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A STUDY ON PROFITABILITY ANALYSIS WITH REFERENCE TO HERITAGE FOODS

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ABSTRACT
Profitability Analysis is an essential financial tool for assessing a company's capacity to turn a profit in relation to its income, assets, equity, and expenses is profitability analysis. It has a significant impact on a company's operational performance and long-term viability. Profitability analysis is crucial for a retail business like Heritage Foods to comprehend how well it uses its resources to turn a profit and how it stacks up against competitors and industry norms. This research adopted Purposive sampling Technique and the study Period is from 2019-20 to 2023-24. After analyzing the data from the Annual Reports of Heritage Foods Debt- Turnover Ratio, Interest Coverage ratio, Current Ratio and Operating Profit Margin has positive trend which means these are increasing in 2023-24 compared with 2019-20. At the same time Inventory Turnover ratio, Debt-Equity Ratio, Net Operating Margin, Return on Net worth and Earnings Per Share has a negative trend which means these are declining in 2023-24 compared with 2019-20.
KEY WORDS: *Heritage Foods, Current ratio, EPS, Net Profit Margin, Debt-Equity Ratio*

INTRODUCTION

An essential financial tool for assessing a company's capacity to turn a profit in relation to its income, assets, equity, and expenses is profitability analysis. It has a significant impact on a company's operational performance and long-term viability. Profitability analysis is crucial for a retail business like Heritage Foods to comprehend how well it uses its resources to turn a profit and how it stacks up against competitors and industry norms. As a major participant in the grocery and retail industries, Heritage Foods is constantly under pressure to maintain good profit margins in the face of growing competition and rising operating costs. The company can assess if its financial performance is in line with its strategic goals and ascertain its profit potential with the use of profitability analysis. Heritage Foods may make well-informed judgments on pricing strategies, cost control, and expansion by using financial ratios including profit margins, return on equity (ROE), and return on assets (ROA). Examining profitability patterns over time also reveals how the business has adjusted to shifting consumer demands and outside economic conditions. One of the core components of financial analysis for any company is profitability analysis. It entails evaluating the business's capacity to turn a profit from its activities and offers vital information about the organization's sustainability and financial stability. Profitability analysis is crucial for businesses like Heritage Foods to assess if they are efficiently allocating their resources and producing returns that support the stakeholder, lender, and shareholder investments.

In the fiercely competitive grocery and retail industries, keeping solid profit margins is not only a sign of success but also essential for surviving in a market that is becoming more and more complex. Heritage Foods must always concentrate on increasing its profitability due to the requirement to strike a balance between cost control, pricing competitiveness, and operational efficiency. Through profitability analysis, the business can determine the profitability of its key activities, evaluate possible risks, and find areas for cost reduction and expansion. Key financial ratios and measures, including Net Profit Margin (NPM), Gross Profit Margin (GPM), Operating Profit Margin (OPM), Return on Assets (ROA), and Return on Equity (ROE), are usually evaluated as part of a thorough profitability analysis. These ratios aid in evaluating the ability of the business to turn a profit in relation to its expenses, equity, and assets. Heritage Foods can make strategic decisions, like modifying pricing, enhancing cost control, maximizing inventory turnover, and choosing which capital investments to undertake, by consistently observing these metrics.

Future Outlook of Diary Industry: The world's biggest producer and consumer of dairy products is India. 22% of the world's dairy production comes from it. One of the main sources of employment and revenue for the rural populace, the dairy business plays a crucial role in the rural economy. An IMARC analysis projects that the dairy

business would expand at a 14.98% CAGR from 2022 to 2027. Domestically, the majority of India's dairy products mostly liquid milk are eaten.

According to a CRISIL analysis, organized dairy revenue is expected to increase by 12% in FY 2022 after growing by roughly 1% in FY 2020–21. Rising retail prices throughout the year, consistent sales of liquid milk, and an increase in demand for value-added products (VAP) would all contribute significantly to the growth. Due to high raw milk prices and packaging and transportation expenses, operating profitability is anticipated to return to its pre-pandemic levels.

REVIEW OF LITERATURE

1. Kumar, V. S., et., al (2016) The purpose of this study is to evaluate Sun Pharmaceuticals Industries Limited's financial performance. Sun Pharmaceuticals Industries Limited is one of India's top pharmaceutical companies. Analyzing the financial ratios is the study's goal. Financial information from the company's annual reports for the years 2017–2018 through 2021–2022 served as the study's foundation. Four distinct ratios are examined in this study as financial indicators: the quick ratio, current ratio, return on assets ratio, and net profit margin ratio. To evaluate the company's profitability performance, profitability measures including gross profit margin and return on equity (ROE) were computed. To assess the company's capacity to fulfil its short-term commitments, liquidity ratios like the quick and current ratios were also computed.

