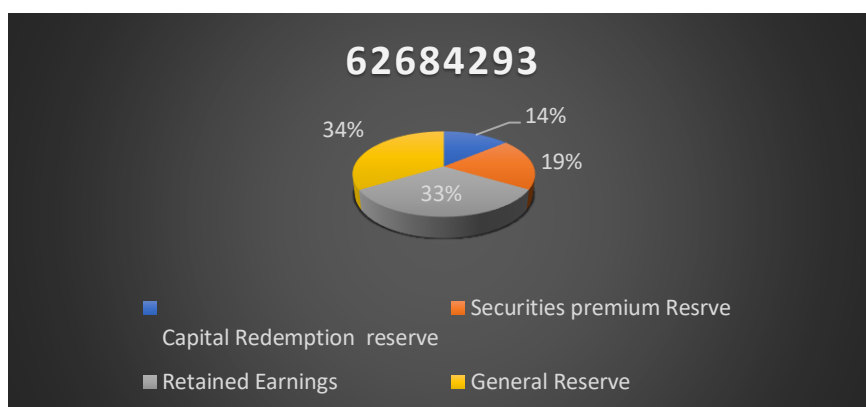
**62684293**

Capital Redemption reserve : Balance as at 31st March, 2021 1 CRORE

Securities Premium reserve: Balance as at 31st March, 2021 1.40 CRORE

Retained Earnings: Balance as at 31st March, 2021 2.35 CRORE

General Reserve: Balance as at 31st March, 2021 2.41 CRORE



#### 5. Britannia Industries Limited

**TOTAL RESERVES AND SURPLUS**

**3584 CRORE**

Capital Reserve: Balance as at 31st March, 2021 : 0.63 CRORE

Securities Premium: Balance as at 31st March, 2021 244.98CRORE

Capital Redemption reserve : Balance as at 31st March, 2021 3.96CRORE

Debenture Redemption reserve: Balance as at 31st March, 2021 180.24 CRORE

Share Options Outstanding Account: Balance as at 31st March, 2021 28.10 CRORE

General Reserve: Balance as at 31st March, 2021 871.80 CRORE

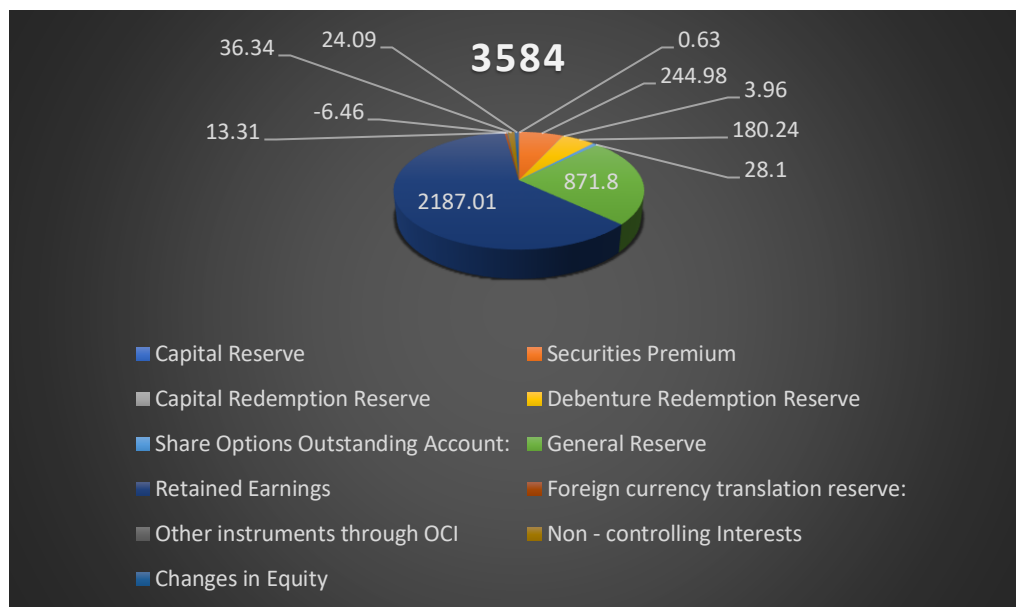
Retained Earnings: Balance as at 31st March, 2021 2187.01 CRORE

