

PROFITABILITY ANALYSIS W.R.T. HERITAGE FOODS INDIA LIMITED

¹ THANIRU SOWMYA SREE, ²T.RAKESH

¹PG Student, Department of MBA, **TKR COLLEGE OF ENGINEERING AND TECHNOLOGY**,
Hyderabad, Telangana, India.

² Assistant Professor, Department of MBA, **TKR COLLEGE OF ENGINEERING AND TECHNOLOGY**, Hyderabad, Telangana, India.

Abstract

Profitability analysis refers to the techniques used to generate an overall performance evaluation from the financial perspective. It is a broader level of analysis than the standard cost variance analysis for manufacturing costs and includes those variances as well as several others. There are four factors that affect any type of multi-product profit measurement. These include: Sales prices, Unit costs, Sales volume, and Sales mix. Remember the underlying assumptions in the master budget and conventional linear cost-volume-profit analysis, i.e., constant sales prices, constant unit variable costs, and constant sales mix. This chapter shows how to analyze the differences between the static master budget and actual performance recognizing that prices, costs and sales mix are not constant. Profit measurements that can be analyzed include manufacturing margin, contribution margin, gross profit, throughput and net income. Measurements based on the cost hierarchy could also be used such the contributions at the unit, batch, product and facility levels. Each type of analysis involves explaining the difference between the actual and budgeted (or some previous period's) profit measurements in terms of sales price, unit cost, sales volume and, when applicable, sales mix. The profit analysis techniques applicable to both direct and full absorption costing are illustrated in this chapter. The techniques are practically the same for both inventory valuation methods. As a result, the total amount to be learned is considerably less than it may appear when one first skims through the chapter. Profit analysis for direct costing is illustrated first. This is referred to as contribution margin analysis and is divided into two sections: contribution margin analysis when the data are in units, and contribution margin analysis when the available data are only stated. Then profit analysis for full absorption costing is illustrated in two sections including: gross profit analysis when the data are in units, and gross profit

analysis when the data are stated only. At the end of each section, an income statement approach is presented that provides an alternative way to calculate the variances and a more revealing picture of performance.

I. INTRODUCTION

Every firm is most concerned with its profitability. One of the most frequently used tools of financial ratio analysis is profitability ratios which are used to determine the company's bottom line and its return to its investors. Profitability measures are important to company managers and owners alike. If a small business has outside investors who have put their own money into the company, the primary owner certainly has to show profitability to those equity investors. Profitability ratios show a company's overall efficiency and performance. We can divide profitability ratios into two types: margins and returns. Ratios that show margins represent the firm's ability to translate sales dollars into profits at various stages of measurement. Ratios that show returns represent the firm's ability to measure the overall efficiency of the firm in generating returns for its shareholders. Profitability ratios measure a company's ability to generate earnings relative to sales, assets and equity. These ratios assess the ability of a company to generate earnings, profits and cash flows relative to relative to some metric, often the amount of money

invested. They highlight how effectively the profitability of a company is being managed. Common examples of profitability ratios include return on sales, return on investment, return on equity, return on capital employed (ROCE), cash return on capital invested (CROCI), gross profit margin and net profit margin. All of these ratios indicate how well a company is performing at generating profits or revenues relative to a certain metric. Different profitability ratios provide different useful insights into the financial health and performance of a company. For example, gross profit and net profit ratios tell how well the company is managing its expenses. Return on capital employed (ROCE) tells how well the company is using capital employed to generate returns. Return on investment tells whether the company is generating enough profits for its shareholders

Research Objective:

- To examine the Profitability Analysis of the Heritage Foods Limited for the period of 2018 to 2022.

- To analyses interpret and to suggest the Profitability efficiency of the Heritage Foods Limited by comparing the balance sheet & profit & loss A/c.
- To critically analyses the financial performance of the Heritage Foods Limited. With the help of ratios.
- To assess the capital employed by the Heritage Foods Limited.
- To examine feasibility of present system of managing capital.
- To understand how the company finances its Profitability.
- To analyze the financial performance of the company with reference to Profitability.
- To give some suggestions to the management based on the information studied.
- □The study is established only subordinate dossier.
- □The ending of study was 2018-22 monetary age only.
- Another disadvantage is that of standard percentage accompanying that the real percentages can be distinguished mainly skilled is no specific percentage, that concede possibility be doctored as standard for the purpose of corresponding cause environments of individual concern disagree considerably from those of another concern.
- The veracity and propriety of percentages are completely helpless upon the dependability of the dossier held in economic declarations on the footing of that percentages are premeditated.