2. Mishra, S. B., et. al (2023) The financial performance of Sun Pharmaceutical Industries Ltd. throughout the last five years, from 2018–19 to 2022–23, will be examined in this research report. One of India's top pharmaceutical companies, Sun Pharmaceutical Industries Ltd., boasts top-notch facilities, a capable research team, and competent management. According to Dion Global Solutions Ltd., Sun Pharmaceuticals Industries Ltd.'s financial performance has improved over the past five years, rising from Rs. 26,654.20 million to Rs. 84,735.80 million. The current ratio (CR), net profit margin ratio (NAME), quick ratio (OR), and return on assets ratio (NAR) are the four financial indicators that are part of this study.

3. DR. P. Pirakatheeswari and V. Balendra (2025): A Study on Financial Performance of Reliance Industries Limited: India is one of the developing nations of the World. Globalization gives businesses several opportunities to grow internationally and enhance India with top-notch, world-class products through the use of cutting-edge technology. A crucial component of understanding the company's present financial status is financial position measurement. The study evaluates growth trends and financial stability by looking at Reliance Industries Limited's (RIL) financial performance from 2019 to 2023 with an emphasis on profitability, liquidity, and solvency. The study determines the financial health of Reliance Industries Limited by examining its debt-to-equity ratio, return on equity, and net profit ratio. Insights into capital structure and asset use are provided by comparative and common-size balance sheets, which give a thorough grasp of Reliance Industries Limited's financial performance and strategic financial choices.

4. Milan Dumre (2021): Analysis of Financial Statement of Avenue Supermarts Ltd. (DMART IN). The growth, future of the company anticipates upon the financial performance. The factors of growth that are linked to the organization's strength, weakness, opportunity, and threat are governed by financial analysis, which is connected to the profit and loss account, cash flow, and balance sheet. The current study uses secondary data to examine Avenue Supermarts Ltd.'s five-year financials. Finding out how the firm and its stock price are expected to expand over the next five years is the main goal of the study. The study's instruments, which include the current ratio, liquidity ratio, profitability ratio, and solvency ratio, yield results as well as insightful recommendations that support the business's growth goals. According to the study, there were fluctuations in financial elements, but overall, the outcome was favourable. Additionally, it indicates that its stock price and financial status will improve steadily and significantly.

5. Saru Yazhini and Nanee Devarajan (2024), A study on financial performance of JSW steel limited. The financial performance of JSW Steel Limited, one of India's top steel makers, is examined in this study. In order to evaluate JSW Steel's profitability, liquidity, efficiency, and solvency over a given time period, the research will employ a thorough examination of financial statements, key performance indicators, and industry comparisons. The company's financial health and resource efficiency are assessed using a number of financial indicators, including debt-to-equity ratio, current ratio, return on equity (ROE), return on assets (ROA), and others. Market conditions and the regulatory environment are two examples of external and internal elements that the study looks into in relation to JSW Steel's financial performance. developments in technology and the company's strategic ambitions. The study's conclusions give analysts, stakeholders, and investors important information about JSW Steel's financial situation, assisting them in making wise choices.

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RESEARCH METHODOLOGY

Statement of the Problem: One important measure of a business's long-term viability and financial health is profitability. The profitability performance of Heritage Foods, a major participant in the dairy and food industries, is investigated in this study. The study attempts to assess the company's financial efficiency and growth potential by examining important financial measures like gross profit margin, net profit margin, return on assets (ROA), and return on equity (ROE) during the last several years. In order to give stakeholders and decision-makers information, the study will also pinpoint elements that affect profitability, such as cost structure, income sources, and market trends.

Objective: To measure the Profitability performance of Heritage Foods Limited.

Study Period: The study period is confined from 2019-20 to 2023-24.

Sampling Techniques: Purposive Sampling Technique is adopted to select the sampling data. Secondary data used for this study. Data collected from Annual reports of Heritage Foods Limited website.

Data Analysis Tools: Descriptive Statistics and Ratio analysis used in this study to fulfil the stated objective. MS-Excel tool is used to analyze the selected data.

Samples: Heritage Foods Limited financial information from balance sheets and Reports.

Research Gap: The majority of the previous researchers focused on different companies' financial performance. Only a smaller number of researchers focused on Heritage Foods Limited that's why in this study we are going to analyse the performance of Heritage Foods Limited from 2019-20 to 2023-24.

DATA ANALYSIS

Table 1: Financial and Profitability Performance of Heritage Foods 2019-20 to 2023-24

SI. No	Years	2019-20	2020-21	2021-22	2022-23	2023-24
1	Debtors Turnover Ratio	88	135	163	184	206
2	Inventory Turnover Ratio	16	11	10.76	9.28	9.70
3	Interest Coverage Ratio	4.67	13.36	66.60	38.52	24.45
4	Current Ratio	0.83	1.24	1.60	1.44	1.70
5	Debt Equity Ratio	0.35	0.04	0.00	0.22	0.16
6	Operating Profit Margin (%)	3.14%	10.37%	6.74%	4.21%	4.88%
7	Net Profit Margin (%)	5.97%	6.03%	3.84%	2.05%	2.44%
8	Return on Net Worth (RONW)	43.61%	24.45%	16.18%	9.43%	11.82%
9	EPS	17.49	15.87	11.10	7.19	9.81

Source: Annual Reports of Heritage Foods Limited.