Foreign currency translation reserve: Balance as at 31st March, 2021 13.31 CRORE

Other instruments through OCI : Balance as at 31st March, 2021 (6.46) CRORE

Non - controlling Interests : Balance as at 31st March, 2021 36.34 CRORE

Changes in equity : Balance as at 31st March, 2021 24.09 CRORE



## 6. Dabur

**TOTAL RESERVES AND SURPLUS**

**7523.48**

Capital Reserve: Balance as at 31st March, 2021 : 26.92 CRORE

Securities Premium: Balance as at 31st March, 2021 365.00 CRORE

Statutory reserve : Balance as at 31st March, 2021 14.66 CRORE



Special fund : Balance as at 31st March, 2021 3.14 CRORE

Employees Housing Reserve: Balance as at 31st March, 2021 17.97 CRORE

Share Options Outstanding Account: Balance as at 31st March, 2021 123.78 CRORE

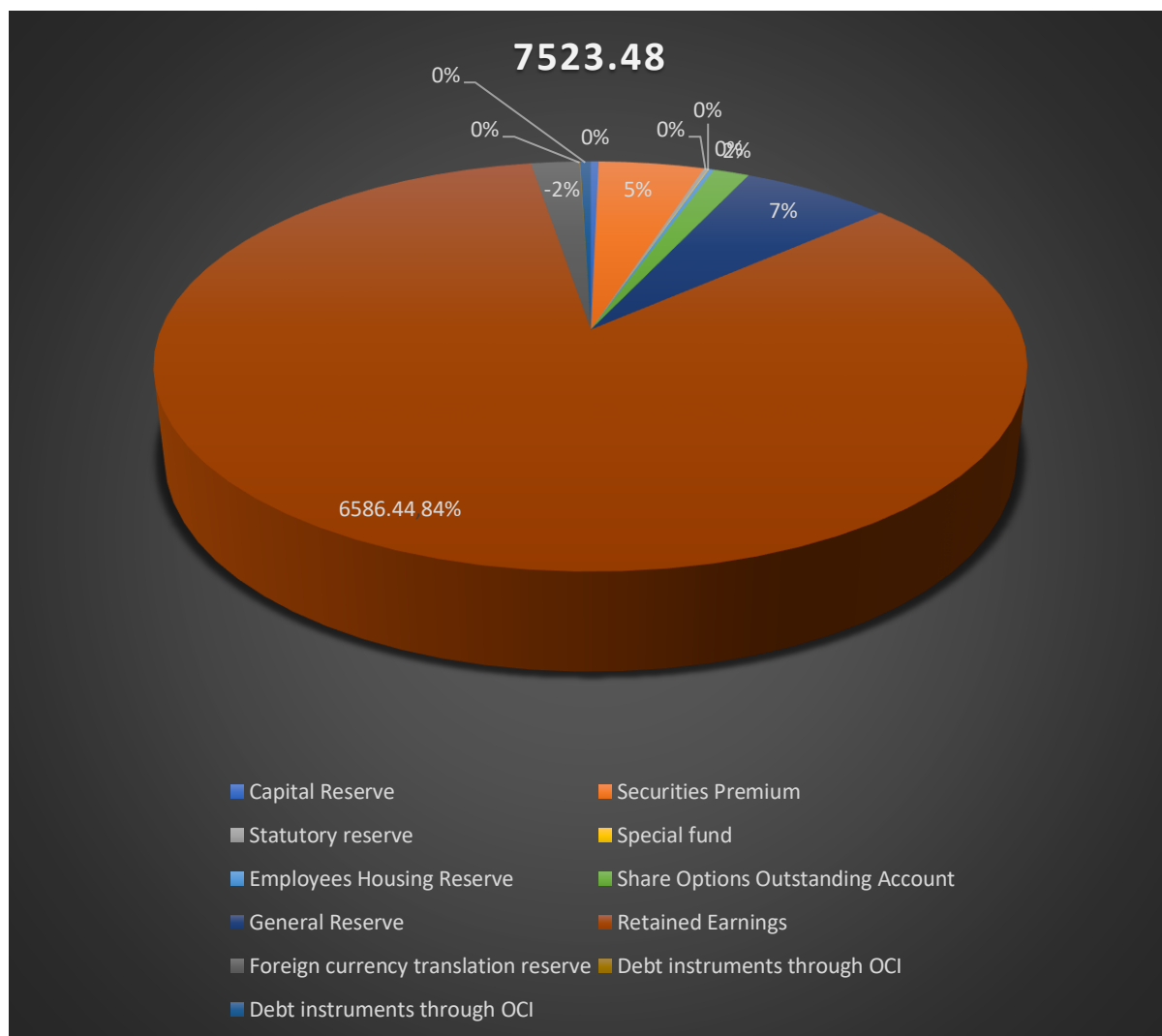
General Reserve: Balance as at 31st March, 2021 513.43 CRORE