Research Methodology:

- The study is based on secondary data. However the primary data is also collected to fill the gap in the information.
- Primary data will be through regular interaction with the officials of Heritage Foods India Limited.
- Secondary data collected from annual reports and also existing manuals and like company records balance sheet and necessary records.

II. REVIEW OF LITERATURE

DR. MONICA TULSIAN-2014- The main purpose of a trade whole searches out creates profit. The appropriateness study is finished to explain the current operating acting and effectiveness of trade firms. Thus the worth percentages are planned to uplift completely result and contrasting of trade firms that is the alone test of overall adeptness of trade concern.

OMAR A. A. JAWABREH, EMRAN AL MOMANI-2017- The study proposed at signifying ultimate main determinants that control the profit and expenses of the lodging and classifying bureaucracy in accordance with their talent to influence the worth of the lodging by utilizing the appropriate examining commercial systems for the inn venture that donate in growing the effectiveness of preparation and listening the inn exercise. The study registered that the average giving capacity of the sole tenant and tactics of companions are the elementary determinants that form the lodging's revenues, place the giving capacity of the distinct vacationer was ultimate effective determinant to influence the worth of the inn action. Accommodation shows ultimate main determinant inform the giving capacity for the distinct client and therefore influences appropriateness. The study again presented that the changeful and established costs materials straightforwardly influence appropriateness and control the exercise of the lodging subdivision and they, then, need preparation, listening and making inquiries by those administrative. **BRIERLEY, J.A. (2016)** although appropriateness reasoning has happened labeled as a

valuable method, it is an under studied extent. This paper longers the restricted research into worth study by utilizing research interviews to try the footing when worth study is or is not ready, reason miscellaneous types of appropriateness study are processed and the verifiable truth secondhand hesitation making. Some notable results display that operating wholes assemble appropriateness reasoning when skilled is an interest in fitting it and the money survive to gird it. Operating wholes develop two together device worth reasoning (PPA) and consumer worth reasoning (CPA) to assist accompanying growing profits through directing depressed profit or deficit making consumers. The aim search out recognize those device that enhance the depressed profit or deficit of a consumer. In those operating wholes fitting only PPA, allure function search out recognize depressed profit or useless produce. This news is used to assist in deciding what operation bear pass away to increase the profits of those device. In contrast, client met operating wholes produce only CPA.

BUVANESHWARAN-2015- The inn manufacturing is a mature manufacturing apparent by passionate contest. Market share increases usually

comes at a competitor's cost. Industry-roomy, most tumor happens in the worldwide, alternatively the household extent. Hotels are a big recruitment dynamo unwelcome manufacturing. Work in the field of Hotel Management includes guaranteeing that all movements, containing reconciliation, feed and drink and additional lodging aids run flatly. It involves demands unwelcome presidency, inn/temporary administration, diner and fare aids administration, conveniences preparation, relaxation studies, sports presidency, shopping, sports supplies and domains movements and support, trade finance, security and tariff, occurrence administration and patron duties, troop administration, travel and management administration, security and energy aids, professional guidelines and morality, and requests to distinguishing recess types and areas.

T. VENKATESAN, DR. S. K. NAGARAJAN-2012- India is with the top builders of all forms of brace in the planet. Easy chance of cheap laborers and option of plentiful referrers create India competing in the worldwide start. Finance is wanted for epoch to epoch movement. I maybe deliberate as an existence ancestry for trade. Profitability is the profit gaining volume that is an

important determinant providing for the continuation of the firms. The appropriateness level endure assert at growing level so that overcome this question. The dossier is simply established subordinate Profitability position is big contingent upon the direct and unintended expenses and two continuously ANOVAs of ROI of picked brace party was, skilled is an important various on the picked gird association by way of, they are asserting various level of returns on their property and equating of glide to TATA of Net Profit and BHUSHAN to JSW of OP was definite it expresses, they are claiming akin level in major computer network Profit a of air to TATA and JSW to BHUSHAN of OP. already TATA, air has took better first better entertainer in the region of reaping capacity.

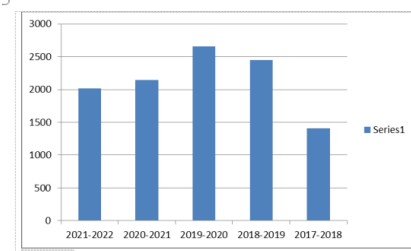
N.SIVATHAASAN-2013- This paper aims to explore either determinants to a degree capital building, venture capital, firm intensity, non-credit tax shield and development rate, deciding appropriateness have some affect worth of picked production guests filed on Colombo stock market, Sri Lanka over a ending of five age from 2008 to 2012. This study engages diversified reversion study to measure friendship with

variables, individual and overall affect worth and to test the functional theories.

