



Bring Home Health & Happiness

Heritage Foods Limited

Financial Results – Q4FY16

Hyderabad, 23rd May 2016

Stock Code: **BSE: 519552** **NSE: HERITGFOOD**

REUTERS: HEFI.BO / HEFI.NS

BLOOMBERG: HTFL IN

Quarterly Update



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

Heritage's Dairy division bags Awards at the Great Indian Ice Cream Contest...



Heritage's Dairy Division bags Awards at the "The Great Indian Ice Cream Contest 2016 - Season 5"

The Company's Dairy Division has been awarded in following four categories at the "The Great Indian Ice Cream Contest 2016 - Season 5" conducted by Indian Dairy Association and DuPont Nutrition & Health on 11th February 2016, in Gurgaon, Delhi.

- ✓ GOLD Award in Kool Kids i.e 1st Prize on All India Level.
- ✓ The Best in Class in Kool Kids i.e Award for Excellent Product.
- ✓ Silver Award for VANILLA i.e 2nd Prize on All India Level.
- ✓ Silver Award for CHOCOLATE i.e 2nd Prize on All India Level.

The contest has received an overwhelming response of more than 90 participants and was judged by luminaries from the Indian Ice Cream Industry. The panel of judges experienced what's inside the most scrumptious Ice Cream recipes to find out how the creations measured up in terms of quality and inventiveness. Speaking on the occasion, Smt. N. Bhuvanewari, Vice Chairperson and Managing Director of the Company said that *"Heritage Foods is committed to improve further with dedication and responsibility towards sustainable growth"*.



- **Total Turnover has grown on YoY by 16 % at Rs 6,327 mn.**
- **Dairy Revenue is higher by 14 % at Rs 4,598 mn.**
- **Dairy EBITDA is at Rs 349 mn.**
- **Branded Value Added Products in Dairy surged forward by 24 % at Rs 954 mn.**
- **Retail Revenue is up by 23 % at Rs 1659 mn.**
- **Retail EBITDA is at Rs 39 mn as against Rs 32 mn in Q4 last year.**
- **Agri EBITDA is at Rs 4.30 mn as against Rs 1.70 mn in Q4 last year.**
- **Bakery EBITDA is at Rs (0.80) mn as against Rs 0.70 mn in Q4 last year.**

Q4FY16 Key metrics - Dairy



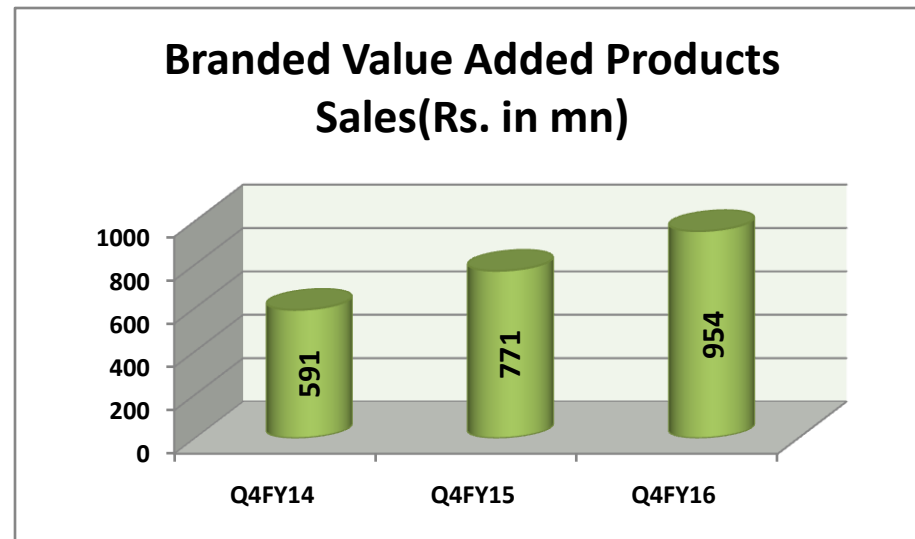
	Q4FY16	Q4FY15	YOY %
Liquid milk sales (llpd)	8.44	7.73	9%
Liquid milk price real. (Rs/l)	36.28	37.91	(4%)
Milk Procurement (llpd)	11.87	10.76	10
Milk procurement price (Rs/l)	30.95	32.72	(5%)
Branded Value added Products sales (Rs mn)	954	771	24%
No. of Parlours	1455	1274	14%

