International Journal of Scientific Research and Engineering Development-– Volume 9 Issue 3, May-June 2026
Available at www.ijsred.com

RESEARCH ARTICLE OPEN ACCESS

A STUDY ON RATIO ANALYSIS ON HERITAGE FOOD PVT LIMITED

[1]S. Vaishnavi, II MBA Student, Department Of MBA, St. Peter's Engineering College (AUTONOMOUS) Maisammaguda, Secunderabad, EmailId:sanamvaishnavi3@gmail.com

[2]Ms K Malleswari, Assistant Professor, Department Of MBA, St. Peter's Engineering College (AUTONOMOUS) Maisammaguda, Secunderabad.

ABSTRACT

Financial performance plays an important role in determining the success and sustainability of any business organization. Ratio analysis is one of the most widely used financial tools for evaluating a company's operational efficiency, profitability, liquidity, solvency, and overall financial health. The present study focuses on analysing the financial performance of Heritage Foods Limited through various accounting ratios. The study is based on secondary data collected from the published annual reports and financial statements of Heritage Foods Limited for a period of five years. Different financial ratios, including liquidity ratios, profitability ratios, solvency ratios, and efficiency ratios, have been calculated and analysed to assess the company's financial position and performance trends. The analysis helps in understanding how effectively the company utilizes its resources, manages its liabilities, and generates profits from its operations. The findings of the study indicate that Heritage Foods Limited has maintained a stable financial position over the study period. The company has shown improvement in profitability and operational efficiency, while maintaining a balanced capital structure and satisfactory solvency position. Although fluctuations were observed in certain financial indicators due to changing market conditions and operational challenges, the overall financial performance of the company remained positive.

Keywords: Ratio Analysis, Financial Performance, Liquidity Ratios, Profitability Ratios, Solvency Ratios, Efficiency Ratios, Financial Statements, Heritage Foods Limited, Financial Health, Dairy Industry.

1.INTRODUCTION

Every business, big or small works with numbers. When a manager makes a decision. Like growing the business reducing costs or getting a loan. There are numbers behind it.

These numbers show the picture of the company. Financial papers, like the balance sheet and profit and loss account have these numbers. Just reading these papers usually doesn't give a clear idea of how the business is really doing. The numbers alone can be confusing and sometimes wrong. That's where ratio analysis comes in. It is a helpful tool in finance.

The company has to pay its bills on time. Ratio analysis helps us figure out if the company can pay its short-term bills and its long-term bills. Ratio analysis also helps us understand the financial health of the company.

Ratio analysis is like a tool that helps us make sense of the numbers. It takes the complicated numbers and turns them into something that people can understand. This is helpful for the managers the investors, the lenders and even the employees of the company. They can all use ratio analysis to see how the company is doing. Ratio analysis is very useful, for the company.

The great thing, about ratio analysis is that it is simple and flexible. The same financial statements can be examined from perspectives. Like checking if a company can pay its debts how much profit it makes if it owes too much how well it uses its resources and more.

A banker might use ratios to decide if a loan should be given. An investor could use them to see if a company is an investment. A manager might use ratios to compare this year's performance to year's and find out what needs to be improved.

In the business world we live in things are moving fast and we do not have a lot of resources. We cannot just rely on what we think or what we have learned from the past. The business world needs us to think carefully and look at the facts before we make a decision about the business. Decisions about the business need to be backed by a lot of analysis, about the business. Ratio analysis provides analytical base. It helps in spotting warning signs early, planning for the future, and comparing the company's performance with that of its competitors or with industry standards. For these reasons, ratio analysis continues to be one of the most widely used tools in financial management even after decades of its development.

Every business needs to be good at managing its resources and making money. A company's financial statements are very important because they show how well the company is doing. To really understand what these numbers mean we need things that make them simpler and easier to understand. One thing that helps us do this is called ratio analysis.

Ratio analysis is like a tool that helps us look closely at the numbers and find the bad things about a company's financial situation. Financial statements and ratio analysis are essential, for every business, including large businesses to see how healthy the organization is and to make good decisions.

Heritage Foods Limited, a well-known player in India's dairy and food industry, has grown steadily over the years. From milk and milk products to bakery and renewable energy, the company has diversified its operations while maintaining a strong presence in the market. Studying its financial performance through ratio analysis not only gives us insights into its profitability and efficiency but also helps us understand how well it is positioned in a competitive industry.

Heritage Foods Limited is well known in India. From milk and milk products to bakery and renewable energy, the company has diversified its operations while maintaining a strong presence in the market. Studying its financial performance through ratio analysis not only gives us insights into its profitability and efficiency but also helps us understand how well it is positioned in a competitive industry.