III.DATA ANALYSIS & INFERENCES

3.1.NET PROFIT RATIO:

Year	Net profit	Net sales	Net profit ratio
2021-2022	2014.73	22936.17	8.78407333
2020-2021	2144.47	20279.80	10.5744139
2019-2020	2655.43	20174.94	13.1620217
2018-2019	2446.19	18270.69	13.3886022
2017-2018	1404.23	13205.64	10.6335626

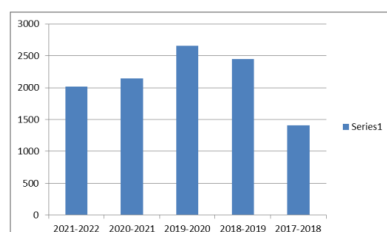


INTERPRETATION :

A conduct measure used to judge the effectiveness of an expense or to equate the adeptness of any of various assets. To reckon ROI, the benefit (return) of a grant is detached for one cost of the expense has existed raised to 2018-2022.

3.2. RETURN ON ASSETS:

Year	Net income	total Assets	ROA
2021-2022	2014.73	25369.51	7.94
2020-2021	2144.47	21970.29	9.76
2019-2020	2655.43	19697.50	13.48
2018-2019	2446.19	16667.95	14.67
2017-2018	1404.23	14810.64	9.42



Interpretation:

A sign of how advantageous an association is concerning allure total amount of money saved. ROA gives a plan concerning how effective administration is at utilizing allure property to create bottom line. Calculated by separating a guest's annual bottom line by allure total amount of money saved, ROA is presented as an allotment and it was not enhanced in the period 2022.

IV.FINDINGS

- The Heritage Foods Limited net capital is acceptable betwixt the age 2021-22 because it shows growing style; but from that time forward it is in lessening position.
- The current percentage of Heritage Foods Limited is acceptable all the while the ending of study 2017-18 to 2021-22. It is raised but from that time forward it is dropping
- The average keen percentage of Heritage Foods Limited is poor quality though intensely percentage is show maximum advantage of 1.14 in the old age 2017-18 and before it is inclining expected deal.
- Assets change percentage of Heritage Foods Limited raised. The party has to uphold this.
- Turnover percentage of Heritage Foods Limited is too raised evenly,

outside some fit falls until 2017-18. But in the old age 2018-19 it is sagged, and repeated it has risen in the old age 2019-20. Good stock administration is good enroll effective administration

- Total Assets change percentage of Heritage Foods Limited is not acceptable because it is continually beneath individual, except in the old age 2021-22 bearing a profit of 79.41.
- Return on property is not acceptable. This signifies that the party's capital is not being handled in a better habit.

V.CONCLUSION

- The Heritage Foods Limited Net Profit Ratio is appearance definite profit in the period 2021-22. This occurrence is an anticipated individual cause because from the prior two ages it is show the incline stage in Net Profit Ratio.
- The Gross Profit Margin of Heritage Foods Limited increases in decreases on account of the increase in buying
- Profit Margin of Heritage Foods Limited is dropping and show negative profit cause skilled is increase in the price of policeman

- The Heritage Foods Limited Net Profitability Ratio is acceptable.
- The Heritage Foods Limited return on Total Assets percentage shows a negative enter the period 2021-22
- The Operating Ratio of Heritage Foods Limited increase in the old age 2017-18 and attained in the period 2021-22 So the association has to humble allure money needed to run a business.
- The Operating Ratio of Heritage Foods Limited is acceptable. Due to increase in cost of result, this percentage is deteriorating. So the has to weaken allure commission presidency expenses

VI.REFERENCES

- Khan, M Y and P K Jain, Financial Management, Tata McGraw-Hill Publishing Co., New Delhi, 2007.
- M Pandey, Essentials of Financial Management, Vikas Publishing House Pvt Ltd, New Delhi, 1995.
- Ramesh, S and A Gupta, Venture Capital and the Indian Financial Sector, Oxford university press, New Delhi, 1995.
- Anthony, R N and J S Reece, Management Accounting Pincipls, Taraporewala, Bombay.
- Jain, P K , Josette peyrard and Surendra S Yadav, International

Financial Management, Macmillan
India Ltd, New Delhi, 1998.