llpd: lakh liters per day

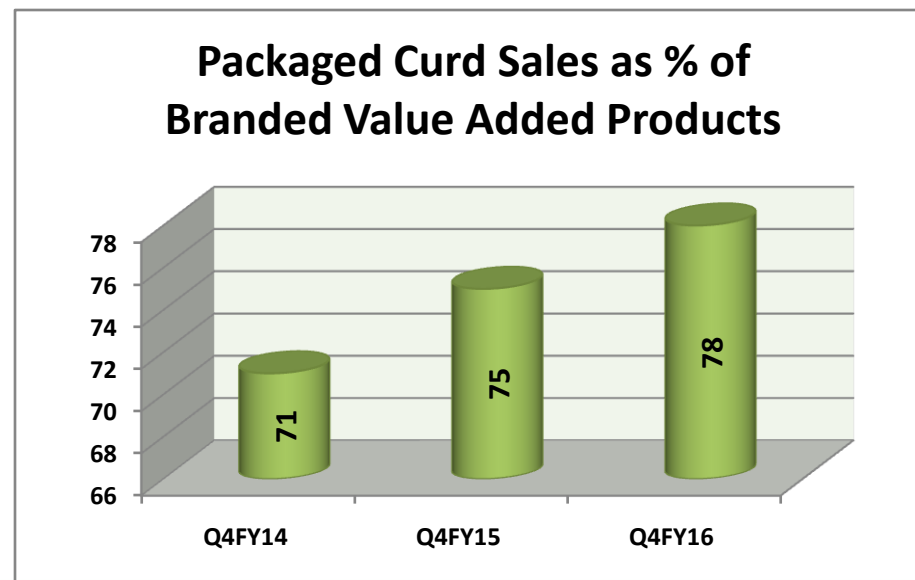
Q4FY16 Key metrics - Dairy (Branded Value Added Products)



Branded Value Added Products	
Year	Sales(Rs. in mn)
Q4FY14	591
Q4FY15	771
Q4FY16	954



Packaged Curd Sales	
Year	As % of Branded Value Added Products
Q4FY14	71
Q4FY15	75
Q4FY16	78





- **14 % yoy growth in turnover to Rs 4,598 mn**
 - ❖ **9 % yoy growth in Milk sales to 8.44 LLPD (lakh litres per day)**
- **24 % yoy growth achieved in Branded Value Added Products sales**
 - ❖ **29 % yoy growth in Packaged Curd sales (accounts for approx. 78 % of Branded Value added products sales)**
- **10 % yoy growth in milk procurement to 11.87 LLPD (lakh litres per day)**
- **EBITDA of Rs 349 mn (EBITDA margin of 7.58 %) as against Rs 238 mn (EBITDA margin of 7.00 %) in Q4FY15**
- **Dairy Parlors as on 31.3.2016 are 1,455 Nos.**
- **Export turnover during Q4FY16 of Rs 39.46 mn**

