Quarterly Update Q2FY16

Bring Home Health & Happiness

Disclaimer

The release contains forward-looking statements, identified by words like 'plans', 'expects', 'will', 'anticipates', 'believes', 'intends', 'projects', 'estimates' and so on. All statements that address expectations or projections about the future, but not limited to the Company's strategy for growth, product development, market position, expenditures and financial results, are forward-looking statements. Since these are based on certain assumptions and expectations of future events, the Company cannot guarantee that these are accurate or will be realized. Actual results might differ materially from those either expressed or implied in the statement depending on the circumstances. Therefore the investors are requested to make their own independent assessments and judgments by considering all relevant factors before making any investment decision. The Company assumes no responsibility to publicly amend, modify or revise any such statements on the basis of subsequent developments, information or events.

Vision for Heritage Foods Limited

Delighting Every Home with Fresh and Healthy Products

And

Empowering The Farmer

Mission for Heritage Foods Limited

To be a nationally recognized brand for healthy and fresh products with a revenue of INR 6000 Crore by 2020

We anticipate, understand and respond to our customers' needs by creating high quality products and making them available through innovative and convenient channels.

We embrace the right technology to delight our customers.

We are a strong supporter of balancing economic, social and environmental aspects to create a better tomorrow. We are devoted to empowering the farming community through our unique "Relationship Farming" Model.

We aim to be the employer of choice by nurturing entrepreneurship, promoting empowerment alongside transparent and open communication.

Core Values of Heritage Foods

Values for S.U.C.C.E.S.S.

S	Speed and Agility
U	Uphold Integrity
C	Customer Delight
C	Collaboration with Leadership Excellence
E	Empowering Society & Employees
S	Supremacy Through Innovation
S	Sustainability

Q2FY16 Key Highlights

- **Total Turnover has improved on YoY by 15 % at Rs 5868 mn**
- **Dairy Revenue is higher by 15 % at Rs 4419 mn**
- **Dairy EBITDA is at Rs 392 mn**
- **Branded Value Added Products in Dairy surged forward by 28 % at Rs 883 mn**
- **Retail Revenue is up by 13 % at Rs 1386 mn over previous FY**
- **Retail EBITDA is at Rs -35 mn as against Rs -15 mn in Q2 previous year**
- **On Agri front, EBITDA is at Rs -1 mn as against Rs 3 mn in Q2 previous year**
- **On Bakery front, EBITDA is at Rs 0.1 mn as against Rs -0.5 mn in Q2 previous year**

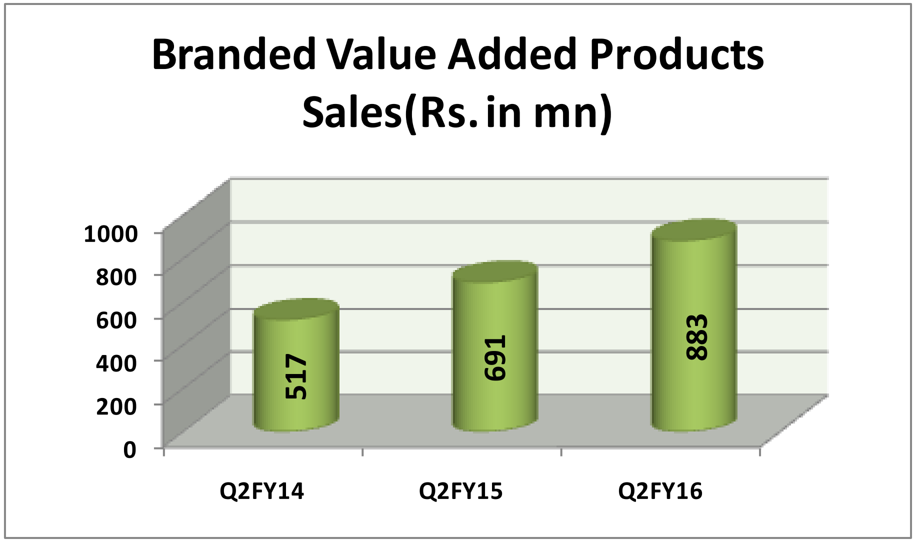
Q2FY16 Key metrics - Dairy

	Q2FY16	Q2FY15	YOY %
Liquid milk sales (llpd)	8.42	8.32	1%
Liquid milk price real. (Rs/l)	36.44	36.99	-1%
Milk Procurement (llpd)	10.48	9.08	15%
Milk procurement price (Rs/l)	30.30	30.96	-2%
Branded Value added Products sales (Rs mn)	883	691	28%
No. of Parlours	1389	1245	