1.1 Objectives of the Study

The study aims to understand the concept, meaning and importance of ratio analysis. Ratio analysis is a method to analyse statements.

- The study will examine the position of a selected organization. It will use accounting ratios to do this.

- The study will analyse the company s profitability, liquidity, solvency and efficiency. This analysis will be over a period of time.

- The study will compare the company s performance across different years. It will identify trends, in growth or decline.

- The study will check how well the management uses the business resources.

• The study will find the strengths and weaknesses of the organization. It will do this based on the calculated ratios.

1.2 Need for the Study

In today's competitive business environment, organizations must regularly assess their financial performance to make effective decisions and ensure long-term growth. Ratio analysis is an important financial tool that helps evaluate a company's profitability, liquidity, solvency, and operational efficiency by converting complex financial data into meaningful information. This study is undertaken to analyse the financial performance of Heritage Foods Limited through ratio analysis. The study helps in understanding the company's financial strengths and weaknesses, its ability to meet short-term and long-term obligations, and the efficiency with which it utilizes its resources. The findings of the study will be useful to management, investors, creditors, and other stakeholders in making informed decisions.

Further, the study provides practical application of financial management concepts and offers valuable insights into the financial health and growth prospects of Heritage Foods Limited in the highly competitive dairy and food industry.

1.3 Scope of the Study

The study focuses on analysing the financial performance of Heritage Foods Limited through ratio analysis. It examines key financial ratios such as liquidity, profitability, solvency, and efficiency ratios to evaluate the company's financial health and operational performance. The analysis is based on secondary data collected from the published annual reports and financial statements of the company for a period of five years. The study is limited to Heritage Foods Limited and does not include a detailed comparison with other companies in the dairy industry. It aims to identify financial trends, assess strengths and weaknesses, and provide useful insights for management, investors, creditors, and researchers. The findings of the study may also serve as a reference for understanding the practical application of ratio analysis in evaluating corporate financial performance.

2. REVIEW OF LITERATURE

Wall in his paper "Study of Credit Barometries" that was published in the Federal Reserve Bulletin in 1919 is the person who introduced a way of analysing ratios to the world of commercial credit. He said that one ratio is not enough to get the picture of a company's finances and suggested using a weighted index of seven ratios. His work was the starting point for people who developed similar frameworks that use multiple ratios.

Horrigan in his survey "A Short History of Financial Ratio Analysis" that was published in The Accounting Review in 1968 looked at how financial ratios have changed over time. He found that people started to take ratios when researchers began to link them to things like bankruptcy and bond ratings.

Foulke in his book Practical Financial Statement Analysis that was also published in 1968 made it more popular to use common-size statements and trend percentages. He showed how ratios can turn accounting data into comparable signals that can help with diagnosis.

Pandey in his book Financial Management that was published by Vikas Publishing in 2015 wrote a cited textbook on ratio analysis. He said that ratios are most useful when they are compared to industry averages, historical trends and the company's own strategy. This is especially true for a dairy company that has to deal with regional variations.

Khan and Jain in their book Financial Management: Text, Problems and Cases that was published by McGraw Hill in 2018 gave a perspective on financial management in India. They emphasized that liquidity, solvency, activity and profitability ratios must be looked at together because being strong in one area can hide weaknesses in another area.

Chandra, in his book Financial Management: Theory and Practice that was published by McGraw Hill in 2019 talked about the connection between ratios and creating value. He argued that return on capital employed and economic value added are the useful indicators for investors who are in it for the long term. Ratio analysis is what Chandra and other authors, like Pandey and Khan and Jain are writing about. Financial ratio analysis is what Horrigan and Foulke and Wall wrote about.

Research Gap

Although ratio analysis has been widely used to evaluate the financial performance of companies, limited research has focused specifically on Heritage Foods Limited. Most existing studies concentrate on large multinational corporations, dairy cooperatives, or industry-wide analysis rather than individual dairy companies. Further, there is a lack of comprehensive studies that simultaneously examine liquidity, profitability, solvency, and efficiency ratios over an extended period. Limited attention has also been given to understanding the impact of Heritage Foods Limited's business diversification and the implications of financial performance for various stakeholders.

Therefore, this study attempts to fill this gap by providing a detailed ratio analysis of Heritage Foods Limited and evaluating its financial performance over a five-year period.

3. RESEARCH AND METHODOLOGY

Research Design

The study adopts a descriptive research design to evaluate the financial performance of Heritage Foods Limited through ratio analysis. The research focuses on understanding the company's financial position and performance trends over the selected period.