Q4FY16 Key metrics - Retail

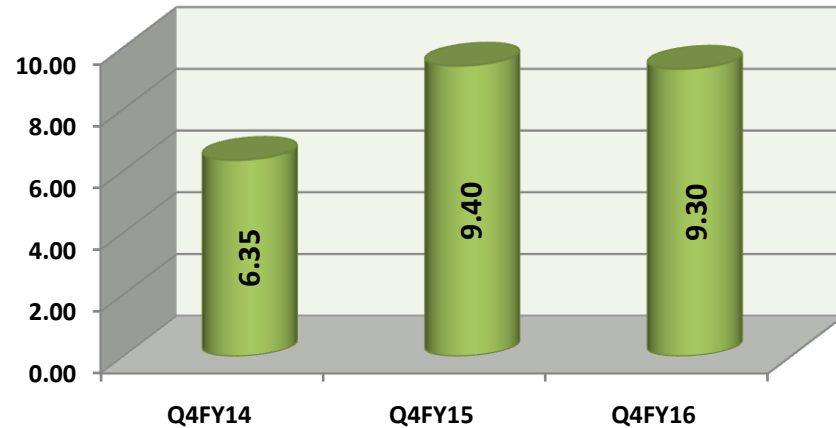


Particulars	Q4FY16	Q4FY15	YOY %	FY2016	FY2015	YOY %
No. of stores	110	92	19.57	110	92	19.57
Total carpet area('000 sqft)	390	338	15.29	390	338	15.29
Effective Carpet Area('000 sqft)	376	335	12.34	354	304	16.50
Avg store sales(Rs/sq ft/month)	1162	1113	4.40	1158	1160	(0.19)
Revenue Break-up:						
Stores(Rs mn)	1311	1118	17.28	4920	4232	16.28
Institutional, General Trade & Others(Rs mn)	158	94	68.19	405	324	25.13
Other Operating Income+Other Income(Rs mn)	198	149	32.96	510	396	28.93
Total Income(Rs mn)	1667	1361	22.50	5836	4951	17.87
Total Gross Profit(Rs mn)	357	296	20.92	1149	979	17.40
Gross margin chain level(%)	21.45%	21.73%	(1.29)	19.69%	19.77%	(0.39)
Gross margin store level(%)	23.73%	23.35%	1.64	21.29%	21.24%	0.24
EBITDA at store level(Rs mn)	155	128	20.88	400	354	13.01
EBITDA margin(%)	9.28%	9.40%	(1.33)	6.85%	7.14%	(4.12)
Regional & Corporate Overheads(Rs mn)	116	96	20.54	446	377	18.45
Overheads/sft/month	102	95	7.31	105	103	1.68



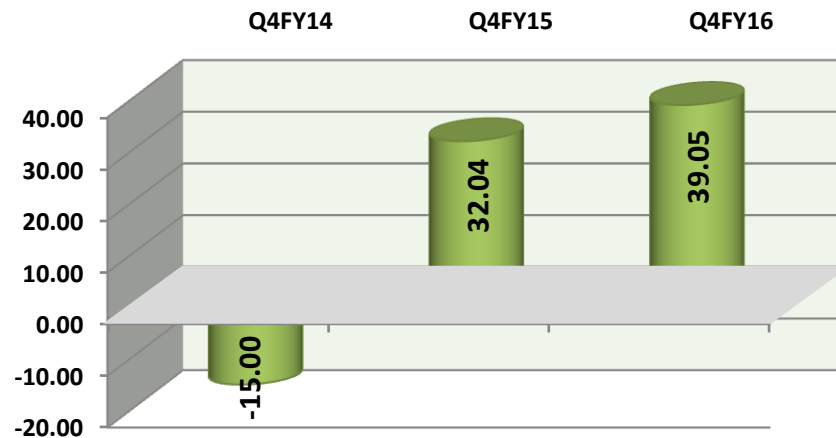
Retail Division	
Year	EBIDTA Margin%
Q4FY14	6.35
Q4FY15	9.40
Q4FY16	9.30

Retail Division - EBIDTA Margin %



Retail Division	
Year	EBIDTA(Rs in mn)
Q4FY14	-15.00
Q4FY15	32.04
Q4FY16	39.05

Retail Division EBIDTA(Rs in mn)





- Same Store Growth (considering 68 comparable stores) stood at 4 % for Q4.
- Average Bill Value (ABV) decreased by 2 % yoy to Rs 240 (Rs 248 in Q4FY15) on same store basis.
- No. of Bills (NOB) has grown by 6 % yoy to 3.62 mn per quarter (3.10 mn in Q4FY15) on same store basis.
- Store Level Gross margin increased by 38 bps to 23.73 % and overall gross margin decreased by 28 bps.
- Store fixed cost increased by Rs 12.35/sq ft/month to Rs 167/sq ft/month in Q4FY16 against Rs 155 in Q4FY15.
- Regional & Corporate Overheads increased by Rs 5.48/sq ft/month to Rs 164/sq ft/month in Q4FY16 against Rs 158/sq ft/month in Q4FY15.
- New stores opened : 7 new stores opened during the quarter.