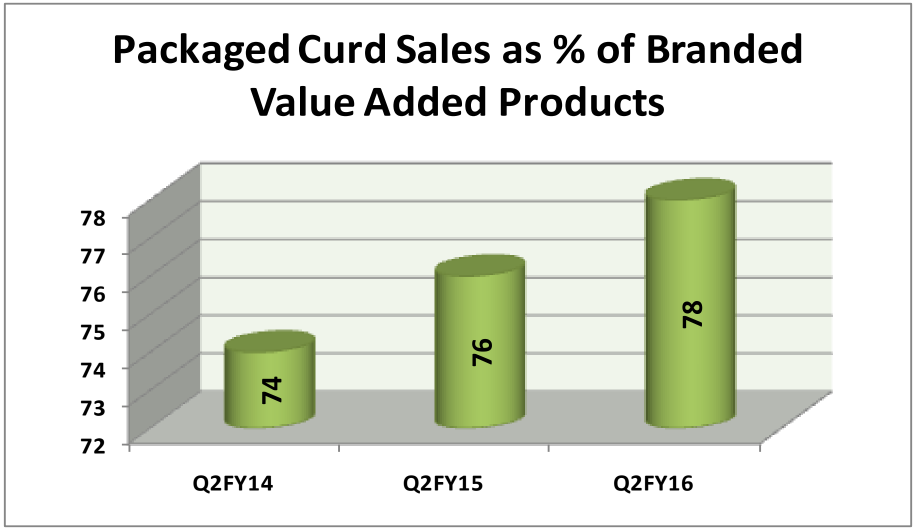
llpd: lakh liters per day

Q2FY16 Key metrics - Dairy (Branded Value Added Products)

Branded Value Added Products	
Year	**Sales(Rs. in mn)**
Q2FY14	517
Q2FY15	691
Q2FY16	883



Packaged Curd Sales	
Year	**As % of Branded Value Added Products**
Q2FY14	74
Q2FY15	76
Q2FY16	78



Q2FY16 Key Highlights - Dairy

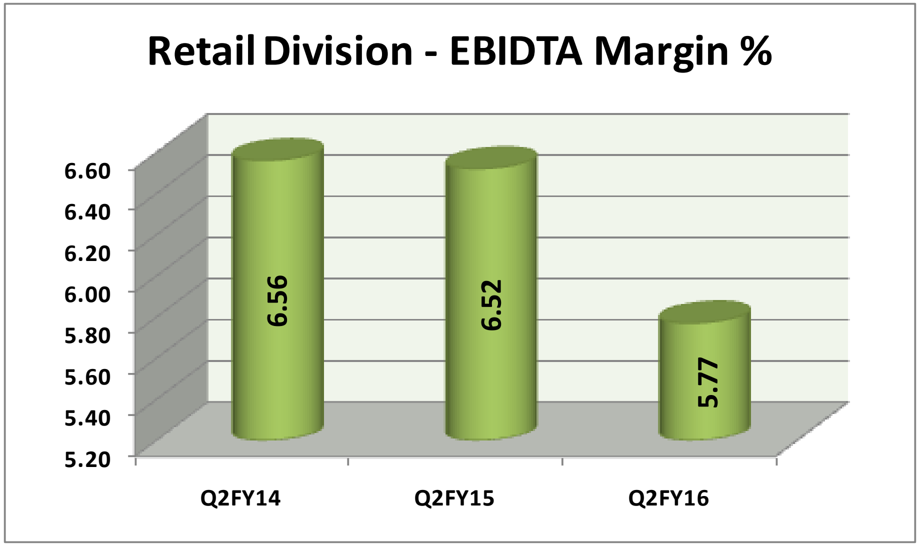
- 15 % yoy growth in turnover to Rs 4419 mn
- 28 % yoy growth achieved in Branded Value Added Products sales
- 32 % yoy growth in Packaged Curd sales (accounts for approx. 78 % of Branded Value Added Products sales)
- 15 % yoy growth in milk procurement to 10.48 LLPD (lakh litres per day)
- EBITDA of Rs 392 mn (EBITDA margin of 8.88 %) as against Rs 190 mn (EBITDA margin of 4.96 %) in Q2FY15
- Heritage Dairy Parlors as on 30.09.2015 are 1389.
- Export turnover during Q2FY16 of Rs 48 mn