Data Source

The study is based entirely on secondary data collected from the published annual reports, financial statements, stock exchange filings, company website, industry reports, journals, and other reliable financial sources.

Tools of Analysis

Ratio analysis is used as the primary tool for evaluating financial performance. The following ratios are analysed:

- **Liquidity Ratios:** Current Ratio, Quick Ratio
- **Profitability Ratios:** Gross Profit Ratio, Net Profit Ratio, Return on Equity (ROE), Return on Assets (ROA)
- **Solvency Ratios:** Debt-Equity Ratio, Interest Coverage Ratio
- **Efficiency Ratios:** Inventory Turnover Ratio, Asset Turnover Ratio

Method of Analysis

Financial ratios are calculated using data from the company's financial statements. Trend analysis is conducted to compare ratio performance across the study period and assess changes in financial health.

Limitations of the Study

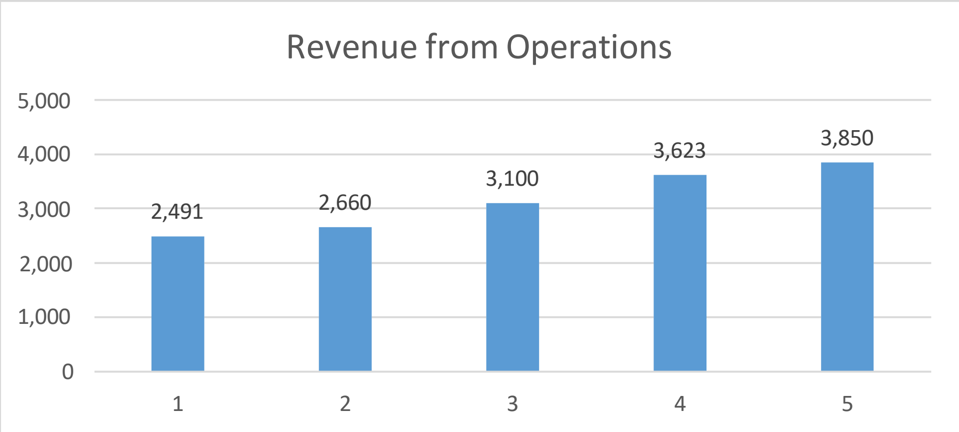
The study is based solely on secondary data and is limited to Heritage Foods Limited. It does not consider qualitative factors such as customer satisfaction, employee morale, or external factors like economic conditions, inflation, and government policies.

4. DATA ANALYSIS AND INTERPRETATION

4.1 Summary of Financial Statements

Particulars	FY21	FY22	FY23	FY24	FY25
Revenue from Operations	2,491	2,660	3,100	3,623	3,850
Other Income	12	15	18	22	26
Total Income	2,503	2,675	3,118	3,645	3,876
Cost of Materials Consumed	1,810	1,985	2,358	2,668	2,772
Employee Benefits Expense	128	140	158	178	193
Other Expenses	412	438	482	552	595
EBITDA	153	112	120	247	316
Depreciation & Amortisation	48	54	58	63	70
Finance Cost	17	21	26	24	19
Profit Before Tax	105	37	48	138	207
Tax Expense	27	13	12	43	65
Profit After Tax	78	24	36	95	142

Source: Heritage Foods Ltd. Annual Reports, 2020-21 to 2024-25.



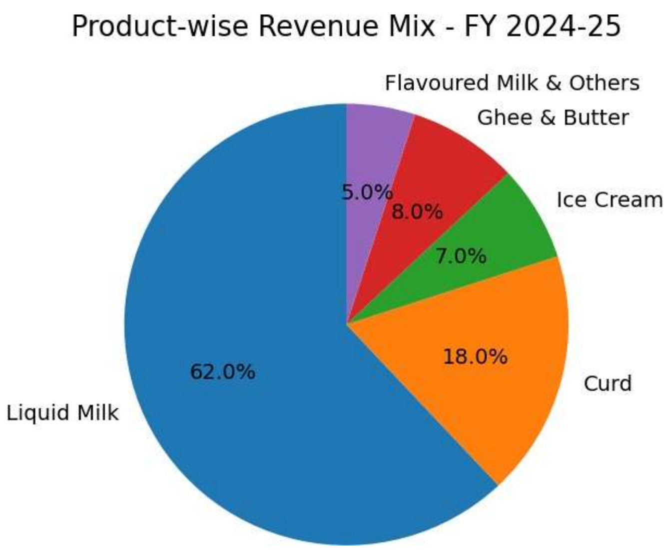
Interpretation The company's revenue from operations is going up and up. It was Rs. 2,491 Crore in FY21. Then it went up to Rs. 3,850 Crore in FY25. This means it is growing at a rate of 11.5 per cent every year.

