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*Research Paper*

# FINANCIAL STATEMENT ANALYSIS AT HERITAGE FOOD'S (INDIA) LIMITED

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**ABSTRACT**

This project presents a financial statement analysis that distinguishes leverage that arises in financing activities from leverage that arises in operations. The analysis yields two leveraging equations, one for borrowing to finance operations and one for borrowing in the course of operations. These leveraging equations describe how the two types of leverage affect book rates of return on equity. An empirical analysis shows that the financial statement analysis explains cross-sectional differences in current and future rates of return as well as price-to- book ratios, which are based on expected rates of return on equity. The paper therefore concludes that balance sheet line items for operating liabilities are priced differently than those dealing with financing liabilities. Accordingly, financial statement analysis that distinguishes the two types of liabilities informs on future pro tangibility and aids in the evaluation of appropriate price-to- book ratios.

## INTRODUCTION

### Meaning of financial statement

Financial statements at least refer to the two statements which are prepared by a business concern at the end of the year. They are:

- Income statement or trading and profit and loss account which is prepared by a business concern in order to know the profit earned and loss sustained duringa specific period.
- Position statement or balance sheet which is prepared by a business concern on a particular date in order to know its financial position.

### Nature of Financial Statement

Financial statements are prepared for the purpose of presenting a periodical review or report by the management and deal with the state of investments in business and result achieved during the period under review. They reflect a combination or recorded facts accounting conventions and personal judgments and conventions applied affect them materially. Form this it is clear that financial

statements are affected by three things i.e., recorded facts, Accounting conventions and personal judgments. Only those facts which are recorded in business books will be reflected in the financial statements.

The following points reflect truly the nature of financial statements of business entities.

- This are reports are summarized reviews about the performance, achievements and weakness of the business.
- These are prepared at the end of the accounting period so that various parties can take decision of their future actions in respect of the relationship with the business.
- The reliability of financial statements depends on the reliability of accounting data. These statements cannot be said to be true and fare representatives of the strength of profitability of the concern if there are numerous frauds and defalcations in the accounts.

**NEED OF THE STUDY:**

To understand the existing financial position of the Asian Paints Limited relating to its financial position and to know what are the factors that result and organization yield profit and loss.

The need of financial statement analysis study to diagnose the information contain in financial statement so as to judge the profitability and financial position of the firm Asian Paints Limited Financial analyst analyses the financial statement with various tools of analysis before commanding upon the financial health of the firm.

**SCOPE OF THE STUDY:**

Analysis of financial statement (AFS) can be undertaken by different persons and for different purposes, therefore, the scope of the AFS may be varying various circumstances for business decision making process However, the following are some the techniques of the AFS are (a) Comparative financial statements (b) Common-size financial statements (c) Trend percentage analysis (d) Statement of changes in financial position (e) Cost-volume-profit relations, and (f) Ratio analysis.

The ratio analysis is the most common, comprehensive and powerful tool of the AFS. The importance of ratio analysis lies in the fact that it presents facts on a comparative basis. As such, this study focuses only on ratio analysis. To carry out this study, it was collected financial information of Heritage Foods India Limited from financialyear 2018-20 to financial year 2022-23

**OBJECTIVES OF THE STUDY**

To determine the financial statements and weakness of the firm.To

determine the short –term solving of the firm

To diagnose the information contained to financial statements so as to judge the profitabilityand fondness of the firm.

To establish relationship between various figures or the income statement and balance sheet.To know

the financial position of the firm.

## METHODOLOGY OF THE STUDY

### RESEARCH DESIGN:

This is a systematic way to solve the research problem and it is important component for the study without which researches may not be able to obtain the format. A research design is the arrangement of conditions for collection and analysis of data in a manager that aims to combine for collection and analysis of data relevance to the research purpose with economyin procedure.

The formidable problem that follows the task of defining the research problem is the preparation of design of the research project, popularly known as the research design, decision regarding what, where, when, how much, by what means concerning an inquiry of a research study constitute a research design. A research design is the arrangement of conditions for collection and analysis of data in a manager that aims to combine for collection and analysis of data relevance to the research purpose with economy in procedure.