Q2FY16 Key metrics - Retail

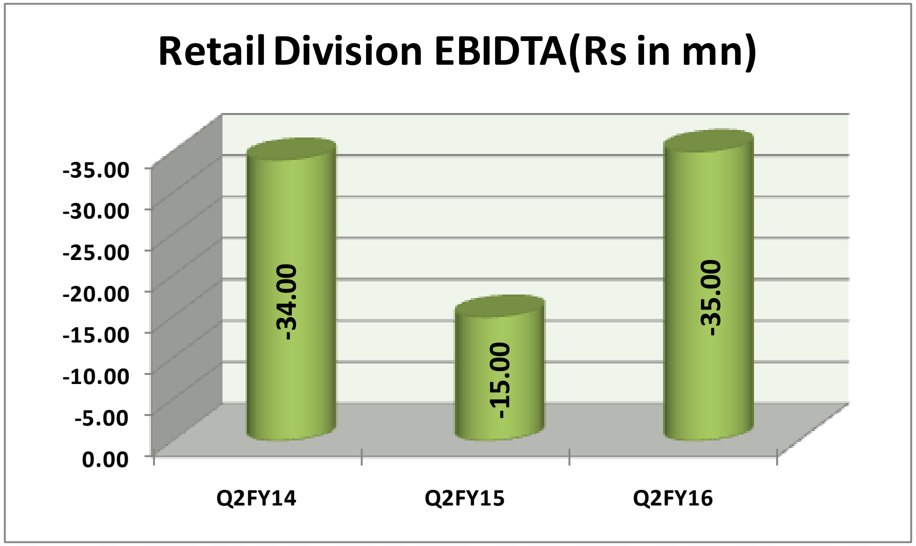
Particulars	Q2FY16	Q2FY15	YOY %
No. of stores	96	82	17.07
Total Carpet Area('000 sq ft)	345	304	13.38
Avg store sales(Rs/sq ft/month)	**1157**	**1199**	-3.51
Revenue Breakup(Rs mn)			
Heritage Fresh Stores	1203	1079	11.47
Institutional, General Trade & Others	78	66	17.92
Other Operating Income	105	82	28.50
Total Revenue(Rs mn)	**1386**	**1227**	12.96
Total Gross Profit	**264**	**236**	11.73
Gross margin(%)	19.04%	19.25%	-1.08
Gross margin Heritage Fresh Stores(%)	20.21%	20.51%	-1.47
EBITDA at store level(Rs mn)	**80**	**80**	0.00
EBITDA margin(%)	5.77%	6.52%	-11.51
Regional & Corporate Overheads(Rs mn)	115	95	21.68
Overheads/sqft/month	111	105	5.40
EBITDA(Rs mn)	**-35**	**-15**	-136

Q2FY16 Key metrics - Retail

Retail Division	
Year	**EBIDTA Margin%**
Q2FY14	6.56
Q2FY15	6.52
Q2FY16	5.77



Retail Division	
Year	**EBIDTA(Rs in mn)**
Q2FY14	-34
Q2FY15	-15
Q2FY16	-35



Q2FY16 Key Highlights - Retail

- Same Store de-growth (considering 74 comparable stores) stood at 2.3 %
- Average Bill Value (ABV) decreased by 3.4 % yoy to Rs 252(Rs 261 in Q2FY15)
- No. of Bills (NOB) increased by 1.1% yoy to 4.63 mn (3.87 mn in Q2FY15)
- Store Gross margin decreased by 30 bps to 20.21 % and overall gross margin decreased by 21 bps
- Store Fixed Cost increased by Rs 3.78/sqft/month to Rs 164/sqft/month in Q2FY16 as against Rs 161/sqft/month in Q2FY15
- Regional & Corporate Overheads increased by Rs 5.62 per sqft/month to Rs. 111 per sqft/month in Q2FY16 as against Rs 105 per sqft/month in Q2FY15
- 4 stores opened and 2 stores closed during Q2FY16

