

VALUATION OF INTANGIBLES OF LISTED FMCG COMPANY OF INDIA

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Abstract:

The process of accounting is not merely an art rather also the science of measurement. The measurement of the components of intangibles has put a challenge to make the accounting numbers value relevant. In this paper, the value of intangibles is determined at the organisational level taking the difference between the market value of equity and value of equity at the current cost. The market value of equity is lower between market capitalisation and intrinsic value determined with the trailing quarter's P/E multiple of PAT. The value of equity at current cost is determined after adjusting non-current and non-monetary assets with an adjusted cost inflation index. The index has a base 2001-02 and so the sample company is Godrej Consumer Products Ltd., a constituent of NIFTY FMCG index, which acquired the assets only in 2001-02 after its incorporation in 2000. The company has been reporting intangible assets since the financial year ending 31st March 2002 and the figure of the value of intangible assets disclosed by the company shows a rising trend with disclosure of 52 percent of total assets as intangible assets. However, the price to book ratio remains high at 10.38 as of 31st March 2020. The study finds that the company is reporting only 18% of the value of intangibles, as determined by taking the difference between the market value of equity and equity at current cost, as its intangible assets in its consolidated balance sheet.

Key words: *Value of Intangibles, Market Value of Equity, Equity at Current Cost, P/E multiple, Adjusted CII, Godrej Consumer Products Ltd.*

1. Introduction

The company gains its value from the resources it uses. In the industrial economy, the physical resources – property, plant, equipment, and inventories, were the value drivers for the companies. The economy shifted from an industrial economy to a knowledge economy. The companies invested in intangibles and the intangibles have been the strategic resources for the companies.

The absence of an active market creates a challenge for determining the value of intangibles for accounting practitioners and researchers. The accounting standards guide the practitioners. The standards have defined the intangible assets as an identifiable non-monetary asset without physical substance and the standards mention that the asset is recognised when the entity controls the resources and there is expected future benefits for the entity. An asset is identifiable when either it is separable or it arises from contractual rights or legal rights. An entity is said to control the asset when the entity restricts the access of future economic benefits flowing from the resources to others.

However, the researchers consider the definition of intangibles by the standards as narrow and conservative (Nakamura, 1999, Lev, 2018). The two grounds on which the researchers do not accept the definition of reporting standards on intangible assets are – separate identification and control.

There is considerable interaction between tangible and intangible assets, and the intangibles are embedded in physical assets and labour (Lev, 2001); and this characteristic makes it difficult to identify all the intangibles. The knowledge, which are the human resources' minds, is not within the control of the entity (Andriessen, 2004). Hence many intangibles remain un-reported in the financial statements of the companies as they could not be recognised following the guidance from accounting standards. The examples of unidentifiable intangibles mentioned by Karius (2016) are "an assembled and well-trained workforce, advertising programs, distributor networks, training materials, customer loyalties, supplier contacts, goodwill, etc....." Intangible assets are assets that do not have a specific physical form, such as a company's reputation, culture and value, brand name, technology, etc., but can make a significant contribution to creating business value (Osinski *et.al.*, 2017).

The listed Indian companies have a high gap in the market capitalisation and book value of equity measured by the price-to-book (P/B) ratio. There are researches on intangibles - measuring, reporting and value relevance, to study the reason for such gap. This research will add to the literature on the valuation of intangibles in monetary terms of listed companies.

2. Review of Literature

The valuation of intangibles has been challenging for researchers and professionals. The research works on the valuation of intangibles are reviewed to understand better the purposes of valuation of intangibles and the methods and approaches available for valuation of intangibles.

