



Bring Home Health & Happiness

Heritage Foods Limited

Financial Results – Q2FY17

Hyderabad, 28th October 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, Mission, & Core Values



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

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

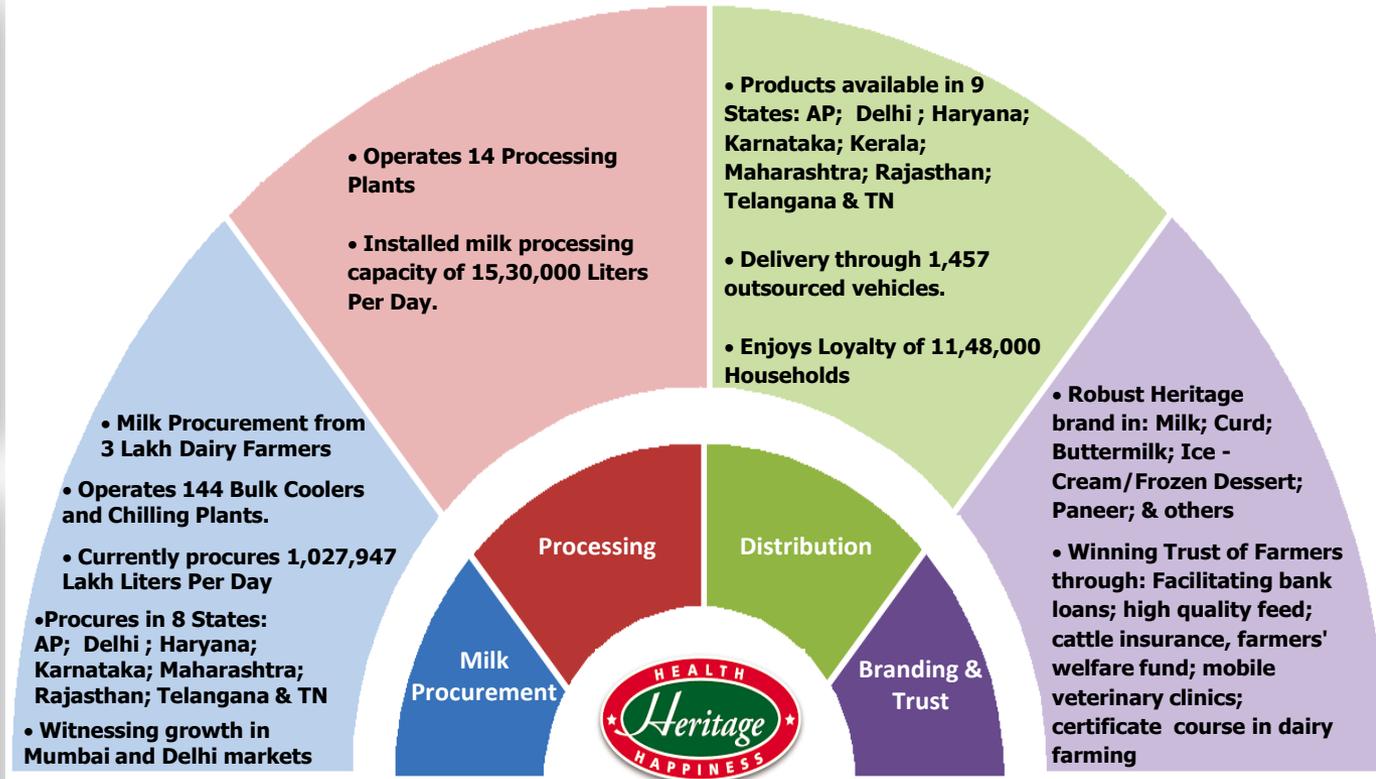
We anticipate, understand and respond to our customers' needs by creating high quality products and making them available through innovative and convenient channels.

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.

Integrated B to C Business - Strong Relationships with Dairy Farmers and Households



Integrated B to C Business encompassing Value Chain.....from Farm to Fork

Heritage Foods bags the Golden Peacock Award for Excellence in Corporate Governance for the year 2016...



Heritage Foods Limited has been declared as the Winner of 'Special Commendation' for '**Golden Peacock Award for Excellence in Corporate Governance**' for the year 2016, by the Awards Jury under the Chairmanship of Justice M. N. Venkatachaliah, former Chief Justice, Supreme Court of India.

The above award was received by Smt. N Bhuvaneshwari, Vice Chairperson & Managing Director of the Company from Baroness Sandip Verma, Global Chairperson, Advisory Council, Institute Of Directors, India and Chairperson, European External Affairs Committee, at a specially organized "**Golden Peacock Awards Nite**" presentation ceremony was held on Tuesday, 18th October 2016, at Millennium Hotel London Mayfair, 44 Grosvenor Square, London W1K 2HP, UK, in the presence of (from Left to Right) Vijay Karia, Chairman & Managing Director, Ravin Group of Companies, India, Stephen Haddrill, Chief Executive, Financial Reporting Council, UK and Lt. Gen. J. S. Ahluwalia, PVSM (Retd.), President, Institute Of Directors, India, along with distinguished business leaders from INDIA & UK, during IOD India's "16th London Global Convention on Corporate Governance & Sustainability" and Global Business Meet. The award has been organized by institute of Directors, India in partnership with Times Now.