Q2FY16 Key Highlights – Renewable Energy

- Heritage Foods Ltd has in association with Mahindra EPC Services Private Limited has commissioned a 2.34 MWP Solar Power Project at IPH, Masjid Adavi Village, Mulugu Mandal, in Medak district near Hyderabad on September 29, 2013, under REC mechanism and to meet for the captive energy requirement.
- Turnover in Q2FY16 was Rs 6.31 mn.
- Capital Employed for Renewable Energy division Rs 131.07 mn.

Q2FY16 Financial Results

UNAUDITED FINANCIAL RESULTS FOR THE QUARTER AND HALF YEAR ENDED SEPTEMBER 30, 2015 (₹ in Lakhs)												
PARTICULARS	STANDALONE						CONSOLIDATED					
	Quarter Ended			Half Year Ended		Year Ended	Quarter Ended			Half Year Ended		Year Ended
	30-Sep-15	30-Jun-15	30-Sep-14	30-Sep-15	30-Sep-14	31-Mar-15	30-Sep-15	30-Jun-15	30-Sep-14	30-Sep-15	30-Sep-14	31-Mar-15
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited
1) Income from operations												
Net Sales/Income from Operations	**57602.95**	**56796.58**	**50394.15**	**114399.54**	**100074.48**	**203348.14**	**57602.95**	**56796.58**	**50394.15**	**114399.54**	**100074.48**	**203348.14**
Other Operating Income	1080.29	1048.89	844.08	2129.18	1740.51	3948.51	1080.29	1048.89	844.08	2129.18	1740.51	3948.51
Total income from operations	**58683.24**	**57845.47**	**51238.23**	**116528.72**	**101814.99**	**207296.65**	**58683.24**	**57845.47**	**51238.23**	**116528.72**	**101814.99**	**207296.65**
2) Expenses												
Cost of materials consumed	31869.22	35079.26	31605.09	66948.48	63047.81	131393.51	31869.22	35079.26	31605.09	66948.48	63047.81	131393.51
Purchase of stock in trade	11938.69	11125.80	10683.30	23064.49	20837.67	42184.17	11938.69	11125.80	10683.30	23064.49	20837.67	42184.17
Changes in inventories of finished goods, work-in-progress and stock in trade	2062.36	98.24	-213.41	2160.60	-485.04	-5079.25	2062.36	98.24	-213.41	2160.60	-485.03	-5079.26
Employees benefit expense	3501.50	3176.76	2650.04	6678.26	5365.63	11072.42	3501.50	3176.76	2650.04	6678.26	5365.63	11072.42
Depreciation and Amortisation expense	863.71	834.17	835.89	1697.88	1652.93	3399.03	863.71	834.17	835.89	1697.88	1652.93	3399.03
Other expenses	5791.08	5575.34	4783.33	11366.42	9499.20	19522.50	5791.08	5575.34	4783.33	11366.42	9499.20	19522.66
Total Expenses	**56026.56**	**55889.57**	**50344.24**	**111916.13**	**99918.20**	**202492.39**	**56026.56**	**55889.57**	**50344.24**	**111916.13**	**99918.20**	**202492.54**
3) Profit / (Loss) from operations before other income, finance costs & exceptional items(1-2)	**2656.68**	**1955.90**	**893.99**	**4612.59**	**1896.79**	**4804.26**	**2656.68**	**1955.90**	**893.99**	**4612.59**	**1896.79**	**4804.11**
4) Other income	124.06	168.84	81.33	292.90	170.15	702.66	124.06	168.84	81.33	292.90	170.15	717.83