Contractor(2001) and Andriessen(2004) are two among the important literatures explaining the purposes of the valuation of intangibles. Contractor(2001) answering to the question 'when do intangible assets need to be valued' stated the following seven circumstances for valuing the intangible assets - Stock Market Valuation; Company Sale, Merger or Acquisition; Sale, Purchase or licensing of separable assets; Lawsuits involving intellectual property infringement; Tax liability; Corporate alliances; and R & D management. Andriessen(2004) stated three broad reasons for valuing the intangibles - Improving Internal Management; Improving External Reporting; and Statutory and Transactional Issues. The International Valuation Standard 210 (IVS 210) on Intangible Assets in its non-exhaustive list of examples included the following as the purposes of valuation of intangible assets – financial reporting purposes; for tax reporting purposes; when intangible assets are subject of litigation; when there are statutory or legal requirements; and by valuers for consulting engagements.

According to the purpose of valuation, the method or approach for the valuation of intangibles is decided. For example, the intangible assets need to be valued individually for transacting each intangible asset or for financial reporting or lawsuits and the aggregate value of all intangible assets may be determined for stock market valuation. The literatures are studied for knowing the methods and approaches for the valuation of intangibles.

Cited by Bontis(2000), Brooking has identified three measurement models to measure intangible assets: cost approach; income approach; and market approach. These are the approaches suggested standards on the valuation of intangibles and the standards have put different methods under

each of the approaches to value each component of intangibles (IVS 210, ICAI valuation standard 302). These approaches and methods are for valuing intangibles for reporting purposes.

However, due to the lack of separate identity of the intangibles and lack of control of the entity on the intangibles, the companies may not identify the internally generated intangibles and measure them. So some intangibles get missed from the balance sheet. Hence, the researchers suggested many approaches, models, and methods for valuing the intangibles at the organisation level and component-wise.

Bontis(2000) summarised the trends and features of intellectual capital models: Skandia navigator, IC index, Technological broker, Intangible asset monitor, MVA & EVA. All the models are used to find the monetary value of the knowledge assets.

Sveiby (2010) compiled forty-two approaches developed by researchers from the 1950's to 2009 for measuring the intangibles and starts from Tobin's Q of the 1950's. These approaches were categorised into four measurement methods – direct intellectual capital methods (DIC), market capitalization methods (MCM), return on assets methods (ROA), and scorecard methods (SC). The approaches are used to measure the intangibles in monetary and non-monetary terms; and individual intangible assets and intangibles at organisational level.

Osinski *et.al.*(2017) mentioned forty-four valuation methods of intangibles with the objectives of the method. The researchers grouped the methods according to their objectives. The broad groupings under which the categorisation of methods are: - strategy; innovation; management of resources; evaluation of work environment, managers and clients; guidelines for reporting; determine real value of company; assess the value of individual intellectual assets; and measure the contributions of intangible assets.

3. Objectives of the study:

Banerjee(2009), valuing intangibles as the difference between market capitalisation and net worth, has found the intangibles to market capitalisation ratio as high as 93.6% for TCS Ltd. from 2003-04 to 2007-08. It indicates that the company has a high P/B ratio. Among the National Stock Exchange(NSE) sectoral indices, NIFTY FMCG sector index has a high P/B ratio. The study examines the reporting of intangibles and the value of intangibles of large-cap FMCG companies, which are constituents of the index mentioned above and incorporated not earlier than 2000. The key objective of the study is:

- To ascertain the market-relevant value of intangibles of FMCG company.

4. Research Methodology

4.1.Valuation methodology

The intangibles can be valued at the organisational level or for the individual intangible asset. In this research work, the valuation of intangibles at organisational level is undertaken, which is relevant for the market and its players. The value of the intangibles is determined as the difference between 'market values of equity' and 'equity at current cost'. The determination of the two values - P/E multiple values of equity

(minuend in the subtraction) and equity at current cost (subtrahend in the subtraction) have been explained in the following two sub sections.

