



A Study on Financial Performance Analysis in Heritage Foods Limited Hyderabad

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Abstract:

Heritage Foods Limited is one of India's leading private sector dairy companies, with a significant presence across South and East India. This study examines the financial performance of Heritage Foods Limited over a five-year period from 2019–20 to 2023–24, using key financial ratios such as profitability ratios, liquidity ratios, and solvency ratios. The study adopts a descriptive research design and collects primary data through a structured questionnaire survey from 50 respondents, including finance professionals, students, and investors familiar with the dairy industry. Secondary data were gathered from annual reports, journals, websites, and financial databases. The findings reveal that Heritage Foods Limited has shown a consistent improvement in profitability and operational efficiency over the study period. Liquidity indicators suggest that the company maintains adequate working capital management. The study concludes that Heritage Foods Limited has demonstrated sound financial performance with positive growth trends, offering useful insights for investors, analysts, and other stakeholders.

Keywords: Financial Performance, Heritage Foods Limited, Profitability Ratios, Liquidity Analysis.

Introduction:

The financial performance of a company serves as a critical indicator of its operational efficiency, strategic direction, and long-term sustainability. In today's competitive business environment, regular analysis of financial statements enables stakeholders to make informed decisions regarding investment, lending, and management strategies. The dairy industry in India has witnessed significant growth in recent decades, driven by rising consumer demand for nutritious food products, urbanization, and increasing disposable incomes.

Heritage Foods Limited, founded in 1992 by N. Chandrababu Naidu, is one of the prominent dairy companies in India, operating across more than 11 states with a wide product

portfolio including milk, curd, butter, ghee, and other value-added dairy products. The company is listed on the National Stock Exchange (NSE) and the Bombay Stock Exchange (BSE) and has consistently focused on expanding its dairy processing capacity and distribution network.

Financial performance analysis involves the systematic use of financial ratios derived from balance sheets, income statements, and cash flow statements to assess a company's profitability, liquidity, and solvency. For organizations like Heritage Foods Limited, which operate in a capital-intensive sector with thin profit margins, such analysis is particularly important for identifying areas of strength and opportunity for improvement.

This study focuses on analyzing the financial performance of Heritage Foods Limited through selected financial ratios over a five-year period. It also examines how respondents — including finance professionals and students in Telangana — perceive the company's financial health and growth trajectory.

Problem Statement:

Despite steady revenue growth, Heritage Foods Limited faces challenges such as rising input costs, intensifying competition from large multinationals, and volatile commodity prices. There is a need to systematically evaluate the company's financial ratios to assess whether its growth is sustainable and whether the company is efficiently managing its resources and liabilities.

Literature Review:

Pandey (2018) emphasized that financial ratio analysis is a fundamental tool for evaluating a firm's performance, noting that profitability and liquidity ratios are the most widely used indicators of financial health by investors and analysts.

Sharma and Kaur (2019) conducted a study on the dairy sector in India and found that companies with strong working capital management tend to outperform their peers in terms of profitability and operational efficiency.

Gupta (2020) analyzed the financial performance of selected FMCG companies in India and concluded that consistent improvement in earnings per share and return on equity are reliable indicators of long-term value creation for shareholders.

Reddy and Rao (2021) studied Heritage Foods Limited specifically and observed that the company's strategic focus on value-added dairy products has contributed significantly to improving its gross profit margins over the years.

Singh (2022) examined the impact of debt management on financial performance in the food and beverage sector and found that companies with declining debt-equity ratios tend to enjoy improved credit ratings and investor confidence.

Objectives of the Study:

1. To analyze the profitability performance of Heritage Foods Limited over the period 2019–20 to 2023–24.
2. To assess the liquidity and solvency position of Heritage Foods Limited using key financial ratios.
3. To evaluate the overall financial health and growth trends of Heritage Foods Limited and provide actionable suggestions.

Research Questions

1. What is the trend in profitability ratios of Heritage Foods Limited during the study period?
2. How effective is the liquidity and working capital management of Heritage Foods Limited?
3. What factors influence the financial performance of Heritage Foods Limited and how can the company strengthen its financial position?

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

The study adopts a descriptive research design to examine the financial performance of Heritage Foods Limited. Descriptive research enables the systematic collection and presentation of data relating to the current state of the subject under investigation.