5) Profit/(Loss) from ordinary activities before finance cost and exceptional items (3+4)	**2780.74**	**2124.74**	**975.32**	**4905.49**	**2066.94**	**5506.92**	**2780.74**	**2124.74**	**975.32**	**4905.49**	**2066.94**	**5521.94**
6) Finance cost	400.79	436.51	375.70	837.30	805.65	1593.01	400.79	436.51	375.70	837.30	805.65	1593.01
7) Profit/(Loss) from ordinary activities after finance cost and before exceptional items (5+6)	**2379.95**	**1688.23**	**599.62**	**4068.18**	**1261.29**	**3913.91**	**2379.95**	**1688.23**	**599.62**	**4068.18**	**1261.29**	**3928.92**
8) Exceptional items	-	-	-	-	-	-	-	-	-	-	-	-
9) Profit/(Loss) from ordinary activities before tax (7-8)	**2379.95**	**1688.23**	**599.62**	**4068.18**	**1261.29**	**3913.91**	**2379.95**	**1688.23**	**599.62**	**4068.18**	**1261.29**	**3928.92**
10) Tax expense												
Current Tax/MAT	905.00	651.00	156.00	1556.00	364.00	1169.36	905.00	651.00	156.00	1556.00	364.00	1169.36
Prior period tax	-19.14	1.08	-0.47	-18.07	-0.45	-0.45	-19.15	1.08	-0.47	-18.06	-0.45	-0.45
Deferred Tax Charge/(Credit)	-35.24	-35.63	-39.43	-70.86	-115.52	-76.02	-35.24	-35.63	-39.43	-70.86	-115.52	-76.02
11) Profit/(Loss) from ordinary activities after tax (9-10)	**1529.33**	**1071.78**	**483.52**	**2601.11**	**1013.26**	2821.02	**1529.33**	**1071.78**	**483.52**	**2601.11**	**1013.26**	2836.04
12) Extraordinary Items	-	-	-	-	-	-	-	-	-	-	-	-
13) Net Profit/(Loss) (11-12)	**1529.33**	**1071.78**	**483.52**	**2601.11**	**1013.26**	**2821.02**	**1529.33**	**1071.78**	**483.52**	**2601.11**	**1013.26**	**2836.04**
14) Share of profit / (loss) of associates	-	-	-	-	-	-	-0.02	-	-0.09	-0.02	-0.12	-0.28
15) Minority interest	-	-	-	-	-	-	-	-	-	-	-	0.16
16) Net Profit/ (Loss) after taxes, minority interest and share of profit / (loss) of associates (13+14+15)	**1529.33**	**1071.78**	**483.52**	**2601.11**	**1013.26**	**2821.02**	**1529.31**	**1071.78**	**483.43**	**2601.09**	**1013.14**	**2835.60**
Paid-up Equity Share Capital	2319.90	2319.90	2319.90	2319.90	2319.90	2319.90	2319.90	2319.90	2319.90	2319.90	2319.90	2319.90
Reserves (excluding revaluation reserve)	-	-	-	-	-	16981.26	-	-	-	-	-	16972.70
Earning Per Share before Extra Ordinary Items												
Basic (₹)	6.59	4.62	2.08	11.21	4.37	12.16	6.59	4.62	2.08	11.21	4.37	12.22
Diluted (₹)	6.59	4.62	2.08	11.21	4.37	12.16	6.59	4.62	2.08	11.21	4.37	12.22
Earning Per Share After Extra Ordinary Items												
Basic (₹)	6.59	4.62	2.08	11.21	4.37	12.16	6.59	4.62	2.08	11.21	4.37	12.22
Diluted (₹)	6.59	4.62	2.08	11.21	4.37	12.16	6.59	4.62	2.08	11.21	4.37	12.22
Public Share Holding												
Number of shares	13,913,154	13,913,154	13,913,154	13,913,154	13,913,154	13,913,154	13,913,154	13,913,154	13,913,154	13,913,154	13,913,154	13,913,154
Percentage of Public shareholding	59.97	59.97	59.97	59.97	59.97	59.97	59.97	59.97	59.97	59.97	59.97	59.97