### TOOLS AND TECHNIQUES:

Comparative Income and Balance Sheet Statements and some ratios

### SOURCES OF DATA

Data we collected based on two sources.

- Primary data.
- Secondary data.

**Primary data**

The Primary data are those information‟s, which are collected afresh and for the first time,and thus happen to be original in character.

**Secondary Data:**

The Secondary data are those which have already been collected by some other agency and which have already been processed. The sources of Secondary data are Annual Reports, browsing Internet, through magazines.

- It includes data gathered from the annual reports of Heritage Foods India Ltd
- Articles are collected from official website of Heritage Foods India Ltd

## LIMITATIONS OF THE STUDY

Through an attempt has been made to study the Financial Statement Analysis. Study may suffer from the following limitations.

- The study is conducted for the purpose of fulfillment of the condition stipulated for Completion of course, so the study may not be fulfillment of the requirements of a detailed investigation.
- The study was conducted with the data available and the analysis was made according the detail of the study is for the past years only form 2017-18 to 2021-2022.
- Time was the major constraint. It does not allow me to study in depth.
- It does not consider the changes in prices level.
- Different people may interpret the same analysis in different ways.

## REVIEW OF LITERATURE

### Introduction

Methods used by interested parties such as investors, creditors, and management to evaluate the past, current, and projected conditions and performance of the firm. Ratio analysis is the most common form of financial analysis. It provides relative measure of the firm conditions and performance. Horizontal analysis and vertical analysis are also popular firms. Horizontal analysis is use to evaluate the trend in the accounts over the years, while vertical analysis, also called a common size financial statement discloses the internal structure of the firm. It indicates the existing relationship between sales and each Unicom statement account. It indicates the mix of assets that produce income and the mix of sources o f capital, whether bya current or long term debt or by equity funding. When using the financial ratios, a financial analysis makes 2 types of comparisons.

### Meaning of Analysis of Financial Statement

Analysis is the process of critically examining in details accounting information given in the financial statement. For the purpose of analysis, individual items are studied, there interrelationships with other related figures established, the data is sometimes rearranged to have better understanding of the information with the help of different techniques or relationship between component parts of financial statements to obtain a better understanding firms position and performance. In the words of Myer, “Financial statement analysis is largely a study of relationship among the various financial factors in a business as disclosed by a single set of statement and a study of the trend of these factors as shown in a series of statements”. The analysis of financial statements thus refers to the treatment of the information contained in the financial statements in a way so as to afford a full diagnosis of the profitability and financial position of the firm concerned. For this purpose, financial statements are classified methodically, analyzed and compared with the figures of previous years or other similar firms.

### Meaning of Interpretation

Analysis and interpretation are closely related. Interpretation is not possible without analysis and without interpretation analysis has no value. Various account balances appear in the financial statements. These account balances do not represent homogeneous data so it is difficult to interpret

them and draw some conclusions. This requires an analysis of the data in the financial statements so as to bring some homogeneity to figures shown in the financial statements. Interpretation is thus drawing of inference and stating what the figures in the financial statements really mean. Interpretation is dependent on interpreter himself. Interpreter must have experience, understanding and intelligence to draw correct conclusions from the analyzed data.

In other words of Kennedy and Memullar, "The analysis and interpretation of financial statements are an attempt to determine the significance and meaning of the financial statements data so that a forecast may be made of the prospects for future earnings, ability to pay interest and get maturities (both current and long-term), and probability of a sound dividend policy ".

The most important objective of the analysis and interpretation of financial statements are to understand the significance and meaning of financial statements data to know the strength and weakness of a business undertaking so that a forecast may be made of the future prospects of the business undertaking.

## INDUSTRY PROFILE & COMPANY PROFILE
## COMPANY PROFILE

**Heritage Foods Limited**

The Heritage Foods Limited was founded by Mr. Nara Chandrababu Naidu in the year 1992, which is one of the fastest growing Public Listed Companies in India, with two business divisions - Dairy and Renewable Energy. The annual turnover of Heritage Foods crossed INR 2681 crores in the financial year 2019-20.