Retained Earnings: Balance as at 31st March, 2021 6586.44 CRORE

Foreign currency translation reserve: Balance as at 31st March, 2021 (167.25) CRORE

Debt instruments through OCI : Balance as at 31st March, 2021 2.70 CRORE

Non - controlling Interests : Balance as at 31st March, 2021 36.69 CRORE



## 7. MARICO LIMITED

## TOTAL RESERVES AND SURPLUS

**3129 CRORE**

Securities Premium: Balance as at 31st March, 2021 431 CRORE

Retained Earnings: Balance as at 31st March, 2021 3038 CRORE

General Reserve: Balance as at 31st March, 2021 299 CRORE

Share Options Outstanding Account: Balance as at 31st March, 2021 29 CRORE

Treasure share : Balance as at 31st March, 2021 (40) CRORE

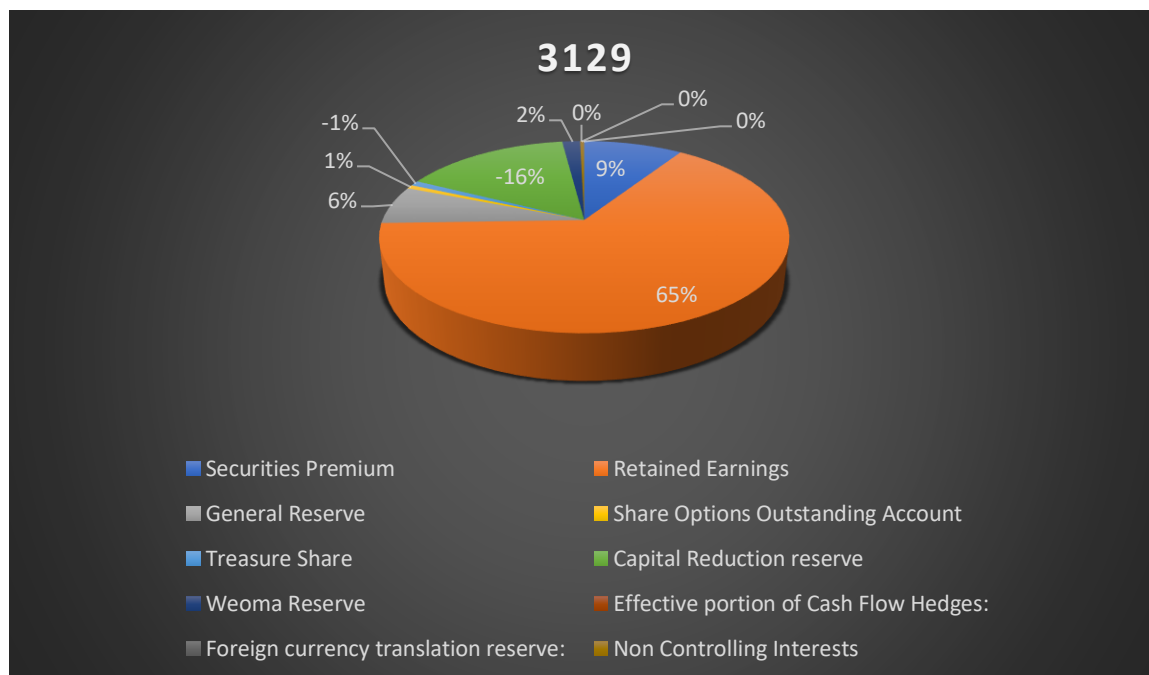
Capital Redemption reserve : Balance as at 31st March, 2021 (724)CRORE

