

# A Study on Financial Performance in Heritage Food Ltd., Chandragiri

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*Abstract- This study examines the financial performance of Heritage Foods Limited with reference to the Chandragiri unit. The main aim of the study is to understand the company's financial position, profitability, and efficiency in managing its resources. The data used in this study is collected from secondary sources such as annual reports and financial statements. Basic financial tools like ratio analysis used to evaluate the company's performance. The study helps in identifying the financial strengths of the company and the areas where improvement is required.*

*Index Terms- Financial Performance, Profitability, Ratio Analysis, Heritage Foods Limited*

## I. INTRODUCTION

Heritage Foods Limited is one of the well-known dairy companies in India. The company was established in 1992 and is involved in the production and distribution of various milk and dairy products such as milk, curd, butter, ghee, paneer, and ice cream. It plays an important role in providing quality dairy products to customers and also supports many farmers through its strong milk procurement network.

Financial performance is an important factor for any organization because it shows how well the company is managing its resources and generating profit. By analyzing financial performance, management and stakeholders can understand the company's profitability, efficiency, and overall financial stability.

This study focuses on analyzing the financial performance of Heritage Foods Limited with special reference to the Chandragiri unit. The analysis is

based on financial statements and other secondary data. The study helps to evaluate the company's profitability, liquidity, and operational efficiency, and it also identifies the financial strengths and areas where improvements can be made.

## II. REVIEW OF LITERATURE

- Rao (1993) : studied the financial appraisal of the Indian automotive tyre industry. The study aimed to examine the financial condition, strengths, and weaknesses of the industry. Financial performance was analyzed using inter-company and inter-sector analysis for the period 1981–1988. The study found that fixed asset utilization was not very productive in many tyre companies, while inventory management was relatively better. It also observed inconsistency in overall profit performance and suggested recommendations to improve financial performance.
- Rao (1993) : studied the inter-company financial analysis of the tea industry. The study analyzed key variables and projected future trends in sales and profits for the next ten years. Financial ratios were used to evaluate the financial health of the industry. The study concluded that the Indian tea industry has good future prospects and that changes in economic policies may increase foreign exchange earnings for exporting companies
- Pai, Vadivel & Kamala (1995): studied diversified companies and their financial performance. The objective was to examine the relationship between diversification and financial

performance. Seven large firms with different products operating in various industries were selected for analysis. Financial ratios were used to measure performance, and variations among firms were observed. The study concluded that the diversified firms showed healthy financial performance.

- Vijayakumar A. (1996): studied corporate liquidity using a discriminant analysis approach. The research analyzed factors such as sales growth, leverage, current ratio, and operating expenses to sales in determining profitability in the sugar industry. The study examined the short-term liquidity position of 28 sugar factories in both cooperative and private sectors. Discriminant analysis and 'Z' scores were used to classify companies as good or poor risk based on their liquidity position.
- Loundes (1998): studied the performance of Australian Government Trading Enterprises (GTEs). The research analyzed the performance of these enterprises over five years up to 1996 using the IBIS Enterprise Database. A comparative analysis showed significant differences in performance among firms and across industries. The study highlighted that evaluating GTE performance is important, especially with the increasing move toward privatization.
- Dhankar (1998): studied the criteria for measuring the performance of business enterprises in India, with special reference to public sector undertakings. The study proposed a model that compares the actual rate of return with the expected risk-adjusted rate of return. The research analyzed public sector enterprises established up to 1964 and operating until 1983. The study found that many public sector undertakings were not able to earn returns equal to the expected level.
- Sengupta (1998): studied the performance of the fertilizer industry in India. The research used cost functions and the Cobb–Douglas production function to evaluate industry performance. The study found that firms often expanded production

capacity before fully utilizing existing capacity, showing oligopolistic behavior. The results indicated increasing costs in the industry, and the analysis also revealed that the average productivity of labour was higher than its marginal productivity.