Currently, Heritage's milk and milk products have a market presence in Andhra Pradesh, Telangana, Karnataka, Kerala, Tamil Nadu, Maharastra, Odisha, NCR Delhi, Haryana, Rajasthan, Uttarakhand & Uttar Pradesh.

In the year 1994, HFL went public and was oversubscribed 54 times. HFL shares are listed on BSE (Stock Code: 519552) and NSE (Stock Code: HERITGFOOD).

**Vision**

Delighting every home with Fresh & Healthy products and empowering the Farmer.

**Mission**

- To be a nationally recognized brand for Healthy and Fresh products with a revenue of INR 6000 Crore by 2024
- To anticipate, understand and respond to our Customers' needs by creating high- quality products and making them available through innovative and convenient channels

- To embrace the right technology to delight our Customers
- Advocating the balancing of economic, social and environmental aspects to create a better tomorrow
- Empowering the farmer community through our unique 'Relationship Farming' Model
- Be the Employer of Choice by nurturing entrepreneurship and promoting empowerment, alongside transparency

**CORPORATE MANAGEMENT TEAM**



**Mrs. Bhuvaneswari Nara**

**Vice-Chairperson & Managing Director**

A B.A. Graduate and a Director for several companies. Is a dynamic leader who has extensive experience in business and has been successfully steering Heritage Foods Limited towards growth and better prospects. Joined Heritage in 1994 as whole-time Director and is now serving as Vice Chairperson & Managing Director. Is guiding and monitoring the overall workflow of the organization.



**Mrs. Brahmani Nara**

**Executive Director**

Holds a Master's in Business Administration from Stanford University, Bachelor‟s in Electrical Engineering from Santa Clara University, California, USA and Communication Engineering from Chaitanya Bharathi Institute of Technology, Hyderabad, India.

Investment Associate in Vertex Venture Management Pvt Ltd between 2009-2011 in Singapore. Joined Heritage in 2011 as Vice President Business Development and is now serving as Executive Director. Takes care of such vital functions as design, development and implementation of strategic plans for the organization in a cost- effective and time-efficient manner.



**Dr. M. Sambasiva Rao**

**President,**

Post Graduate and Doctorate in Zoology. Served the state and central governments for about two decades as a member of the Indian Administrative Services (IAS). Dr Rao was the Joint Secretary in the Department of Commerce under the Ministry of Commerce and Industry, Government of India.



its inception.

**CA A. Prabhakara Naidu**

**Vice President - Finance & Accounts,**

Fellow Member of the Institute of Chartered Accountants of India and graduated from Sri Venkateswara University with a university rank in science. Has 26 years of experience in financeand accounts. Has been associated with the Heritage group since



**Mr. Umakanta Barik**

**Company Secretary,**

Has a Master‟s in Economics, LLB, FCS, and LIII. Is a Fellow Member of the Institute of Company Secretaries of India, New Delhi and a Licentiate from Insurance Institute of India, Mumbai. Has over 19 years of experience in the domains of Secretarial, Legal, Insurance & Intellectual Property Rights.



**Mr. J. Samba Murthy**

**Head - Dairy Division,**

Holds an MBA in Marketing and a Bachelor's in Science. Is the Senior Vice President at Heritage and has been associated with the Company since 2007. Has worked previously in APDDCF Limited, Visakha Dairy NDDB, and Reliance in various positions in the field of Sales & Marketing.