4.1.1. Market Value of Equity:

The market value of equity can be the market capitalisation or the intrinsic value calculated using different methods. For the current study, lower the NSE market capitalisation and intrinsic value is the market value of equity. The Price-Earnings(P/E) multiple of the profit is used to calculate the intrinsic value. For valuation of equity, P/E multiple under market approach which is a widely used method by professionals (Pinto *et.al.*, 2018) and it explains reasonably the market value of equity(Liu *et.al.*, 2002; Sehgal and Pandey, 2010;Tiwari, 2016).

The market value of equity is determined as the P/E multiple of earnings. For determining the right P/E multiple to be considered for finding the value of equity, the relationship of the market capitalisation of FMCG companies for financial year ending 31st March, 2001 to 31st March, 2020 with their trailing P/E multiple of profit after tax(PAT) less preference dividend is studied using panel regression. The relationship is evaluated for trailing one year's P/E ratio, trailing one quarter's P/E ratio, an average of trailing two quarters' P/E ratio and an average of trailing four quarters' P/E ratio. PAT is adjusted for extraordinary and exceptional incomes and expenses.

4.1.2. Equity at Current Cost:

In inflation accounting, to arrive at the fair value from the book value, the book values in the balance sheet are inflated using an index number. The equity at the current price is calculated indexed value of gross non-current tangible assets *minus* accumulated depreciation *plus* the indexed value of long-term investments *plus* other assets(other than intangible assets) at book value *minus* the value of liabilities appearing in balance sheet *minus* paid-up preference share capital. The non-current tangible assets and long-term investments are the non-monetary assets and hence indexed. The current non-monetary assets – inventories and short-term investments are not indexed as the income from these assets are reflected in PAT, which is the minuend in the subtraction for finding the intangible value.

For this research, the book value of equity is inflated using the consumer price index (CPI) for urban non-manual employees for finding the equity *i.e.* net assets at current cost. CPI is a measure of inflation and the rationale for using the CPI is - it is being used in computing the cost inflation index (CII), which finds application for computing long-term capital gains on the sale of assets in income tax law. The CII regards 75 percent of average rise in the CPI for urban non-manual employees for immediately preceding the previous year with base 2001-02. For the current research, the CII figures are adjusted by having regard to 100 percent of the average rise in the CPI mentioned above(adjusted CII).

4.2.Selection of Sector:

The intangibles remain undisclosed in the balance sheet. Such non-disclosure causes a high difference in the market capitalisation and book value of equity. The sector having high P/B Ratio is

searched for among the fifteen NIFTY sectoral indices on this criterion. The search result revealed that till the financial year ending 31st March 2020, the FMCG Sector has the highest P/B Ratio and hence this sector is chosen for the study.

4.3. Selection of the company:

The universe of the study is the companies included in the Nifty FMCG index as on 31st March, 2021. There are fifteen companies in the index. The study uses the adjusted CII and the CII has the base year 2001-02. As on 1.4.2001 or thereafter, the fair market value is required of the assets and liabilities. On this criterion, the company must be incorporated in the year 2000 or thereafter. Godrej Consumer Products Ltd. is the only company which satisfied this criterion. This company was incorporated in 2000 and was listed on national stock exchange(NSE) and bombay stock exchange(BSE) in June, 2001. Hence, Godrej Consumer Products Ltd. is the sample company for the study.

4.4. Source of Data:

For the valuation of the intangibles, all financial data are used from consolidated financial statements of Godrej Consumer Products Ltd. The source of all data is the CMIE prowess.

5. Analysis of Reporting of intangible assets and Valuation of intangibles - Godrej Consumer Products Ltd.

In this section, the reporting of intangibles by the sample company *i.e.* Godrej Consumer Products Ltd., is shown and also the value of intangibles is determined.