- Rajeswari (2000) : studied the liquidity management of Tamil Nadu Cement Corporation Ltd., Alangulam. The study found that the company's liquidity position was not stable. The analysis showed excess liquidity in the first two years, which was not beneficial because idle assets do not generate income and reduce profitability. The study concluded that the liquidity management of the company was poor and not satisfactory.
- Aggarwal & Singla (2001): developed a single index of financial performance using Multiple Discriminant Analysis (MDA). The study used 11 financial ratios to distinguish between profit-making and loss-making units in the Indian paper industry. The results showed that the model correctly classified about 82.14% of the units. The study identified inventory turnover ratio, interest coverage ratio, net profit to total assets, and earnings per share as important indicators of financial performance and suggested that MDA can help predict future profitability.
- Sur, Biswas & Ganguly (2001): studied liquidity management in Indian private sector enterprises with reference to the primary aluminium industry. The study found that INDAL showed better liquidity management through efficient use of short-term funds, while HINDALCO was less efficient. The analysis also revealed a strong positive relationship between liquidity and profitability in both companies

### III. OBJECTIVE OF THE STUDY

- To analyze the financial position of Heritage Foods Ltd and understand its overall financial health.
- To assess the liquidity position of the company and its ability to meet short-term obligations.

- To evaluate the long-term solvency of the company and examine its capital structure.
- To study the company's turnover and profitability to determine operational performance.
- To analyze the operating efficiency of the company and identify areas for improvement.

#### IV. NEED FOR THE STUDY

The need for this study arises from the importance of understanding the financial health of Heritage Foods Ltd. in a dynamic business environment. With frequent changes in its operations and capital structure, it becomes crucial to evaluate how effectively the company manages its resources, meets short-term obligations, and maintains long-term stability. Analyzing profitability, liquidity, and solvency provides insights into the company's ability to generate earnings, pay debts on time, and sustain growth. Moreover, by studying trends over multiple years, the project can identify strengths, weaknesses, and potential financial risks, which are essential for management, investors, and stakeholders to make informed decisions.

#### V. SCOPE OF THE STUDY

The scope of this study is to analyze the financial performance of Heritage Foods Limited by examining key financial indicators such as profitability, liquidity, and solvency. The study uses financial data from the company's annual reports to evaluate its ability to generate profit and manage financial resources. It helps in understanding the financial strengths and weaknesses of the company.

#### VI. RESEARCH METHODOLOGY

Research design: Discriptive Research design  
 Data Anlysis Tools: Data Collection

The data for this study is mainly collected from secondary sources. Financial information is gathered from the annual reports and financial statements of Heritage Foods Limited. Additional information is obtained from company websites, journals, books, and other published records related to financial performance.

Analysis of data is made using certain financial tools and techniques.

- Ratio analysis
- Statement of changes in working capital

The data is presented using various graphs and charts

#### VII. LIMITATIONS OF THE STUDY

- The study is based only on secondary data collected from the annual reports of Heritage Foods Limited.
- The accuracy of the study depends on the reliability of published data.
- The study covers only a limited period of time.
- External factors such as market conditions and competition are not considered.

#### VIII. DATA ANALYSIS & INTERPRETATION

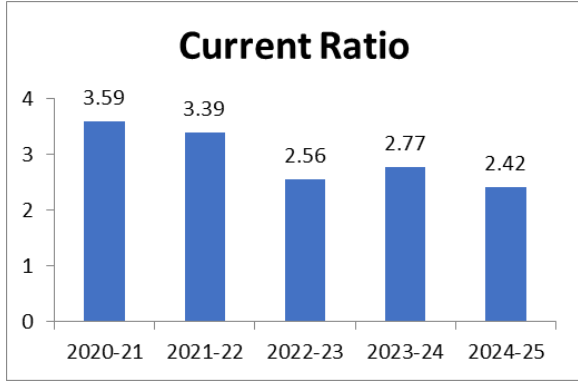
Current Ratio:

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

Showing the Current Ratio of Heritage Foods India Ltd

Year	Current Assets	Current Liabilities	Current Ratio
2020-21	149251880.76	41538241.92	3.59
2021-22	171489792.33	50579370.36	3.39
2022-23	176075490.76	68649192.79	2.56
2023-24	481952306.00	173735231.00	2.77
2024-25	499231975.00	205462123.00	2.42

Showing the Current Ratio of Heritage Foods India Ltd



**Interpretation**

During the period 2020-21 current ratio of the company was 3.59 which is quick high compared to the ideal ratio in the next four periods. There has been a marginal fall of current ratio 3.39, 2.56, 2.77 and 2.42 during the 2021-22,2022-23,2023-24 and 2024-25 which indicates the depletion of working capital condition of the company.