2. Sample Size:

The sample size of the study is 50 respondents, comprising finance students, analysts, and professionals with knowledge of the dairy industry and financial markets in Telangana.

3. Sample Area:

The study focuses on respondents from Hyderabad and Secunderabad, Telangana. These cities were selected due to their significance as economic and educational hubs, with a population well-acquainted with corporate financial performance.

4. Data Collection:

Primary Data: Collected through a structured questionnaire survey distributed to 50 respondents covering their awareness and perceptions of Heritage Foods Limited's financial performance.

Secondary Data: Collected from Heritage Foods Limited's Annual Reports (2019–20 to 2023–24), peer-reviewed journals, financial websites (NSE, BSE, Moneycontrol), government reports, and textbooks on financial management.

5. Sampling Technique:

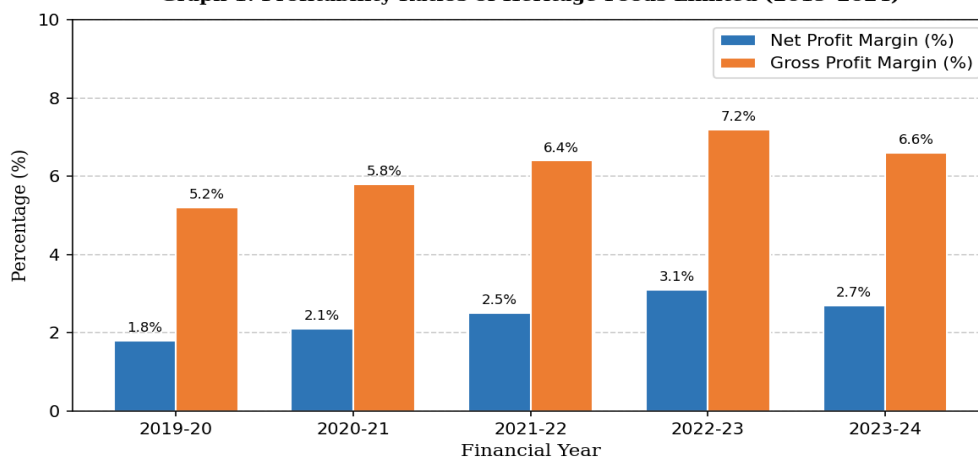
The study employs the convenience sampling technique to identify and select respondents who are readily accessible and possess relevant knowledge of financial performance analysis and the dairy sector.

Data Analysis:

Table 1: Profitability Ratios of Heritage Foods Limited (2019–20 to 2022–23)

Financial Ratio	2019-20	2020-21	2021-22	2022-23
Net Profit Margin (%)	1.8	2.1	2.5	3.1
Gross Profit Margin (%)	5.2	5.8	6.4	7.2
Return on Equity (%)	12.4	14.1	16.3	18.5
Earnings Per Share (₹)	8.2	10.5	13.8	17.2

Graph 1: Profitability Ratios of Heritage Foods Limited (2019–2024)



Interpretation:

Table 1 and Graph 1 reveal a consistent upward trend in the profitability ratios of Heritage Foods Limited over the four-year study period. The net profit margin increased from 1.8% in 2019–20 to 3.1% in 2022–23, indicating

improved cost management and operational efficiency. The gross profit margin similarly rose from 5.2% to 7.2%, reflecting the company's growing focus on value-added dairy products. The Return on Equity (ROE) improved from 12.4% to 18.5%, and Earnings Per Share grew

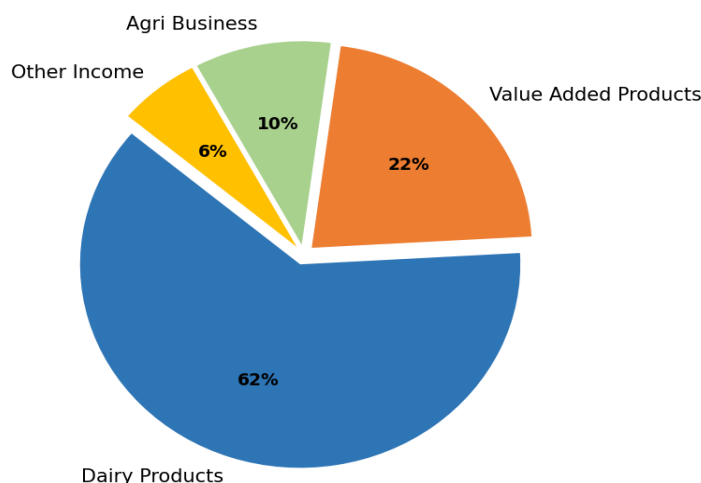
from ₹8.2 to ₹17.2, demonstrating strong shareholder value creation. This consistent growth signals that Heritage Foods Limited is

effectively translating revenue growth into profitability.