weoma Reserve: Balance as at 31st March, 2021 78 CRORE

Effective portion of Cash Flow Hedges: Balance as at 31st March, 2021 0 CRORE

Foreign currency translation reserve: Balance as at 31st March, 2021 0 CRORE

Non - controlling Interests : Balance as at 31st March, 2021 18 CRORE



## 8.GODREJ CONSUMER PRODUCTS LTD.

### TOTAL RESERVES AND SURPLUS

**9336.65 CRORE**

Securities Premium: Balance as at 31st March, 2021 1418.61 CRORE

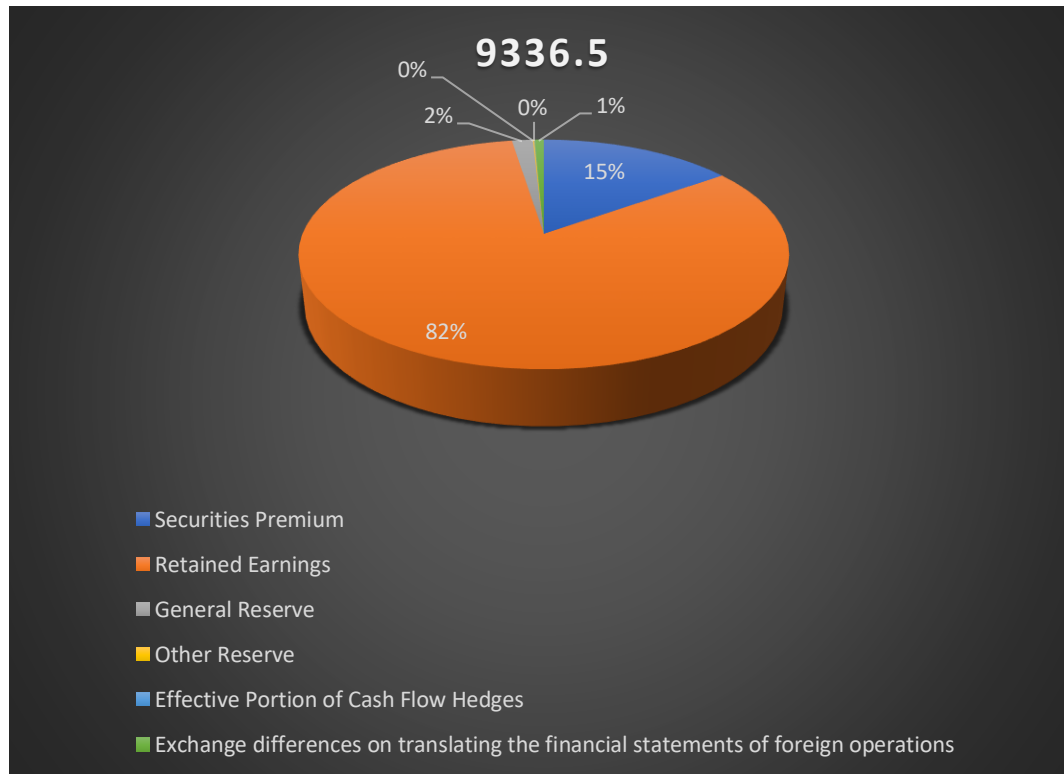
Retained Earnings: Balance as at 31st March, 2021 7691.13 CRORE

General Reserve: Balance as at 31st March, 2021 154.05 CRORE

Other Reserve: Balance as at 31st March, 2021 9.14 CRORE

Effective portion of Cash Flow Hedges: Balance as at 31st March, 2021 (3.46) CRORE

Exchange differences on translating the financial statements of foreign operations: Balance as at 31st March, 2021 66.38CRORE