FINDINGS

1. **Debt Turnover Ratio:** A financial indicator called the Debt Turnover Ratio assesses how well a business uses all of its debt to produce income. It shows how well the business can turn its borrowed money into sales over a given time frame. In the year 2023-24 the Heritage foods records highest debt turnover which is 206 and least in the year 2019-20 which is 88. Debt Turnover Ratio has raising trend which means that it is using debt to produce higher units and more sales.
2. **Inventory Turnover Ratio:** By counting the number of times an item is sold and replaced over a given time period, the Inventory Turnover Ratio calculates how well a business maintains its inventory. It aids in evaluating sales and inventory control. In the year 2019-20 Inventory Turnover ratio is highest which is 16 and lowest in the year 2022-23 which is 9.28.
3. **Interest Coverage Ratio (ICR):** The Interest Coverage Ratio calculates how much of a company's earnings may be used to pay interest on its outstanding debt. It shows how easy a business can use its operational profit to pay its interest payments. In the year 2021-22 interest Coverage ratio is highest which is 66.60 and lowest in the year 2019-20 which is 4.67.
4. **Current Ratio:** One financial indicator that assesses a company's capacity to pay short-term obligations with short-term assets is the current ratio. Liquidity and short-term financial health are evaluated with its assistance. In the year 2023-24 Current ratio is highest which is 1.70 and lowest in the year 2019-20 which is 0.83.
5. **Debt Equity Ratio:** A financial indicator called the Debt-to-Equity Ratio (D/E) compares the total amount of debt owed by a company to the equity held by its shareholders. It shows the ratio of debt to equity used to finance the company's assets. In the year 2019-20 Debt-Equity ratio is highest which is 0.35 and lowest in the year 2021-22 which is 0.00.
6. **Operating Profit Margin:** A financial statistic called the operating profit margin calculates how profitable a company's core operations are before interest and taxes are subtracted. It shows how well a business turns sales into operating profit. In the year 2020-21 Operating Profit Margin is highest which is 10.37% and lowest in the year 2019-20 which is 3.14%.

7. **Net Profit Margin:** A crucial financial indicator, the net profit margin calculates the portion of income that is left over as profit after all costs, such as interest, taxes, and operational expenses, have been subtracted. It shows the entire profitability of a business. In the year 2020-21 Net Profit Margin is highest which is 6.03% and lowest in the year 2022-23 which is 2.03%.
8. **Return on Net Worth (RONW):** One financial measurement that assesses a company's capacity to make money off of the equity or net worth of its shareholders is the Return on Net Worth (RONW). It shows how much the business is making off of the money that its shareholders have invested. For investors, this ratio is crucial since it shows how well the business leverages its equity to turn a profit. In the year 2019-20 Return on Net worth is highest which is 43.61% and lowest in the year 2022-23 which is 9.43%.
9. **Earnings Per Share (EPS):** A financial term called earnings per share calculates how much money a business makes for each outstanding share of its common stock. Investors frequently use it to evaluate a company's financial performance and valuation since it is a crucial indicator of profitability. In the year 2019-20 Earnings per share is highest which is 17.49 and lowest in the year 2022-23 which is 7.19.

SUGGESTIONS

1. Return on Net worth, Inventory Turnover Ratio, Net Profit Margin and Earnings per Share Should be improved because its continuously declining every year from 2019 to 2024.
2. Current Ratio has positive trend it has sufficient current assets to meet current liabilities so no need to improve the current assets further.

CONCLUSION

An essential financial tool for assessing a company's capacity to turn a profit in relation to its income, assets, equity, and expenses is profitability analysis. It has a significant impact on a company's operational performance and long-term viability. Profitability analysis is crucial for a retail business like Heritage Foods to comprehend how well it uses its resources to turn a profit and how it stacks up against competitors and industry norms. The majority of the previous researchers focused on different companies' financial performance. Only a smaller number of researchers focused on Heritage Foods Limited that's why in this study we are going to analyse the performance of Heritage Foods Limited from 2019-20 to 2023-24. After analyzing the data from the Annual Reports of Heritage Foods Debt- Turnover Ratio, Interest Coverage ratio, Current Ratio and Operating Profit Margin has positive trend which means these are increasing in 2023-24 compared with 2019-20. At the same time Inventory Turnover ratio, Debt-Equity Ratio, Net Operating Margin, Return on Net worth and Earnings Per Share has a negative trend which means these are declining in 2023-24 compared with 2019-20.

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