After FY23 the revenue started going up faster. This is because of two things. The company was able to increase the prices of its products because the cost of milk was going up. At the time the company was selling more of its value-added products like curd and paneer and ice cream. Revenue, from operations of the company is really increasing.

4.2 : Summarised Balance Sheet (Rs. in Crore)

Particulars	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**
Equity Share Capital	9	9	9	9	9
Other Equity	589	603	625	711	835
Total Equity	598	612	634	720	844

Long-term Borrowings	145	168	182	158	132
Short-term Borrowings	106	126	141	123	118
Other Liabilities	235	262	298	321	344
Total Equity & Liabilities	1,084	1,168	1,255	1,322	1,438
Property, Plant & Equipment	612	678	725	748	786
Inventories	138	156	182	178	186
Trade Receivables	59	69	82	85	88
Cash & Bank	42	36	31	58	82
Other Assets	233	229	235	253	296
Total Assets	1,084	1,168	1,255	1,322	1,438



Interpretation: Heritages main money maker is still milk. It makes up 62 per cent of what Heritage earns. Other products like curd and ice cream and ghee and butter and flavored milk and paneer are becoming more important. These products now make up 38 per cent of what Heritage earns. Five years ago they only made up 28 per cent. This change is the reason Heritages margins got better in the last two years. The reason is that these other products, like curd and ice cream and ghee and butter and flavoured milk and paneer make money, than liquid milk.

5. FINDINGS AND SUGGESTIONS

FINDINGS

- Heritage Foods Limited recorded a consistent increase in revenue from operations during the study period, indicating steady business growth and increasing market demand for its products.
- The company's profitability declined during FY22 and FY23 due to rising milk procurement, packaging, and fuel costs. However, profitability improved significantly in FY24 and FY25 because of better cost management and increased sales of value-added products.
- The liquidity position remained satisfactory throughout the study period. Although the current ratio was below the conventional standard of 2:1, it was adequate for the dairy industry due to faster inventory turnover and cash collections.
- The quick ratio remained relatively low, indicating dependence on inventory for meeting short-term obligations and highlighting the need for improved cash management.
- The debt-equity ratio decreased from 0.51 in FY23 to 0.31 in FY25, reflecting a strong capital structure and reduced dependence on borrowed funds.

SUGGESTIONS

- Heritage Foods Limited recorded a consistent increase in revenue from operations during the study period, indicating steady business growth and increasing market demand for its products.
- The company's profitability declined during FY22 and FY23 due to rising milk procurement, packaging, and fuel costs. However, profitability improved significantly

in FY24 and FY25 because of better cost management and increased sales of value-added products.

- The liquidity position remained satisfactory throughout the study period. Although the current ratio was below the conventional standard of 2:1, it was adequate for the dairy industry due to faster inventory turnover and cash collections.
- The quick ratio remained relatively low, indicating dependence on inventory for meeting short-term obligations and highlighting the need for improved cash management.
- The debt-equity ratio decreased from 0.51 in FY23 to 0.31 in FY25, reflecting a strong capital structure and reduced dependence on borrowed funds.
- Strong inventory management practices should be continued to ensure faster stock turnover and minimize losses from perishable products.

BIBLIOGRAPHY

• Khan, M. Y., & Jain, P. K. (2018). Financial Management: Text, Problems and Cases (8th ed.). New Delhi: McGraw Hill Education.

• Pandey, I. M. (2021). Financial Management (12th ed.). New Delhi: Pearson Education.

• Prasanna Chandra. (2019). Financial Management: Theory and Practice (10th ed.). New Delhi: McGraw Hill Education.

• Maheshwari, S. N. (2018). Principles of Management Accounting. New Delhi: Sultan Chand & Sons.

• Gupta, S. P. (2017). Management Accounting. Agra: Sahitya Bhawan Publications.

• Kothari, C. R., & Garg, G. (2019). Research Methodology: Methods and Techniques (4th ed.). New Delhi: New Age International Publishers.

• Brigham, E. F., & Houston, J. F. (2019). Fundamentals of Financial Management (15th ed.). Boston: Cengage Learning.

• Van Horne, J. C., & Wachowicz, J. M. (2015). Fundamentals of Financial Management (13th ed.). New Delhi: Pearson Education