- 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 in Telangana state on September 29, 2013, under REC mechanism and to meet for the captive energy requirement.
- Turnover in Q4FY16 was Rs 9.68 mn.
- Capital Employed for Renewable Energy division Rs 260.91 mn.
- Heritage Foods has commissioned the 1st Wind Power Plant of 2.1 MW Capacity at Vajrakarur, Ananthapur District, Andhra Pradesh for captive consumption. This Plant is expected to generate 5 Million units per annum to be utilized/consumed at Gokul Dairy Plant and Chittoor Dairy Plant of the Company under Captive Open Access Arrangement through APTRANSCOM/APSPDCL.

Q4FY16 Financial Results



FINANCIAL RESULTS FOR THE QUARTER AND YEAR ENDED MARCH 31, 2016 (₹ in Lakhs)

PARTICULARS	STANDALONE					CONSOLIDATED				
	Quarter Ended			Year Ended		Quarter Ended			Year Ended	
	31-Mar-16	31-Dec-15	31-Mar-15	31-Mar-16	31-Mar-15	31-Mar-16	31-Dec-15	31-Mar-15	31-Mar-16	31-Mar-15
	Unaudited	Unaudited	Unaudited	Audited	Audited	Unaudited	Unaudited	Unaudited	Audited	Audited
1) Income from operations										
Net Sales/Income from Operations	61,328.04	57,167.74	53,012.76	232,895.32	203,348.13	61,328.04	57,167.74	53,012.76	232,895.32	203,348.13
Other Operating Income	1,942.64	1,091.20	1,389.08	5,163.01	3,948.52	1,942.64	1,091.20	1,389.08	5,163.01	3,948.53
Total income from operations	63,270.68	58,258.94	54,401.84	238,058.33	207,296.65	63,270.68	58,258.94	54,401.84	238,058.33	207,296.65
2) Expenses										
Cost of materials consumed	36,867.48	37,562.84	34,361.32	141,378.79	131,393.51	36,867.48	37,562.84	34,361.32	141,378.79	131,393.51
Purchase of stock in trade	13,581.92	12,650.25	11,056.95	49,296.66	42,184.17	13,581.92	12,650.25	11,056.95	49,296.66	42,184.17
Changes in inventories of finished goods, work-in-progress and stock in trade	(886.11)	(4,082.94)	(1,937.95)	(2,808.45)	(5,079.25)	(886.11)	(4,082.94)	(1,937.95)	(2,808.45)	(5,079.25)
Employees benefit expense	3,865.58	3,455.26	2,942.46	13,999.11	11,072.42	3,865.58	3,455.26	2,942.46	13,999.11	11,072.42
Depreciation and Amortisation expense	897.25	856.08	882.59	3,451.21	3,399.03	897.25	856.08	882.59	3,451.21	3,399.03
Other expenses	6,096.50	5,677.03	5,170.21	23,114.88	19,522.51	6,096.91	5,677.03	5,169.90	23,115.30	19,522.66
Total Expenses	60,422.62	56,118.53	52,475.58	228,432.20	202,492.39	60,423.03	56,118.53	52,475.26	228,432.61	202,492.53
3) Profit / (Loss) from operations before other income, finance costs & exceptional items(1-2)	2,848.06	2,140.41	1,926.26	9,626.13	4,804.26	2,847.65	2,140.41	1,926.57	9,625.72	4,804.11