Q2FY16 Financial Results - Segmental

SEGMENT REPORTING FOR THE QUARTER AND HALF YEAR ENDED SEPTEMBER 30, 2015 (₹ in Lakhs)	STANDALONE						CONSOLIDATED					
PARTICULARS	Quarter Ended			Half Year Ended		Year Ended	Quarter Ended			Half Year Ended		Year Ended
	30-Sep-15	30-Jun-15	30-Sep-14	30-Sep-15	30-Sep-14	31-Mar-15	30-Sep-15	30-Jun-15	30-Sep-14	30-Sep-15	30-Sep-14	31-Mar-15
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited
1. Segment Revenue												
a. Dairy	44191.58	43677.09	38314.31	87868.67	76578.89	155585.71	44191.58	43677.09	38314.31	87868.67	76578.89	155585.71
b. Retail	13862.69	13393.47	12272.74	27256.16	24041.40	49397.00	13862.69	13393.47	12272.74	27256.16	24041.40	49397.00
c. Agri	2201.08	2338.18	2135.19	4539.27	4258.66	8400.16	2201.08	2338.18	2135.19	4539.27	4258.66	8400.16
d. Bakery	193.90	205.15	139.36	399.05	248.19	588.92	193.90	205.15	139.36	399.05	248.19	588.92
e. Renewable Energy	63.12	65.81	54.35	128.93	114.10	257.03	63.12	65.81	54.35	128.93	114.10	257.03
f. HFRL	-	-	-	-	-	-	-	-	-	-	-	-
g. Heritage Conpro Ltd	-	-	-	-	-	-	-	-	-	-	-	-
Total Segment Revenue	**60512.37**	**59679.70**	**52915.95**	**120192.08**	**105241.23**	**214228.82**	**60512.37**	**59679.70**	**52915.95**	**120192.08**	**105241.23**	**214228.82**
Less: Inter Segment Revenue	1829.13	1834.23	1677.72	3663.36	3426.24	6932.18	1829.13	1834.23	1677.72	3663.36	3426.24	6932.18
Net Sales / Income from Operations	**58683.24**	**57845.47**	**51238.23**	**116528.72**	**101814.99**	**207296.65**	**58683.24**	**57845.47**	**51238.23**	**116528.72**	**101814.99**	**207296.65**
2. Segment Results												
(Profit (+) / (Loss) (-) before finance costs and tax)												
a. Dairy	3410.32	2622.77	1399.42	6033.09	2951.35	6717.47	3410.32	2622.77	1399.42	6033.09	2951.35	6717.47
b. Retail	-574.14	-519.67	-374.92	-1093.81	-816.91	-1107.36	-574.14	-519.67	-374.92	-1093.81	-816.91	-1107.36
c. Agri	-63.79	-21.90	-28.77	-85.69	-41.14	-125.47	-63.79	-21.90	-28.77	-85.69	-41.14	-125.47
d. Bakery	-19.14	-6.22	-27.92	-25.36	-56.74	-84.46	-19.14	-6.22	-27.92	-25.36	-56.74	-84.46
e. Renewable Energy	20.46	17.98	3.27	38.44	21.11	70.53	20.46	17.98	3.27	38.44	21.11	70.53
f. HFRL	-	-	-	-	-	-	-	-	-	-	-	-0.76
g. Heritage Conpro Ltd	-	-	-	-	-	-	-	-	-	-	-	-0.63
Total Segment Results	**2773.71**	**2092.96**	**971.08**	**4866.67**	**2057.67**	**5470.70**	**2773.71**	**2092.96**	**971.08**	**4866.67**	**2057.67**	**5469.31**
Less: i. Finance costs	400.79	436.51	375.70	837.30	805.65	1593.01	400.79	436.51	375.70	837.30	805.65	1593.01
ii. Other un-allocable Expenditure net off	0.00	0.00	-	-	-	1.24	0.00	0.00	-	-	-	-15.17
Add: i. Interest Income	3.97	31.78	4.21	35.75	9.24	37.42	3.97	31.78	4.21	35.75	9.24	37.42
ii. Other un-allocable Income	3.06	0.00	0.04	3.06	0.04	0.04	3.06	0.00	0.04	3.06	0.04	0.04
Total Profit before Tax	**2379.95**	**1688.23**	**599.62**	**4068.18**	**1261.29**	**3913.91**	**2379.95**	**1688.23**	**599.62**	**4068.18**	**1261.30**	**3928.92**
3. Capital Employed												
Segment Assets -Segment Liabilities)												
a. Dairy	16018.67	19892.61	15112.09	16018.67	15112.09	18687.41	16018.67	19892.61	15112.09	16018.67	15112.09	18687.41
b. Retail	7059.11	8299.78	7406.67	7059.11	7406.67	8877.40	7059.11	8299.78	7406.67	7059.11	7406.67	8877.40
c. Agri	3173.43	3257.42	3304.30	3173.43	3304.30	3135.92	3173.43	3257.42	3304.30	3173.43	3304.30	3135.92
d. Bakery	1054.41	1068.16	1083.13	1054.41	1083.13	1075.13	1054.41	1068.16	1083.13	1054.41	1083.13	1075.13
e. Renewable Energy	1310.72	1566.13	1626.82	1310.72	1626.82	1588.95	1310.72	1566.13	1626.82	1310.72	1626.82	1588.95
f. HFRL	-	-	-	-	-	-	-0.38	-0.52	-0.13	-0.38	-0.13	-0.52
g. Heritage Conpro Ltd	-	-	-	-	-	-	-0.32	-0.41	-0.13	-0.32	-0.13	-0.41
h. Unallocated	-154.85	53.52	79.52	-154.85	79.52	222.41	-154.85	53.52	79.52	-154.85	79.52	222.41
Total	**28461.50**	**34137.62**	**28612.52**	**28461.50**	**28612.52**	**33587.22**	**28460.79**	**34136.69**	**28612.25**	**28460.79**	**28612.25**	**33586.29**