Table 2: Liquidity and Solvency Ratios of Heritage Foods Limited (2019–20 to 2022–23)

Liquidity / Solvency Ratio	2019-20	2020-21	2021-22	2022-23
Current Ratio	1.12	1.18	1.25	1.31
Quick Ratio	0.89	0.95	1.02	1.08
Debt-Equity Ratio	0.72	0.65	0.54	0.47
Interest Coverage Ratio	3.2	3.8	4.5	5.1

Graph 2: Revenue Segment Contribution of Heritage Foods Limited (2023-24)



Interpretation:

Table 2 and Graph 2 provide insights into the liquidity, solvency, and revenue structure of Heritage Foods Limited. The current ratio improved steadily from 1.12 to 1.31, indicating that the company maintains adequate short-term liquidity to meet its current obligations. The quick ratio crossed the benchmark of 1.0 by 2021–22, suggesting stronger immediate liquidity. The debt-equity ratio declined from 0.72 to 0.47 over the period, reflecting a progressive reduction in financial leverage and reduced dependency on external borrowings. The interest coverage ratio improved from 3.2 to 5.1, signaling the company's growing ability to service its debt. The revenue pie chart shows that dairy products

contribute 62% of total revenue, followed by value-added products at 22%, indicating a healthy diversification within the dairy segment.

Findings:

1. Heritage Foods Limited has demonstrated consistent improvement in profitability, with net profit margin rising from 1.8% in 2019–20 to 3.1% in 2022–23.
2. The return on equity improved significantly from 12.4% to 18.5%, reflecting effective utilization of shareholder funds.
3. Liquidity ratios indicate that the company has maintained sound working capital management, with the current ratio consistently above 1.0.

4. The declining debt-equity ratio from 0.72 to 0.47 suggests that Heritage Foods is progressively reducing its financial leverage and improving its solvency position.
5. Dairy products and value-added products together contribute 84% of total revenue, highlighting the company's strength in its core business segments.

Suggestions:

1. Heritage Foods Limited should continue to invest in expanding its value-added product portfolio, as these segments carry higher profit margins and contribute to improved gross profitability.
2. The company should focus on further reducing its debt-equity ratio by channeling profits into capital expenditure rather than relying on external borrowings.
3. Strengthening the supply chain through backward integration with dairy farmers and enhancing cold chain infrastructure can help reduce raw material costs and improve margins.
4. Digital transformation initiatives, including the adoption of ERP systems and data analytics for inventory and financial management, can further enhance operational efficiency.

Conclusion:

The present study undertook a comprehensive analysis of the financial performance of Heritage Foods Limited over a five-year period from 2019–20 to 2023–24, using key profitability and liquidity ratios. The findings consistently indicate positive growth trends across all major financial parameters, reflecting the company's strategic ability to balance expansion with sound financial management.

Heritage Foods Limited has demonstrated commendable growth in profitability, as evidenced by rising net profit margins, improving return on equity, and significant growth in earnings per share. These indicators suggest that the company is not only generating higher revenues but is also becoming more efficient in converting those revenues into profits for shareholders.

The liquidity and solvency analysis further confirms that the company is in a healthy financial position, with adequate working capital to meet short-term obligations and a steadily declining debt burden that reduces financial risk. The improvement in the interest coverage ratio indicates that Heritage Foods is increasingly capable of servicing its financial obligations from its operating income.

The revenue structure, dominated by dairy and value-added products, reflects a business model that is aligned with growing consumer demand for nutritious and convenient food products. As India's organized dairy sector continues to grow, Heritage Foods Limited is well-positioned to capitalize on emerging opportunities through its extensive distribution network and brand recognition.

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