4) Other income	270.05	117.09	465.95	654.96	702.66	270.05	117.09	481.13	654.96	717.83
5) Profit/(Loss) from ordinary activities before finance cost and exceptional items (3+4)	3,118.11	2,257.50	2,392.21	10,281.09	5,506.92	3,117.69	2,257.50	2,407.70	10,280.67	5,521.94
6) Finance cost	381.18	327.41	440.07	1,545.89	1,593.01	381.18	327.41	440.07	1,545.89	1,593.01
7) Profit/(Loss) from ordinary activities after finance cost and before exceptional items (5+6)	2,736.93	1,930.09	1,952.14	8,735.20	3,913.91	2,736.52	1,930.09	1,967.63	8,734.79	3,928.92
8) Exceptional items	-	136.95	-	136.95	-	-	136.95	-	136.95	-
9) Profit/(Loss) from ordinary activities before tax (7-8)	2,736.93	1,793.14	1,952.14	8,598.25	3,913.91	2,736.52	1,793.14	1,967.63	8,597.84	3,928.92
10) Tax expense										
Current Tax/MAT	878.50	652.00	604.00	3,086.50	1,169.36	878.50	652.00	604.00	3,086.50	1,169.36
Prior period tax	-	-	-	(18.06)	(0.45)	-	-	-	(18.06)	(0.45)
Deferred Tax Charge/(Credit)	53.50	4.02	88.59	(13.34)	(76.02)	53.50	4.02	88.59	(13.34)	(76.02)
11) Profit/(Loss) from ordinary activities after tax (9-10)	1,804.93	1,137.12	1,259.55	5,543.15	2,821.02	1,804.51	1,137.12	1,275.03	5,542.74	2,836.04
12) Extraordinary Items	-	-	-	-	-	-	-	-	-	-
13) Net Profit/(Loss) (11-12)	1,804.93	1,137.12	1,259.55	5,543.15	2,821.02	1,804.51	1,137.12	1,275.03	5,542.74	2,836.04
14) Share of profit / (loss) of associates	-	-	-	-	-	(0.03)	(0.04)	(0.06)	(0.09)	(0.28)
15) Minority interest	-	-	-	-	-	0.04	0.10	0.10	0.04	0.15
16) Net Profit/ (Loss) after taxes, minority interest and share of profit / (loss) of associates (13+14-15)	1,804.93	1,137.12	1,259.55	5,543.15	2,821.02	1,804.44	1,137.08	1,274.87	5,542.61	2,835.60
Paid-up Equity Share Capital	2,319.90	2,319.90	2,319.90	2,319.90	2,319.90	2,319.90	2,319.90	2,319.90	2,319.90	2,319.90
Reserves (excluding revaluation reserve)	-	-	-	21,679.38	16,981.26	-	-	-	21,670.36	16,972.70
Earning Per Share before Extra Ordinary Items										
Basic (₹)	7.78	4.90	5.43	23.89	12.16	7.78	4.90	5.50	23.89	12.22
Diluted (₹)	7.78	4.90	5.43	23.89	12.16	7.78	4.90	5.50	23.89	12.22
Earning Per Share After Extra Ordinary Items										
Basic (₹)	7.78	4.90	5.43	23.89	12.16	7.78	4.90	5.50	23.89	12.22
Diluted (₹)	7.78	4.90	5.43	23.89	12.16	7.78	4.90	5.50	23.89	12.22
Public Share Holding										
Number of shares	13,942,154.00	13,942,154.00	13,913,154.00	13,942,154.00	13,913,154.00	13,942,154.00	13,942,154.00	13,913,154.00	13,942,154.00	13,913,154.00
Percentage of Public shareholding	60.10	60.10	59.97	60.10	59.97	60.10	60.10	59.97	60.10	59.97