## 9.Tata Consumer Products

**TOTAL RESERVES AND SURPLUS**

**15534.88 CRORE**

Capital Reserve: Balance as at 31st March, 2021 : 15.79 CRORE

Securities Premium: Balance as at 31st March, 2021 6430.87 CRORE

Capital Redemption reserve : Balance as at 31st March, 2021 0.10 CRORE

Contingency reserve: Balance as at 31st March, 2021 1.00CRORE

Amalgamation Reserves : Balance as at 31st March, 2021 8.33CRORE

General Reserve: Balance as at 31st March, 2021 1175.48 CRORE

Retained Earnings: Balance as at 31st March, 2021 6396.35 CRORE

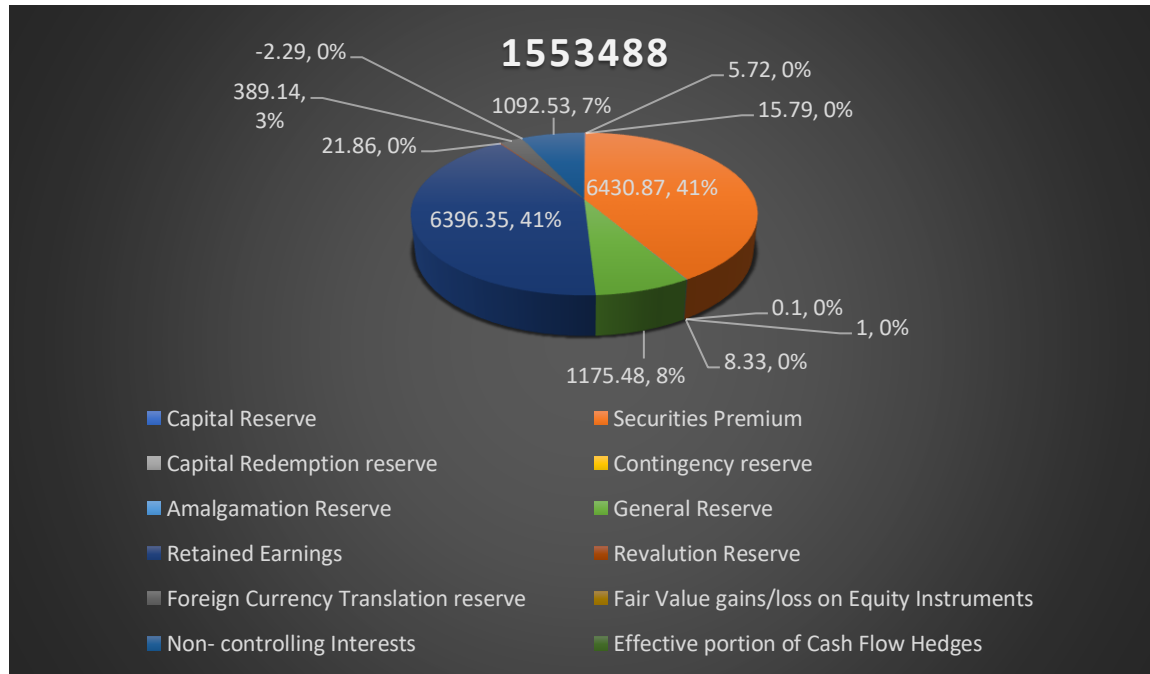
Revaluation Reserve : Balance as at 31st March, 2021 21.86 CRORE

Foreign currency translation reserve: Balance as at 31st March, 2021 389.14CRORE

Fair value gains/(loss) on Equity Instruments : Balance as at 31st March, 2021 (2.29) CRORE