5.1. Reporting of Intangible Assets by Godrej Consumer Products Ltd.

Godrej consumer products Ltd. is an FMCG company and is a large-cap company and constituent of NIFTY FMCG Sectoral index. The company was incorporated in 2000 and published its first annual report for the year ended 31st March, 2001. As on this date, the company disclosed total assets of ₹3 million, which included cash and cash equivalents and miscellaneous expenditure. For the year ending 31st March 2002, the size of the balance sheet increased to ₹1801.9 million, which included intangible assets of ₹224.8 million. It published its first consolidated financial statements in the financial year 2005-06. Table 1 shows the intangible assets disclosed by the company from the year ending 31st March, 2002 to 31st March, 2020 which included the figures from the only published financial statements from the year 31st March, 2002 to 31st March 2005 and the figures from the consolidated financial statements from the year ending 31st March, 2006 to 31st March, 2020.

Table 1: Value of Intangibles Assets disclosed by Godrej Consumer Products Ltd.

(in ₹ million)

Financial year ending 31 st March of	Intangible assets	% of Intangible assets to Total assets
2002	224.8	12%
2003	195.5	11%
2004	219.8	12%
2005	184.6	9%

2006	1045	30%
2007	1388.7	24%
2008	1460.7	21%
2009	2582.3	22%
2010	3571.8	23%
2011	27228.3	60%
2012	32972.6	55%
2013	39939.3	48%
2014	45989.4	50%
2015	49928.4	49%
2016	50843.2	52%
2017	71403.1	54%
2018	72486.4	52%
2019	74779.7	51%
2020	79744.8	52%

(Source: own compiled)

Table 1 shows the intangible assets disclosed by Godrej Consumer Products Ltd. from the financial year ending 31st March 2002 to 31st March 2020. The data are collected from the CMIE Prowess database. From the financial year ending 31st March 2002 to 31st March 2005, the figures are in the financial statements published by it, and from the financial year ending 31st March 2006 to 31st March 2020, the figures are from the consolidated financial statements. The company's intangible assets increased from ₹224.8 million as of 31st March 2002 to ₹79,744.8 million as of 31st March 2020. The percentage of intangible assets to total assets increased from 12% from 31st March 2002 to 52% on the year ending 31st March 2020. The rising investments in intangible assets depict the importance of these assets for the company in the current knowledge-based economy.

5.2.Valuation of Intangibles:

The company disclosed 52% of total assets as intangible assets as of 31st March 2020. However, the price to book ratio remains still high at 10.38 as of that date. Hence, there is an undisclosed value of assets. The study of the literatures found that the companies disclose only the intangible assets which meet the criteria of standards on intangible assets viz. AS-26, Ind AS 38 and IAS 38. However, the intangibles do not include only the assets which are identified for reporting purpose. There are also many intangible resources embedded in the organisation itself, like its culture and human and physical resources (Lev, 2001). In this section, the value of intangibles of the Godrej Consumer Products Ltd. is determined as on financial year ending 31st March 2003 to 31st March 2020. For valuation, all the stock market data are taken from the National Stock Exchange(NSE). The model for determining the value of intangibles is:

$$\text{Value of Intangibles} = \text{Market value of Equity} - \text{Equity at Current cost} \text{ -----(1)}$$

For equation (1), the market value of equity is lower of market capitalisation or intrinsic value as of 31st March of each year. The lower value of the two is considered to have a conservative estimate of the intangibles. The source for the market capitalisation figure is CMIE Prowess database. The

intrinsic value is the P/E multiple of the net income adjusted for extraordinary, exceptional and prior period incomes and expenses (adjusted net income). Panel regression is run in Gretl software to find whether the P/E multiple of adjusted net income explaining the market capitalisation and for finding the lag period for the P/E for calculation of the intrinsic value, The dependent variable is the market capitalisation of the fifteen companies in the NIFTY FMCG Index and the explanatory variable is P/E multiple of adjusted net income for the years from 31st March 2003 to 31st March, 2020. The P/E of trailing year, P/E of trailing quarter, average of P/E of trailing two quarters, average of P/E of trailing four quarters have been experimented. Hence four panels are created.