Bring Home Health & Happiness

Q4FY16 Financial Results - Segmental



SEGMENT REPORTING FOR THE QUARTER AND YEAR ENDED MARCH 31, 2016 (₹ in Lakhs)	STANDALONE					CONSOLIDATED				
	Quarter Ended			Year Ended		Quarter Ended			Year Ended	
	31-Mar-16	31-Dec-15	31-Mar-15	31-Mar-16	31-Mar-15	31-Mar-16	31-Dec-15	31-Mar-15	31-Mar-16	31-Mar-15
	Unaudited	Unaudited	Unaudited	Audited	Audited	Unaudited	Unaudited	Unaudited	Audited	Audited
1. Segment Revenue										
a. Dairy	45,976.46	43,035.00	40,402.82	176,880.13	155,585.71	45,976.46	43,035.00	40,402.82	176,880.13	155,585.71
b. Retail	16,585.93	14,444.40	13,472.49	58,286.49	49,397.00	16,585.93	14,444.40	13,472.49	58,286.49	49,397.00
c. Agri	2,622.15	2,406.30	2,021.97	9,567.73	8,400.16	2,622.15	2,406.30	2,021.97	9,567.73	8,400.16
d. Bakery	197.96	215.03	179.61	812.04	588.92	197.96	215.03	179.61	812.04	588.92
e. Renewable Energy	96.84	78.54	78.13	304.30	257.03	96.84	78.54	78.13	304.30	257.03
f. HFRL	-	-	-	-	-	-	-	-	-	-
g. Heritage Conpro Ltd	-	-	-	-	-	-	-	-	-	-
Total Segment Revenue	65,479.34	60,179.27	56,155.02	245,850.68	214,228.82	65,479.34	60,179.27	56,155.02	245,850.68	214,228.82
Less: Inter Segment Revenue	2,208.66	1,920.33	1,753.18	7,792.35	6,932.18	2,208.66	1,920.33	1,753.18	7,792.35	6,932.18
Net Sales / Income from Operations	63,270.68	58,258.94	54,401.84	238,058.33	207,296.65	63,270.68	58,258.94	54,401.84	238,058.33	207,296.65
2. Segment Results										
(Profit (+) / (Loss) (-) before finance costs and tax)										
a. Dairy	2,934.10	2,565.01	2,306.83	11,532.19	6,717.47	2,934.10	2,565.01	2,306.83	11,532.19	6,717.47
b. Retail	155.39	(442.57)	80.23	(1,380.99)	(1,107.36)	155.39	(442.57)	80.23	(1,380.99)	(1,107.36)
c. Agri	(12.26)	(37.84)	(35.18)	(135.78)	(125.47)	(12.26)	(37.84)	(35.18)	(135.78)	(125.47)
d. Bakery	(29.88)	(6.29)	(11.70)	(61.52)	(84.46)	(29.88)	(6.29)	(11.70)	(61.52)	(84.46)
e. Renewable Energy	51.90	35.83	29.19	126.17	70.53	51.90	35.83	29.19	126.17	70.53
f. HFRL	-	-	-	-	-	(0.24)	-	(0.52)	(0.24)	(0.76)
g. Heritage Conpro Ltd	-	-	-	-	-	(0.17)	-	(0.41)	(0.17)	(0.63)
Total Segment Results	3,099.26	2,114.14	2,369.36	10,080.06	5,470.70	3,098.85	2,114.14	2,368.44	10,079.65	5,469.31
Less: i. Finance costs	381.18	327.41	440.07	1,545.89	1,593.01	381.18	327.41	440.07	1,545.89	1,593.01
ii. Other un-allocable Expenditure net off	-	-	1.24	-	1.24	-	-	(15.17)	-	(15.17)
Add: i. Interest Income	18.85	6.41	24.09	61.01	37.42	18.85	6.41	24.09	61.01	37.42
ii. Other un-allocable Income	-	-	-	3.06	0.04	-	-	-	3.06	0.04
Total Profit before Tax	2,736.93	1,793.14	1,952.14	8,598.25	3,913.91	2,736.52	1,793.14	1,967.63	8,597.84	3,928.92
3. Capital Employed										
Segment Assets -Segment Liabilities)										
a. Dairy	19,573.65	19,660.80	18,687.41	19,573.65	18,687.41	19,573.65	19,660.80	18,687.41	19,573.65	18,687.41
b. Retail	8,632.28	7,742.53	8,877.40	8,632.28	8,877.40	8,632.28	7,742.53	8,877.40	8,632.28	8,877.40
c. Agri	3,211.29	3,074.62	3,135.92	3,211.29	3,135.92	3,211.29	3,074.62	3,135.92	3,211.29	3,135.92
d. Bakery	1,064.32	1,023.07	1,075.13	1,064.32	1,075.13	1,064.32	1,023.07	1,075.13	1,064.32	1,075.13
e. Renewable Energy	2,609.15	1,273.20	1,588.95	2,609.15	1,588.95	2,609.15	1,273.20	1,588.95	2,609.15	1,588.95
f. HFRL	-	-	-	-	-	(0.47)	(0.30)	(0.52)	(0.47)	(0.52)
g. Heritage Conpro Ltd	-	-	-	-	-	(0.40)	(0.28)	(0.41)	(0.40)	(0.41)
h. Unallocated	(301.79)	(102.92)	222.41	(301.79)	222.41	(301.79)	(102.92)	222.41	(301.79)	222.41
Total	34,788.90	32,671.30	33,587.22	34,788.90	33,587.22	34,788.02	32,670.71	33,586.29	34,788.02	33,586.29