Non - controlling Interests : Balance as at 31st March, 2021 1092.53 CRORE

Effective portion of Cash Flow Hedges: Balance as at 31st March, 2021 5.72CRORE



## 10. Emami

**TOTAL RESERVES AND SURPLUS**

**171731.15 LACS**

Capital Reserve: Balance as at 31st March, 2021 : 79.64 LACS

Securities Premium: Balance as at 31st March, 2021 : 7224.80 LACS

Capital Redemption reserve : Balance as at 31st March, 2021 : 94.21 LACS

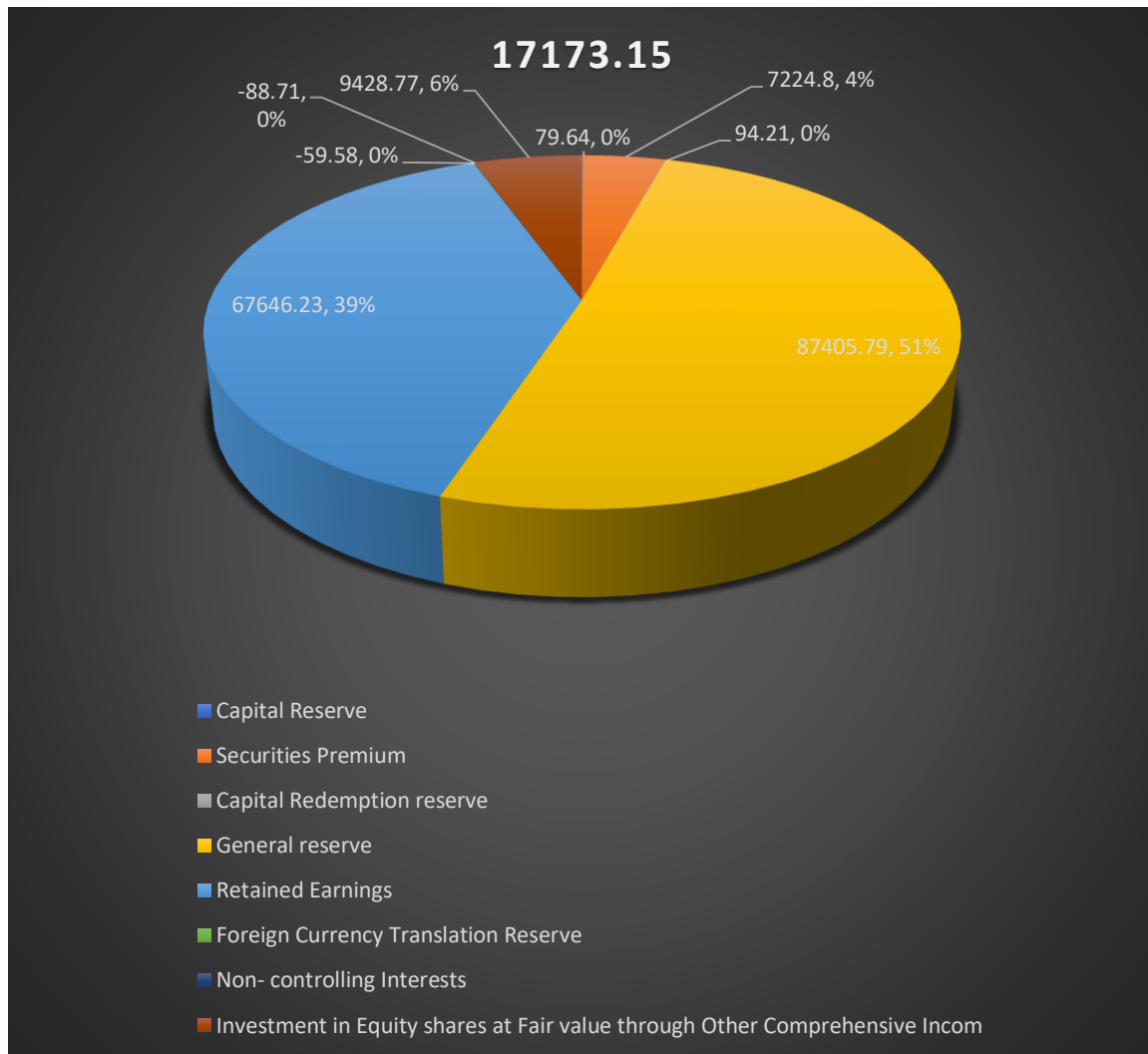
General Reserve: Balance as at 31st March, 2021 87405.79 LACS

Retained Earnings: Balance as at 31st March, 2021 67646.23 LACS

Foreign currency translation reserve: Balance as at 31st March, 2021 (59.58) LACS

Non - controlling Interests : Balance as at 31st March, 2021 (88.71)

Investment in Equity shares at Fair value through Other Comprehensive Income: Balance as at 31st March, 2021 : 9428.77 LACS



## V Limitations of the Study

- The study pertains only to FMCG sector which have listed in the BSE SENSEX
- This study is based on the secondary sources of data. The secondary data had limitations as the available data may not be accurate as desired, not up to date.
- The method of data collection is by observation. These methods of data collection had also some limitations.

