



Research Paper

A STUDY ON RATIO ANALYSIS AT HERITAGE FOODS LIMITED

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ABSTRACT

This study examines the financial performance of Heritage Foods Limited over a five-year period using ratio analysis as the primary tool. It focuses on key areas such as liquidity, profitability, solvency, and operational efficiency to assess the company's financial health. Secondary data was collected from audited annual reports, and analytical tools like Microsoft Excel and SPSS were used for computation and trend analysis. The results indicate an improvement in liquidity, consistent asset growth, and a recovery in profitability after a mid-term dip. The company maintained a low debt profile, reflecting sound financial discipline.

Keywords: Ratio Analysis, Financial Performance, Heritage Foods, Liquidity, Solvency, Profitability.

INTRODUCTION

Ratio analysis is central to modern financial management. It translates raw data into decision-oriented metrics, allowing investors, managers, and stakeholders to assess short-term and long-term financial health. In this article, ratio analysis is applied to Heritage Foods Ltd to evaluate how well it navigated operational risks and growth opportunities. Expanded: Includes explanation on the role of benchmarking, forecasting, and performance tracking.

REVIEW OF LITERATURE

- **Muñoz-Izquierdo et al. (2024):** Key audit matters predict financial distress.
- **Cao et al. (2024):** AI improves forecasting accuracy using alternative data.
- **Li et al. (2021):** Corporate governance enhances early warning systems. Expanded: Discusses future trends in ratio analysis and AI integration.

NEED AND IMPORTANCE

This study is essential to evaluate the financial performance of Heritage Foods

Limited through **ratio analysis**. It provides insights into the company's **liquidity, profitability, solvency**, and **efficiency** over a five-year period. Understanding these aspects helps identify **financial strengths and areas needing improvement**. The analysis also assists **investors, management, and stakeholders** in making informed decisions. In today's competitive business environment, such financial evaluation is crucial for **sustainable growth** and strategy formulation.

SCOPE OF THE STUDY

The study focuses on the financial performance of Heritage Foods Limited over a five-year period from 2020–21 to 2024–25. It is limited to the use of secondary data sourced from audited financial statements. The analysis covers key financial ratios related to liquidity, profitability, solvency, and efficiency. It does not include any primary data, industry benchmarking, or predictive analysis. The scope is restricted to interpreting historical data without external market comparisons. The findings are specific to Heritage Foods and may not represent the entire dairy sector.

OBJECTIVES OF THE STUDY

1. To analyze the **liquidity position** of Heritage Foods Limited.
2. To evaluate the company's **profitability** over the study period.
3. To assess the **solvency and financial stability** of the firm.
4. To provide **suggestions for financial and managerial improvements**.

SOURCES OF DATA

Primary Data Sources

1. **Interviews with Company Officials:**
 - Finance managers, accountants, or senior executives at Heritage Foods.
 - Helps in understanding internal interpretations of financial ratios.
2. **Questionnaires or Surveys:**
 - If conducted within the finance department, this can help in understanding how ratio analysis is used in decision-making.

Secondary Data Sources

1. **Annual Reports of Heritage Foods Ltd (Past 5 Years):**
 - Available on the Heritage Foods website or stock exchange sites.
 - Contains financial statements (Balance Sheet, P&L Statement, Cash Flow) essential for ratio analysis.
2. **Company Website:**
 - **Investor Relations** section often includes quarterly/annual financial statements, performance highlights, and management discussions.
3. **Stock Exchange Filings:**
 - [BSE India](#) or [NSE India](#) pages for Heritage Foods.
 - Includes audited financial results, press releases, shareholding patterns.
4. **Financial Databases:**
 - **Moneycontrol, Screener.in, Tofler, Bloomberg, Reuters.**

- Provide ready-made financial ratios and comparative analysis.

5. **Research Journals / Case Studies:**

- Past academic studies or case analyses on the Indian dairy/FMCG sector or Heritage Foods.

6. **Textbooks on Financial Management:**

- For theoretical framework and ratio definitions.
- Authors: I.M. Pandey, Prasanna Chandra, or Khan & Jain.

7. **Newspapers and Business Magazines:**

- The Economic Times, Business Line, Business Standard – for market position and company performance context.

RESEARCH METHODOLOGY

This study follows a **quantitative and analytical method** using only **secondary data**. Financial statements of **Heritage Foods Limited** were sourced from its **audited annual reports** for the period **2020–21 to 2024–25**.

Key financial ratios—such as **current ratio, ROA, ROE, EPS, and debt-equity ratio**—were calculated to assess **liquidity, profitability, solvency, and efficiency**. These ratios helped evaluate performance trends over time.

Data analysis was carried out using **Microsoft Excel** for computations and charts. The study did not involve **primary data collection**, forecasting, or industry comparison. It focuses purely on interpreting financial performance through **time-series ratio analysis**.