Among the three approaches for panel data analysis viz. Pooled OLS approach, fixed effects(FE) approach and random effects(RE) approach, the tests result recommended for FE approach. The results of the FE approach for panel data analysis for four panels are shown in table 2:

Table 2: Table showing the results of four panels

	Panel 1 (trailing year's P/E Multiple of adjusted net income is explanatory variable)	Panel 2 (trailing quarter's P/E Multiple of adjusted net income is explanatory variable)	Panel 3 (average of trailing two quarters' P/E multiple of adjusted net income is explanatory variable)	Panel 4 (average of trailing four quarters' P/E multiple of adjusted net income is explanatory variable)
Constant	40814.5	15771.2	63784.3	73087.1
Coefficient of explanatory variable	1.03215	0.962129	2.38778	2.31837
p-value of F-statistic for the model	1.10E-117	2.20E-135	1.20E-102	2.07E-99
R Square	0.866587	0.908466	0.825413	0.812586
Akaike criterion	6344.671	6256.89	6274.443	6290.607
Schwarz criterion	6399.888	6312.107	6329.312	6345.476
Hannan-Quinn	6366.937	6279.156	6296.581	6312.745
Durbin-Watson	1.282087	1.716088	0.647978	0.695621

(Source: Own Compiled)

Table 2 shows the results of panel data analysis or the four panels. The results showed all the models are fit. For selecting the appropriate lag, the result values of Akaike criterion, Schwarz criterion and Hannan-Quinn criterion are studied. According to the criteria, the model which has lowest value is most appropriate and hence, trailing quarter's P/E multiple is selected for the study.

For determining the value of intangibles, the two values used as stated in equation- 1 are the market value of equity and equity at current cost. The market value of equity is lower in total market capitalisation as on the 31st March of 2003 to 2020 and intrinsic value calculated as trailing quarter's P/E multiple of adjusted net income. The figures for market capitalisation, intrinsic value and market value of equity are shown in table 3.

Table 3: Table showing the market capitalisation, intrinsic value and market value of equity

(` in millions)

Financial year ending 31 st March of	Market Capitalisation	Intrinsic value (trailing quarter's P/E multiple of adjusted net income)	Market Value of Equity*
2003	6040.13	5696.509	5696.509
2004	9351.01	11234.31	9351.01
2005	17550.21	17610.84	17550.21
2006	41241.95	34489.63	34489.63
2007	33165.2	37661.175	33165.2
2008	31885.34	36468.348	31885.34
2009	34277.65	43355.52	34277.65
2010	80530.06	114950.42	80530.06
2011	118272.2	170186.4	118272.2
2012	163393.83	178274.086	163393.83
2013	264774.35	350494.512	264774.35
2014	292504.1	432969.6	292504.1
2015	354388.2	543171.815	354388.2
2016	470209.1	615403.973	470209.1
2017	569280.2	863409.645	569280.2
2018	745136.03	1112253.325	745136.03
2019	701205.94	1508115.906	701205.94
2020	532473.47	608448.53	532473.47

*(Source: own compiled)***Lower of market capitalisation and intrinsic value*

Besides the market value of equity, the other figure required to determine the value of intangibles as stated in equation-1 is 'equity at current cost'. For determining the equity at current cost, the four steps involved are:

Step 1: The non-monetary assets among the non-current assets are indexed at CII adjusted for 100% change in the CPI(referred as adjusted CII). Such non-monetary assets are gross value of property, plant and equipment (PPE) and investments. The following is the formula adopted for indexing(for illustrative purpose calculation for three years are given):

$$\text{Indexed gross value of PPE for the year ending 2003} = (\text{Gross book value of PPE as on the year ending 2002} + \text{Increase in Gross book value of PPE during 2002 - 03}) \times \frac{\text{Adjusted CII for 2002-03}}{\text{Adjusted CII for 2001-02}}$$