## VI CONCLUSION

RESERVE & SURPLUS	COMPANY NAME				
		ITC Limited	Nestlé India Limited	Parle Agro	Britannia Industries
Capital reserve	0.0084%	0.13%			0.02%
Securities Premium	85.0208%	16.12%		22.33%	6.84%
Capital Redemption reserve	0.0126%	0.00%		15.95%	0.11%
Debenture Redemption reserve					5.03%
E S O A	0.0105%				
Other Reserves	0.0190%				
General Reserve	0.2402%	29.72%	42.12%	38.45%	24.32%
Retained Earnings	14.4967%	49.16%	5.95%	37.49%	61.02%
Employees' Housing Reserve	0.1054%	0.16%			
Debt instruments through OCI	0.0021%				
Non - controlling Interests	0.0421%	0.58%			1.01%
Cash flow Hedges through OCI	0.0421%				
Export profit Reserves	0.0000%				
Special Reserve under Section 45-IC		0.26%			
Subsidy Reserve:		0.00%			
Share Options Outstanding Account:		2.87%			0.78%
Contingency Reserve		0.61%			
EIOCI		43.06%	-1.66%		
Exchange differences of foreign operation		-0.04%			
Effective portion of Cash flow Hedges			0.06%		
Foreign currency translation reserve					0.37%
Other instruments through OCI					-0.18%

Changes in equity					0.67%
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RESERVE & SURPLUS	COMPANY					
	Dabur	MARICO LIMITED	Godrej Group	Tata Consumer Products	Emami Group	
Capital reserve	0.36%			0.10%	0.05%	
Securities Premium	4.85%	13.77%	15.19%	41.40%	4.21%	
Capital Redemption reserve		-23.14%		0.00%	0.05%	
Debenture Redemption reserve						
E S O A						
Other Reserves			0.10%			
General Reserve	68.37%	9.56%	1.65%	7.57%	50.90%	
Retained Earnings	87.55%	97.09%	82.38%	41.17%	39.39%	
Employees' Housing Reserve	0.24%					
Debt instruments through OCI	0.04%					
Non - controlling Interests	0.49%	0.58%		7.03%	-0.05%	
Cash flow Hedges through OCI						
Export profit Reserves						
Special Reserve under Section 45-IC						
Subsidy Reserve:						
Share Options Outstanding Account:	1.65%	0.93%				
Contingency Reserve				0.01%		
EIOCI						
Exchange differences of foreign operation			0.71%			
Effective portion of Cash flow Hedges		0.00%	-0.04%	0.04%		
Foreign currency translation reserve	-2.22%	0.00%		2.50%	-0.03%	
Other instruments through OCI						
Changes in equity						
Statutory reserve :	0.19%					
Special fund	0.04%					
Treasure share		1.28%				
weoma Reserve:		2.49%				
Amalgamation Reserves				0.05%		

Revaluation Reserve				0.14%		
Fair value gains on Equity Instruments				-0.01%		
Invest in Equity shares at Fair value OCI					5.49%	

NOTE- The above table shows the utilisation of reserve and surplus by different companies in different different areas of the reserve in percentage form.

In this study I found that the every company utilize their reserve and surplus their own way some big organization just like HUL, DABUR and TATA CONSUMER PRODUCT utilize their reserve and surplus in many special areas such as Housing reserve for employee, Amalgamation Reserves for future amalgamation, WEOMAR reserve and Treasury share, Special fund for special purpose, statutory reserve, Export profit reserves and so on. But most of the organization in FMCG sector utilize their reserve and surplus in following areas:

Capital Reserve, Securities Premium, Capital Redemption reserve, Contingency reserve, General Reserve, Retained Earnings, Revaluation Reserve, Foreign currency translation reserve, Fair value gains/(loss) on Equity Instruments, Non controlling Interests, Effective portion of Cash Flow Hedges, Debenture Redemption reserve



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NIOS books

ICAI books

C.R.KOTHARI