## DATA ANALYSIS AND INTERPRETATION

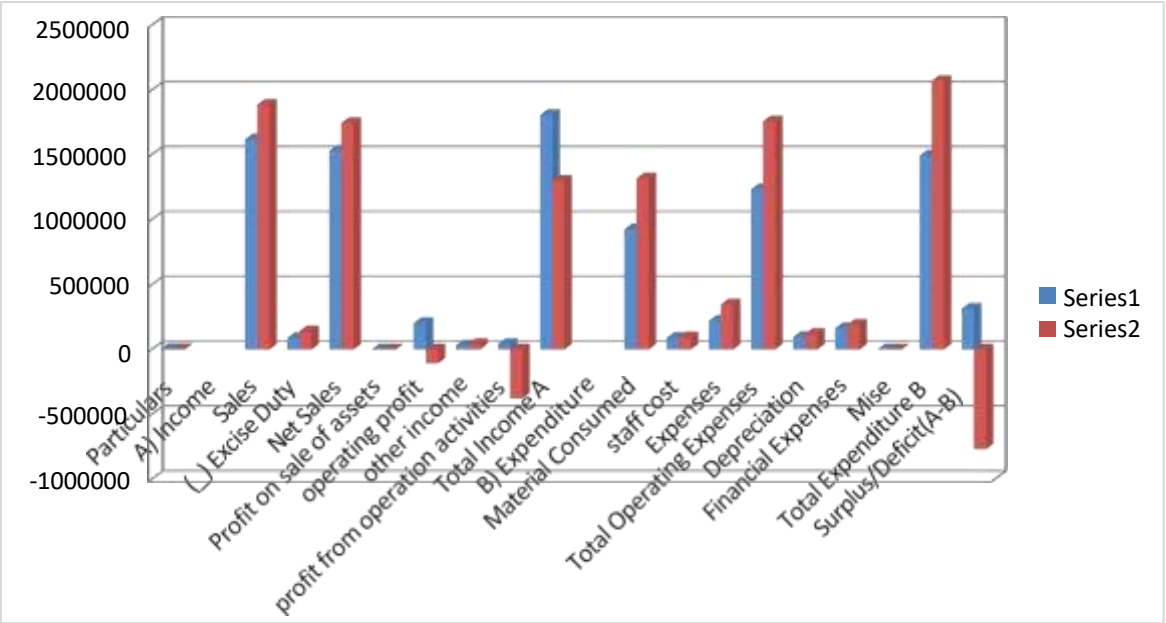
**TABLE 3.1 Tabular representation of Comparative Income Statement of HeritageFoods India Limited For the year Ended 1-4-2023 to 31-3-2024**

| Particulars | 2023 | 2024 | Absolute Change | % Change |
|---|---|---|---|---|
| **A) Income** | | | | |
| Sales | 1619777 | 1884162 | 264385 | 16.32230856 |
| (_) Excise Duty | 87929 | 139404 | 51475 | 58.54155057 |
| **Net Sales** | **1531848** | **1744758** | **212910** | **13.89889859** |
| Profit on sale of assets | _ | 20 | _ | _ |
| operating profit | 203169 | -108393 | -311562 | -153.351151 |
| other income | 30002 | 41781 | 11779 | 39.26071595 |
| profit from operation activities | 41082 | -378304 | -419386 | -1020.850981 |
| **Total Income A** | **1806101** | **1299862** | **-506239** | **-28.02938485** |
| **B) Expenditure** | | | | |
| Material Consumed | 925939 | 1318229 | 392290 | 42.36672178 |
| staff cost | 88436 | 93956 | 5520 | 6.241801981 |
| Expenses | 219340 | 345533 | 126193 | 57.53305371 |
| **Total Operating Expenses** | **1233715** | **1757718** | **524003** | **42.47358588** |
| Depreciation | 94696 | 120138 | 25442 | 26.86702712 |
| Financial Expenses | 163590 | 190170 | 26580 | 16.24793692 |
| Mise | 268 | 268 | | |
| **Total Expenditure B** | **1492269** | **2068294** | **576025** | **38.60061423** |
| **Surplus/Deficit(A-B)** | **313832** | **-768432** | **-1082264** | **-343.85** |

Source: Annual Report of Heritage Foods India Limited

**GRAPH 3.1Graphical representation of Comparative Income Statement of HeritageFoods India Limited For the year Ended 1-4-2023 to 31-3-2024.**

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**INTERPRETATION**

Sales volume is increased by 13.89% during the year 2024,Profit on sale of assets nil in 2023and in the 2022 it was RS 20,000,Other income is increased by 39.20%,Increases in sales arehighlighting increase in Material consumption, staff cost, depreciation, financial expenses, misc exp written off,Surplus is decreased by 343.85%.