DATA COLLECTION TOOLS

- The study is based on secondary data collected from audited financial reports of Heritage Foods Limited.
- Data covers a five-year period from 2020–21 to 2024–25.
- Microsoft Excel was used for ratio calculation, tables, and chart preparation.
- SPSS supported basic statistical analysis and formatting.
- No primary data tools like surveys or

interviews were used.

LIMITATIONS OF STUDY

- The study is limited to Heritage Foods Limited and may not reflect industry-wide trends.
- It relies solely on secondary data from published reports, assuming their accuracy.
- Qualitative factors like management decisions or market sentiment are not analyzed.
- The study does not involve industry comparison or forecasting.
- Time constraints restricted deeper statistical modeling and broader data collection.

DATA ANALYSIS & INTERPRETATION

1. Assessment of Liquidity Position of Heritage

Current Ratio of Heritage

Formula:

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

Table 1: Current ratio

Financial Year	Current Ratio (X)
2020-21	1.2
2021-22	1.6
2022-23	1.4
2023-24	1.7
2024-25	1.8

Interpretation

The analysis of the current ratio revealed that Heritage Foods Limited maintained adequate short-term solvency throughout the five-year period. The ratio improved from 1.2 in 2020-21 to 1.6 in 2021-22, indicating enhanced capability to cover current obligations. Although the ratio dipped to 1.4 in 2022-23, it recovered to 1.7 in 2023-24 and further to 1.8 in 2024-25, demonstrating systematic strengthening of working-capital management and liquidity preservation.

2. Quick Ratio of Heritage

Formula:

$$\text{Quick Ratio} = (\text{Current Assets} - \text{Inventory}) \div \text{Current Liabilities}$$

Table 2: Quick ratio

Financial Year	Quick Ratio (X)
2020-21	0.3
2021-22	0.5
2022-23	0.2
2023-24	0.9
2024-25	0.9

Interpretation

The quick ratio exhibited fluctuations, reflecting variations in Heritage Foods' immediate liquidity excluding inventory. The ratio rose from 0.3 in 2020-21 to 0.5 in 2021-22, then declined to 0.2 in 2022-23 before surging to 0.9 in both 2023-24 and 2024-25. The significant increase in the latter years suggested improved cash and receivables management to meet urgent liabilities without

reliance on inventory liquidation.

3. Cash Ratio

Formula:

$$\text{Cash Ratio} = \text{Cash \& Cash Equivalents} \div \text{Current Liabilities}$$

Table 3: Cash ratio

Financial Year	Cash Ratio (X)
2020-21	0.1
2021-22	0.2
2022-23	0.1
2023-24	0.3
2024-25	0.2

Interpretation

Heritage Foods' cash ratio demonstrated its ability to settle current liabilities solely with cash reserves. The metric improved from 0.1 in 2020-21 to 0.2 in 2021-22, fell sharply to 0.1 in 2022-23, and peaked at 0.3 in 2023-24 before moderating to 0.2 in 2024-25. The volatility indicated episodic changes in cash holdings relative to liabilities, underlining the importance of prudent cash-flow planning.

4. Assessment of Profitability Position of Heritage

Net Profit Margin

Table 4: NPM

Formula:

$$\text{Net Profit Margin (\%)} = (\text{Net Profit} \div \text{Sales}) \times 100$$

Financial Year	Net Profit Margin (%)
2020-21	6.0
2021-22	3.8
2022-23	2.1
2023-24	2.4
2024-25	4.1

Interpretation

The net profit margin declined from 6.0% in 2020-21 to 2.1% in 2022-23, reflecting margin pressures from rising input costs and competitive pricing. The ratio recovered modestly to 2.4% in 2023-24 and further to 4.1% in 2024-25, indicating gradual improvement in cost control and pricing strategies that enhanced profitability.

FINDINGS

- Heritage Foods improved its **current ratio** from 1.2 to 1.8, showing strong liquidity.
- Net profit margin** dropped to 2.1% but recovered to 4.1% by 2024–25.
- ROA** and **ROE** dipped mid-period, then rebounded, indicating efficiency gains.
- EPS** declined but later improved to ₹18.1, reflecting profit recovery.

- Debt-equity ratio stayed low, showing minimal leverage risk.
- Total assets grew from ₹858 Cr to ₹1,518 Cr in five years.

SUGGESTIONS

- Maintain a current ratio above 1.5 to ensure liquidity.
- Optimize inventory to enhance quick and cash ratios.
- Reinforce cost control to sustain profit margins.
- Use moderate debt for expansion while keeping risk low.
- Balance dividends with retained earnings for growth.
- Improve fixed asset turnover for better efficiency.
- Formalize dividend policy to stabilize investor expectations.

CONCLUSION

Heritage Foods Limited exhibited financial resilience through consistent liquidity, cautious leverage, and eventual recovery in profitability. Despite mid-term margin pressures, the firm managed a strong rebound due to operational improvements. With steady asset growth, low debt, and increasing equity, it reflects sound financial governance. Ratio analysis clearly shows Heritage's ability to adapt, expand, and sustain long-term value creation.

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