$$\begin{aligned} \text{Indexed gross value of PPE for the year ending 2004} &= (\text{Gross book value of PPE as on the year ending 2002} + \\ &\text{Increase in Gross book value of PPE during 2002 - 03}) \times \frac{\text{Adjusted CII for 2002-03}}{\text{Adjusted CII for 2001-02}} \\ &+ \\ &\text{Increase in gross book value of PPE during the year 2003 - 04} \times \frac{\text{Adjusted CII for 2003-04}}{\text{Adjusted CII for 2002-03}} \end{aligned}$$

$$\begin{aligned}
 & \text{Indexed gross value of PPE for the year ending 2005=} \\
 & \left(\begin{array}{l} \text{Gross book value of PPE as on the year ending 2002} \\ + \text{Increase in Gross book value of PPE during 2002 - 03} \end{array} \right) \times \frac{\text{Adjusted CII for 2002-03}}{\text{Adjusted CII for 2001-02}} \\
 & \qquad \qquad \qquad + \\
 & \text{Increase in gross book value of PPE during the year 2003 - 04} \times \frac{\text{Adjusted CII for 2004 - 05}}{\text{Adjusted CII for 2002 - 03}} \\
 & \qquad \qquad \qquad + \\
 & \text{Increase in gross book value of PPE during the year 2004 - 05} \times \frac{\text{Adjusted CII for 2004 - 05}}{\text{Adjusted CII for 2003 - 04}}
 \end{aligned}$$

Similar is the computation for other years.

The two assumptions made in indexing are:

- a) Any addition in the value of PPE/ Investments in any year is at the beginning of that year.
- b) The disposals are adjusted on a FIFO basis

Step 2: Deducted the accumulated depreciation from the indexed gross value of PPE to arrive at the net value of PPE at the current cost

Step 3: Added the indexed non-current investments, book value of other non-current assets (other than the intangible assets) and current assets with the net value of PPE at current cost to find the total assets at the current cost.

Step 4: Deducted the book value of liabilities from the total assets at the current cost to find the equity at the current cost. The company has no preference shares.

Hence, the equation is deduced as:

$$\text{Equity at Current Cost} = \text{Gross value of PPE at current cost} - \text{Accumulated depreciation} + \text{Non-current investments at current cost} + \text{Book value of other non-current assets (other than intangible assets)} + \text{Book value of current assets} - \text{Book value of liabilities} \text{ -----(2)}$$

The book value of equity and equity at current cost as calculated as per the above equation are shown in table 4. The book value of equity is shown only for understanding the effect of indexing.

Table 4: Table showing Book value of equity and Equity at current cost

(in ` million)

Financial year ending 31 st March of	Book value of equity	Equity at Current Cost
2003	455.6	536.8
2004	423.6	571.7
2005	498.5	720.9
2006	786.9	1045.0
2007	1220	1589.8
2008	1686.9	2242.2
2009	5715.3	6542.0
2010	9547	10744.8
2011	17251.6	19612.1
2012	28922	32409.7

2013	35225.5	39874.0
2014	40005	46226.7
2015	44727.3	52594.2
2016	42769.8	50292.2
2017	53019.5	61383.4
2018	62583.1	71523.6
2019	72669.2	82320.7
2020	78983.6	89552.8

(Source: own compiled)

The company was incorporated in the year 2000. As on the first financial year ending 31st March 2001, the company has reported profit as nil. For the year ending 31st March 2002, the total assets increased to `1,801.9 million showing the starting of its operations. So, the year 2001-02 becomes the base year and is also the base year for CII the index referred for indexing the value of non-current and non-monetary assets.

Table 4 shows the book value of equity and equity at the current cost calculated according to equation-2. The book value of equity increased from `455.6 million to `78,983.6 million over the 18 years from the financial year ending 31st March 2003 to 31st March 2020 and the value of equity at current cost increased from `536.8 million to `89,552.8 million. On average, the equity at the current cost is 20 percent higher than the book value of equity.