As on March, 2016

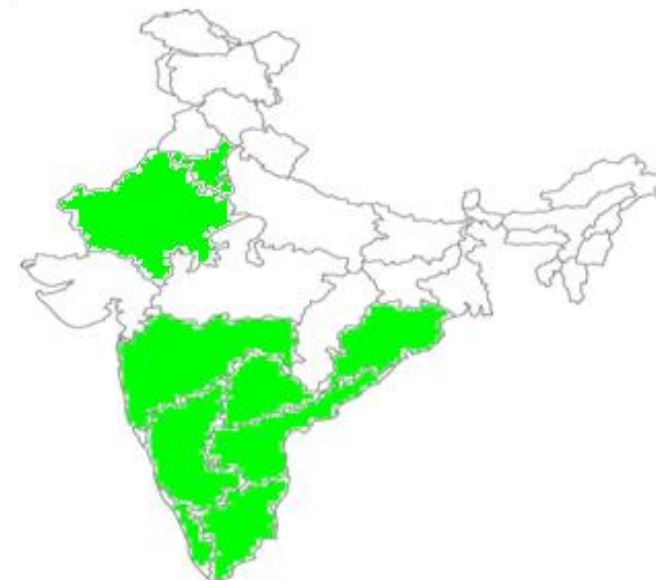
	mn shares	% holding
Promoters	9,256,846	39.90
FPIs / FIIs	1,047,938	4.52
Domestic Institutions	1,098,113	4.73
Others	11,796,103	50.85
Total	23,199,000	100.00

Q4FY16 Dairy - Spread of Operations



- **Widest regional 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	Karnatakata	Maharastra	Kerala	Odisha	Haryana/Delhi	Rajasthan	Total
Average Procurement of Milk (LPD)	659459	149865	115987	12647	78353	0	0	0	171507	1187817
No. of Chilling Plants	76	42	13	1	7	0	0	0	3	142
Chilling Capacity LPD as on 31.3.2016	997000	211000	260000	55000	124000	0	0	0	30000	1677000
No. of Processing and Packing Plants	7	3	1	1	1	0	0	1	--	14
Processing Capacity LPD as on 31.3.2016	765000	390000	50000	150000	100000	0	0	75000	--	1530000
Liquid Milk Sales (LPD)	199219	280001	139596	127433	63055	11517	9199	14588	-	844608
Curd (Kgs/ Day)	80943	40766	27762	29228	212	771	6310	1762	-	187754
Ice Cream (LPD)	1908	2994	602	289	367	-	157	-	-	6317

*LPD:liters per day

Q4FY16 Distribution Network Structure



One Level

85 % sales

Sales Office

Agents/Retailer/Parlours

Consumer

Two Level

10 % sales

Sales Office

Distributors/Stockists

Agents/Retailers

Consumer

Three Level

5 % sales

Sales Office

CFA/CA

Distributors/Stockists

Agents/Retailers

Consumer

- No of Sales offices - 26
- No of Distributors/Agents - 5700
- No of outlets - 113000
- No of Households serviced on daily basis: 1135000
- No of vehicles (trucks/tankers/puff vehicles) servicing Heritage everyday: 1400

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



Bring Home Health & Happiness

Range of Products



Buffalo Ghee



Cow Ghee



Paneer



Dairy Whitener



Skim Milk Powder



Ice Cream/Frozen Desert

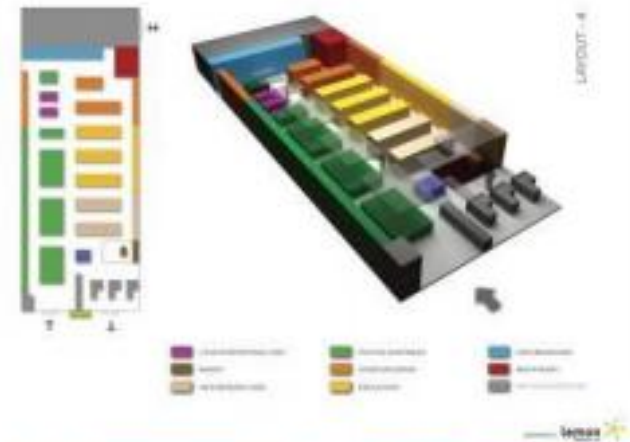


Bring Home Health & Happiness

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, owned, 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



Bring Home Health & Happiness



S. No	Division	Employee Strength
1	Dairy	2235
2	Retail	2618
3	Agri	110
4	Bakery	42
Grand Total		5005



Thank You

Bring Home Health & Happiness