Q2FY16 Shareholding Pattern

As on September 2015

	mn shares	% holding
Promoters	9.28	40.03
FIIs	0.82	3.53
Domestic Institutions	1.10	4.77
Others	11.99	51.68
Total	**23.19**	**100**

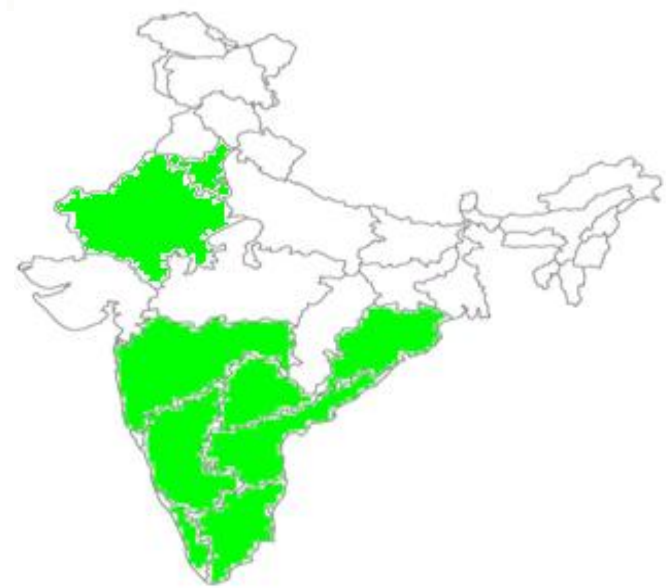
Q2FY16 Dairy - Spread of Operations

- **Widest footprint in India among privately held dairy companies. Spread across 10 states:**

-Andhra Pradesh -Telangana
-Tamil Nadu -Karnataka
-Maharashtra -Kerala
-Odisha -Haryana
-Rajasthan -Delhi

Present in the highest milk producing states in India.