The value of intangibles of the company, as stated in equation-1, is the difference between 'market value of equity' (shown in table 3) and 'equity at current cost' (shown in table 4). The value of intangibles computed as per equation-1 of the Godrej Consumer Products Ltd., along with the value of intangible assets reported by the company and the percentage of the value of intangible assets reported to the value of intangibles computed, are shown in table-5.

Table 5: Table showing the value of intangibles and % of value of intangible assets reported to value of intangibles
(Monetary figures in ` million)

Financial year ending 31 st March of	(1) Market Value of Equity	(2) Equity at Current Cost	(3) =(1)-(2) Value of intangibles	(4) Value of intangible assets reported	$[(4)/(3)]*100$ % of value of intangible assets reported to value of intangibles
2003	5696.509	536.8	5159.7	195.5	3.8%
2004	9351.01	571.7	8779.3	219.8	2.5%
2005	17550.21	720.9	16829.3	184.6	1.1%
2006	34489.63	1045.0	33444.6	1045	3.1%
2007	33165.2	1589.8	31575.4	1388.7	4.4%
2008	31885.34	2242.2	29643.2	1460.7	4.9%
2009	34277.65	6542.0	27735.6	2582.3	9.3%
2010	80530.06	10744.8	69785.2	3571.8	5.1%

2011	118272.2	19612.1	98660.1	27228.3	27.6%
2012	163393.8	32409.7	130984.1	32972.6	25.2%
2013	264774.4	39874.0	224900.3	39939.3	17.8%
2014	292504.1	46226.7	246277.4	45989.4	18.7%
2015	354388.2	52594.2	301794.0	49928.4	16.5%
2016	470209.1	50292.2	419916.9	50843.2	12.1%
2017	569280.2	61383.4	507896.8	71403.1	14.1%
2018	745136	71523.6	673612.5	72486.4	10.8%
2019	701205.9	82320.7	618885.2	74779.7	12.1%
2020	532473.5	89552.8	442920.7	79744.8	18.0%

(Source: own compiled)

The third column of Table 5 shows the value of intangibles, which is the difference between market value of equity and equity at current cost, which are shown in the first and second columns. There is rise in the value of intangibles from `5,159.7 million as on 31st March, 2003 to `4,42,920.7 million as on 31st March, 2020 with the maximum value `6,73,612.5 million as on the year ending 2018. The value of intangible assets reported by the company has increased from `195.5 million to `79,744.8 million over the 18 years. The company has reported 3.8 percent of the value intangibles in 2002-03 and this percentage increased to 18 percent in 2019-20. A significant increase in this percentage is noticed in 2010-11, the first comparative period under revised financial statements format under the companies act. The company has been recognising more and more intangible assets value, but it is still 18% percent of its value of intangibles as of 31st March, 2020.

6. Conclusion

In the knowledge economy, the value driver is the intangibles. Responding to the need of the competition, Godrej Consumer Products Ltd. has been investing in intangible assets and the value of intangible assets has increased from `195.5 million as of 31st March 2003 (11% of total assets) to `79744.8 million as of 31st March 2020 (52% of total assets). Still, the price to book ratio remains high at 10.38 as of 31st March 2020. There is a large value of intangibles that remains undisclosed as the intangibles are not merely the assets under the company's control but also the different resources embedded in the physical and human resources. Hence the value of intangibles is determined by taking the financial statements figure and market data.

The value of intangibles is the difference between the market value of equity and equity at the current cost. The equity at current cost is found after inflating the value of non-current and non-monetary assets with an adjusted cost inflation index. The value was `5,159.7 million as of 31st March 2003 and increased to `4,42,920.7 million as of 31st March 2020. The value of intangible assets recognised by the company as of 31st March 2020 is only 18% of the value of intangibles computed as on the same date. Still, 82% remains unrecognised and it is a challenge for the accounting standard setters and professionals. There is a need to reduce such a massive gap so that the accounting figures are value-relevant for the market and investors.

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