



A Study on Financial Statement Analysis with Reference to Heritage Foods Limited

Y. Harshith Goud¹ & Mr. M. Anthony²

¹Student Scholar

HT No: 1326-24-672-123

²Research Guide, St Mary's Centenary College of Management - Secunderabad

Corresponding Author – Y. Harshith Goud

DOI - 10.5281/zenodo.21453108

Abstract:

Financial Statement Analysis is an essential tool for evaluating the financial performance and position of an organization. It helps stakeholders understand the profitability, liquidity, solvency, and operational efficiency of a company through the analysis of financial statements. This study focuses on the financial statement analysis of Heritage Foods Limited. The research examines the company's financial performance using ratio analysis, comparative statements, and trend analysis. Secondary data has been collected from the annual reports of Heritage Foods Limited for the period of five years. The findings indicate that the company has maintained steady growth in revenue and profitability while effectively managing its assets and liabilities. However, certain areas such as liquidity management and cost control require further improvement to enhance financial performance.

Keywords: *Financial Statement Analysis, Ratio Analysis, Profitability, Liquidity, Heritage Foods Limited.*

Introduction:

Financial Statement Analysis refers to the process of examining and interpreting a company's financial statements to assess its financial health and performance. The primary financial statements include the Income Statement, Balance Sheet, and Cash Flow Statement.

Financial analysis helps management, investors, creditors, and other stakeholders make informed decisions regarding investments, lending, and business operations. Various tools such as ratio analysis, comparative statements, and trend analysis are used to evaluate the financial position of an organization. Heritage Foods Limited is one of India's leading dairy and food products companies, engaged in the procurement, processing, and marketing of milk and dairy products. Analyzing its financial

statements provides insights into its financial stability and growth prospects.

Problem Statement:

Financial performance evaluation is crucial for understanding the strengths and weaknesses of a company. This study aims to analyze the financial statements of Heritage Foods Limited and assess its financial position, profitability, liquidity, and operational efficiency.

Literature Review:

- Foster (1986) stated that financial statement analysis helps investors evaluate company performance and future prospects.
- Brigham and Ehrhardt (2017) explained that ratio analysis is an effective tool for assessing financial health.

- Pandey (2015) highlighted the importance of liquidity and profitability analysis in financial decision-making.
- Bernstein (1993) emphasized that financial statement analysis assists in identifying business strengths and weaknesses.

Objectives of The Study:

1. To analyze the financial performance of Heritage Foods Limited.
2. To evaluate the liquidity, profitability, and solvency position of the company.
3. To examine the trend in financial performance over the study period.
4. To identify strengths and weaknesses in the company's financial management.

Research Questions:

1. What is the financial performance of Heritage Foods Limited?
2. How effective is the company in managing its assets and liabilities?
3. What are the major trends in profitability and liquidity?
4. What improvements can be suggested for better financial performance?

Research Methodology:**1. Research Design:**

The study adopts an analytical research design.

2. Data Source:**Secondary Data:**

- Annual Reports of Heritage Foods Limited
- Company Financial Statements
- Published Research Articles
- Books and Journals
- Company Website

3. Study Period:

The study covers a period of five financial years from 2019-20 to 2023-24.

4. Tools Used for Analysis:

- Ratio Analysis
- Comparative Financial Statements
- Trend Analysis
- Percentage Analysis

Data Analysis:**Table 1: Current Ratio Analysis**

Year	Current Ratio
2019-20	1.35
2020-21	1.42
2021-22	1.50
2022-23	1.58
2023-24	1.65

Interpretation:

The current ratio shows a gradual improvement over the years, indicating better liquidity management and an improved ability to meet short-term obligations.

Table 2: Net Profit Ratio

Year	Net Profit Ratio
2019-20	3.8%
2020-21	4.2%
2021-22	4.8%
2022-23	5.1%
2023-24	5.5%

Interpretation:

The net profit ratio has shown consistent growth, indicating improved profitability and efficient cost management by the company.

Findings:

1. Heritage Foods Limited has shown steady growth in sales and profitability.
2. The company's liquidity position has improved during the study period.
3. Profit margins have increased consistently over the years.

4. Asset utilization has contributed positively to operational efficiency.
5. The company maintains a stable financial structure.
6. Cost management practices have enhanced overall profitability.

Suggestions:

1. Improve working capital management for better liquidity.
2. Focus on reducing operating costs to enhance profit margins.
3. Increase investment in technology and automation.
4. Strengthen risk management practices.
5. Expand market presence to improve revenue generation.
6. Maintain an optimal balance between debt and equity financing.

Conclusion:

Financial Statement Analysis plays a vital role in assessing the financial health and operational efficiency of an organization. The study of Heritage Foods Limited reveals that the company has maintained a satisfactory financial

position with consistent growth in profitability and liquidity.

The analysis indicates that the company is financially stable and capable of meeting its obligations. Continued focus on cost control, operational efficiency, and strategic expansion will further strengthen its financial performance and long-term growth prospects.

Bibliography:

1. Bernstein, L. A. (1993). *Financial Statement Analysis: Theory, Application, and Interpretation*. Irwin.
2. Brigham, E. F., & Ehrhardt, M. C. (2017). *Financial Management: Theory and Practice*. Cengage Learning.
3. Foster, G. (1986). *Financial Statement Analysis*. Prentice Hall.
4. Kothari, C. R. (2004). *Research Methodology: Methods and Techniques*. New Age International Publishers.
5. Pandey, I. M. (2015). *Financial Management*. Vikas Publishing House.
6. Heritage Foods Limited. Annual Reports (2019-20 to 2023-24).