- **One of the leading private sector dairy companies in India in sales and volumes.**



Particulars	Andhra Pradesh	Telangana	Tamil Nadu	Karnataka	Maharashtra	Kerala	Odisha	Haryana/ Delhi	Rajasthan	Total
Average Procurement of Milk (LPD)	5,39,495	1,46,245	2,28,003	17,752	87,829	-	-	-	30,057	**10,49,380**
No. of Chilling Plants	72	43	13	-	8	-	-	-	3	**139**
Chilling Capacity (LPD) as on 30.09.2015	9,69,000	1,93,000	2,58,000	50,000	1,40,000	-	-	-	30,000	**16,40,000**
No. of processing and Packing Plants	7	3	1	1	1	-	-	1	-	**14**
Processing Capacity (LPD) as on 30.09.2015	7,40,000	3,90,000	50,000	1,50,000	50,000	-	-	75,000	-	**14,55,000**
Liquid Milk Sales (LPD)	2,03,196	2,75,552	1,50,034	1,19,636	60,102	11,895	7,250	14,194	-	**8,41,859**
Curd (Kgs/Day)	77,294	34,800	30,845	20,832	130	652	2,690	2,729	-	**1,69,972**
Ice Cream (LPD)	1,395	2,221	682	251	544	-	161	-	-	**5,254**

*LPD : liters per day

Q2FY16 Distribution Network Structure

One Level

87 % sales

Sales Office → Agents/Retailer/Parlours → Consumer

Two Level

11 % sales

Sales Office → Distributors/Stockists → Agents/Retailers → Consumer

Three Level

2 % sales

Sales Office → CFA/CA → Distributors/Stockists → Agents/Retailers → Consumer

- No of Sales offices **26**
- No of Distributors/Agents - **5,600**
- No of outlets - **1,10,000**
- No of Households serviced on daily basis: **11,15,000**
- No of vehicles (trucks/tankers/puff vehicles) servicing Heritage everyday: **1,400**

Range of Products

Milk

UHT Milk & Fresh Cream

Flavoured Milk

Tetra Packs & Bottles

Curd

Fruit n Curd

Lassi

Butter Milk

Sweets

PT Butter & Cheese

Cooking Butter

Range of Products

Buffalo Ghee

Cow Ghee

Paneer

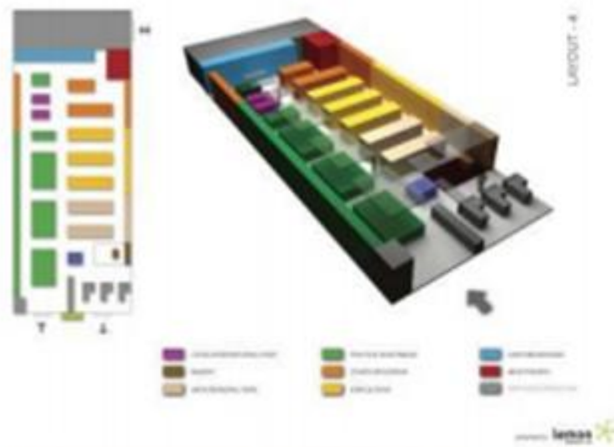
Dairy Whitener

Skim Milk Powder

Ice Cream/Frozen Desert

Business Profile - Retail Division

- Started in 2006 as a logical extension to dairy division to benefit from the food and grocery retail boom in India
- Average store area is ~3,000 sft and contains over 6,000 SKUs
- A typical store is on 9 years lease
- International concepts/standards in branding, layout, design and display
- Layout, ambience and cleanliness standards have become a benchmark in the industry. All stores are air-conditioned, operated and maintained by the company
- Rated the highest in Customer Satisfaction among Food & Grocery chains in South India by WPP group.



All Stores are in prime retail/residential locations and are on the ground floor with an average frontage of 40ft

Quality & FRESHness

- **FRESH is not just a part of our name**
  - It is the essence of the relationship we have built with our customer
  - It stands for the freshness of the products we sell
  - It's also about the originality of our business model
- **Direct procurement of fruits & vegetables from farmers/Heritage Agri and FMCG & grocery products from manufacturers**
- **Dedicated bakery facility to cater to select stores by offering a wide range of fresh bakery products**

Company's value proposition is high quality fresh produce, grocery & FMCG products at competitive prices coupled with high level of service & convenience

Pack Houses Infrastructure






Q2FY16 Economic Activity - Manpower

S.No	Division	Employee Strength
1	Dairy	2054
2	Retail	2252
3	Agri	100
4	Bakery	32
Grand Total		**4438**

Thank You

Bring Home Health & Happiness