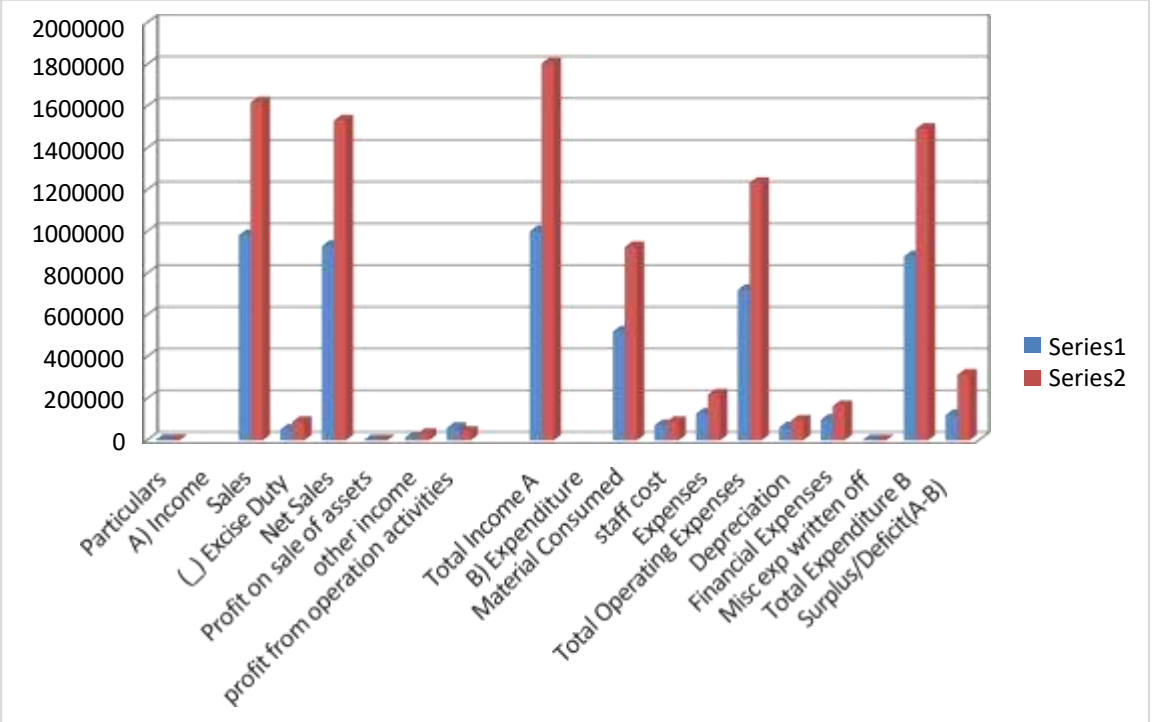
**TABLE 3.2 Tabular representation of Comparative Income Statement of HeritageFoods India Limited For the year Ended 1-4-2022 to 31-3-2023.**

| Particulars | 2020 | 2021 | Absolute Change | % Change |
|---|---|---|---|---|
| **A) Income** | | | | |
| Sales | 982368 | 1619777 | 637409 | 63.88495146 |
| (_) Excise Duty | 51606 | 87929 | 36323 | 70.38522652 |
| **Net Sales** | **930762** | **1531848** | **601086** | **63.5799893** |
| Profit on sale of assets | _ | _ | _ | _ |
| other income | 12521 | 30002 | 17481 | 139.6134494 |
| profit from operation activities | 58564 | 41082 | -17482 | -29.85110307 |
| | | | | |
| **Total Income A** | **1001847** | **1806101** | **804254** | **80.27712814** |