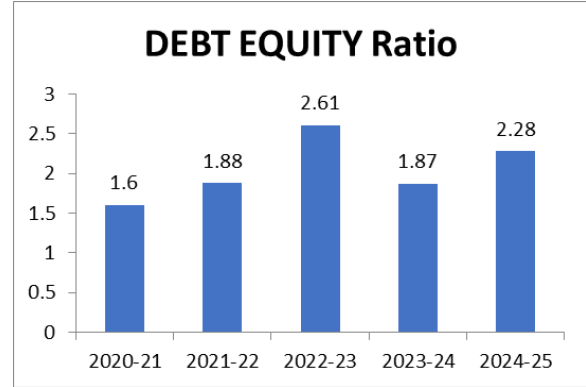
**Debt Equity Ratio**

$$Debt\ Equity\ Ratio = \frac{Debt}{Equity}$$

Showing the Debt Equity Ratio of HERITAGE FOODS INDIA LTD

Year	Debt	Equity	DEBT EQUITY Ratio
2020-21	36979282.99	23050000	1.60
2021-22	43492220.95	23050000	1.88
2022-23	60299284.76	23050000	2.61
2023-24	153837804.00	82032382	1.87
2024-25	187019585.00	82021809	2.28

Showing the Debt Equity Ratio of Heritage Foods India Ltd



**Interpretation**

The Debt Equity Ratio during the period 2020-21,2021-22,2022-23,2023-24 and 2024-25 are 1.60, 1.88, 2.61, 1.87 and 2.28 which is above the total debt equity ratio which shows that debt is more than equity i.e. unwarranted in the year 2024-25.

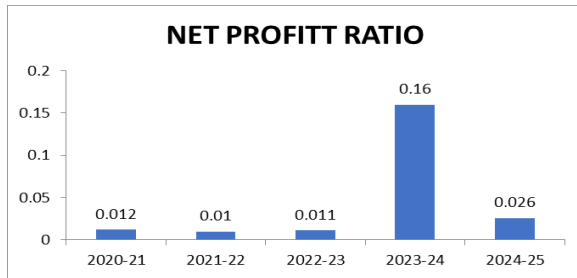
**Net Profit Ratio :**

$$Net\ Profit\ Ratio = \frac{Net\ Profit}{Net\ Sales} \times 100$$

Showing the Net profit ratio of HERITAGE FOODS INDIA LTD

Year	Net Profit	Net Sales	NET PROFIT RATIO
2020-21	12535897	1005438773.32	0.012
2021-22	12573363	1240400780.85	0.010
2022-23	16680950	1483468207.19	0.011
2023-24	46467460	2852734310.00	0.16
2024-25	98786932	3738023759.00	0.026

Showing the Net Profit Ratio of HERITAGE FOODS INDIA LTD



#### Interpretation

During the period 2020-21 the ratio was 0.012 and during the following period 2021-22 there was a step fall into 0.010 ratio. It was slightly increased to 0.011 in the year 2022-23. Subsequently in the year 2023-24 the ratio increases to 0.16 and in the year 2024-25 it was once again increased upto 0.026

#### IX. FINDINGS OF THE STUDY

- The current ratio shows a declining trend, indicating a weakening working capital position.
- The liquid ratio fluctuates and shows difficulty in maintaining sufficient liquid assets.
- The debt–equity ratio shows an increasing trend, indicating higher dependence on borrowed funds.
- The proprietary ratio shows a decreasing trend, indicating a reduction in owners' contribution to total assets.
- Current assets turnover and total assets turnover ratios show fluctuations, reflecting inconsistent asset utilization.
- The working capital turnover ratio shows variation but indicates improved utilization in the final year.
- Profit on shareholders' funds increased in the last year, indicating better returns to shareholders.
- The owned capital turnover ratio shows improvement, indicating better use of shareholders' funds.
- The gross profit ratio fluctuates, showing instability in profit margins.
- The net profit ratio improved in the later years, indicating better profitability and cost control.

#### X. SUGGESTIONS

- Maintain a stable working capital position to improve the current ratio.

- Improve credit policy and debt collection to increase liquidity.
- Reduce dependence on borrowed funds to maintain a balanced debt–equity ratio.
- Utilize fixed assets efficiently during off-season periods.
- Adopt proper inventory control techniques.
- Use working capital effectively to increase sales and turnover.

#### XI. CONCLUSION

The study found that the company's working capital position has shown fluctuations during the study period. The declining current ratio and liquid ratio indicate weakness in short-term financial stability. The increasing debt–equity ratio shows higher dependence on borrowed funds, which may increase financial risk.

However, improvement in turnover ratios and net profit ratio in the later years indicates better utilization of resources and improved operational efficiency.

Overall, the study found that effective working capital management and proper financial planning are necessary to maintain financial stability and ensure future growth of the company

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