| | | | | |
|---|---|---|---|---|
| **B) Expenditure** | | | | |
| Material Consumed | 520444 | 925939 | 405495 | 77.91328174 |
| staff cost | 72145 | 88436 | 16291 | 22.58091344 |
| Expenses | 127763 | 219340 | 91577 | 71.67724615 |
| **Total Operating Expenses** | **720352** | **1233715** | 513363 | 71.26557572 |
| Depreciation | 61817 | 94696 | 32879 | 53.18763447 |
| Financial Expenses | 98269 | 163590 | 65321 | 66.47162381 |
| Misc exp written off | 268 | 268 | | |
| **Total Expenditure B** | **880706** | **1492269** | **611563** | **69.44008557** |
| **Surplus/Deficit(A-B)** | **121141** | **313832** | **192691** | **159.0634055** |

Source: Annual Report of Heritage Foods India Limited.

**GRAPH 3.2Graphical representation of Comparative Income Statement of HeritageFoods India Limited For the year Ended 1-4-2022 to 31-3-2023.**




**INTERPRETATION:**

Sales volume is increased by 63.57% during the year 2020,Other income is increased by 139.61%**,**Increases in sales are highlighting increase in Material consumption, staff cost, depreciation, financial expenses, misc exp written off,Surplus has increased tremendouslywhich adds to financial stability.

## FINDINGS

- The comparative Balance Sheet of the company reveals that during the year 2018 there has been a decrease in current assets of Rs. 12302712 i.e., 0.89%. While current liabilities have decreased by Rs. 19472581 i.e., 3.74%. This fact depicts that the company is suffering with inadequate working capital to meet its short-term obligations.
- While there is increase in fixed assets value to the extent of Rs. 82776289 to that of current liabilities. This fact depicts that the company has diverted its loans in the form of working capital to meet its short-term obligations.
- On the whole the overall financial position of the company is satisfactory.
- The comparative Balance Sheet of the company reveals that during the 2019 there has been an increase in current assets of Rs. 579256200 i.e., 42%. While current liabilities also increased by Rs.210218075 i.e., 53.74%. This fact depicts that the company is having adequate working capital to meet its short-term obligations.
- While there is increase in fixed assets value to the extent of Rs. 141624087 to that ofcurrent liabilities. This fact depicts that the company has diverted its cash & bank balances to acquire these fixed assets.
- On the whole the overall financial position of the company is satisfactory.
- The comparative Balance Sheet of the company reveals that during the year 2020 there has been an increase in current assets of Rs. 522543202 i.e., 26%. While current liabilities also increased by Rs.46721842 i.e., 7.74%. This fact depicts that the company is having adequate working capital to meet its short-term obligations.
- While there is increase in fixed assets value to the extent of Rs. 389906376 to that ofcurrent liabilities. This fact depicts that the company has diverted its cash & bank balances to acquire these fixed assets.
- On the whole the overall financial position of the company is satisfactory.
- The comparative Balance Sheet of the company reveals that during the year 2021 there has been an increase in current assets of Rs. 1611780465 i.e., 65%. While current liabilities also increased by Rs.771304963 i.e., 119%. This fact depicts that the company is having adequate working capital to meet its short-term obligations.

## SUGGESTIONS

- The water industry is huge and has huge potential for growth; the company should its operations.
- The management needs to increase the stock.

- It can be done by increasing production, achieve economies of scale and hen increasemarket penetration.
- It is suggested for the company to control over the current liabilities.
- The product is doing reasonably well in most of the market so they should promotethe product accordingly. Eg: free sampling, discounts etc.

## CONCLUSION

This project of Financial Statement analysis in the production concern is not merely a work of the project. But a brief knowledge and experience of that how to analyse the financial performance of the firm. The study undertaken has brought in to the light of the following conclusions. According to this project I came to know that from the analysis of financial statements it is clear that Heritage. This satisfactory level of profits during the period of study. So the firm should focus on maximising the profits in the coming years by taking care of internal as well as external factors. And with regard to resources, the firm is take utilization of the assets properly. And also the firm has a maintained low inventory.

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