Q2FY17 Key Highlights



Turnover

- ✓ Total Turnover has grown on YoY by 9.29 % at Rs 6413 mn.
- ✓ Dairy Revenue is higher by 4.56 % at Rs 4620 mn.
- ✓ Retail Revenue is up by 25.97 % at Rs 1746 mn.
- ✓ Branded Value Added Products in Dairy surged forward by 12.18 % at Rs 991 mn.



EBITDA

- ✓ Dairy EBITDA is at Rs 364 mn.
- ✓ Retail EBITDA is at Rs (39 5) mn as against Rs (35 4) mn in Q2 previous year.
- ✓ Agri EBITDA is at Rs (3.40) mn as against Rs (5.50) mn in Q2 previous year.
- ✓ Vet Ca EBITDA is at Rs 3.80 mn as against Rs 4.70 mn in Q2 previous year.
- ✓ Bakery EBITDA is at Rs 2.60 mn as against Rs 0.10 mn in Q2 previous year.

Employee Strength

- ✓ Employee Strength (Total: 5325): Dairy: 2296; Retail: 2862; Agri: 79; Vet Ca: 43; Bakery: 45

Q2FY17 Key metrics - Dairy



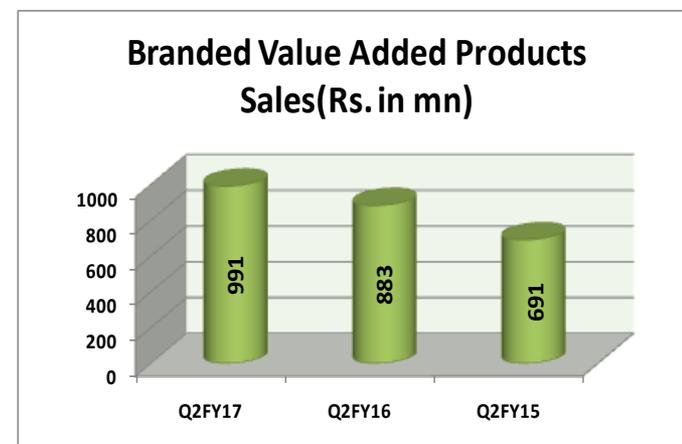
	Q2FY17	Q2FY16	YOY %
Liquid Milk Sales (llpd)	8.92	8.42	5.94%
Liquid Milk Price Real. (Rs/l)	37.17	36.44	2.00%
Milk Procurement (llpd)	10.28	10.48	(1.91%)
Milk Procurement Price (Rs/l)	31.67	30.30	4.52%
Branded Value Added Products Sales (Rs mn)	991	883	12.18%
No. of Parlours	1574	1389	13.32%

llpd: lakh liters per day

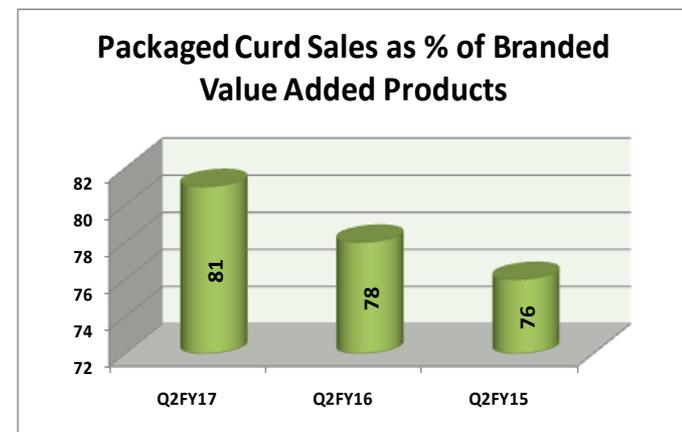
Q2FY17 Key metrics - Dairy (Branded Value Added Products)



Branded Value Added Products	
Year	Sales(Rs. in mn)
Q2FY17	991
Q2FY16	883
Q2FY15	691



Packaged Curd Sales	
Year	As % of Branded Value Added Products
Q2FY17	81
Q2FY16	78
Q2FY15	76



Q2FY17 Key Highlights - Dairy



- **4.56 % yoy growth in Turnover to Rs 4620 mn**
- **5.94 % yoy growth in Milk Sales to 8.92 LLPD (lakh litres per day)**
- **12.18 % yoy growth achieved in Branded Value Added Products Sales**
- **16.25 % yoy growth in Packaged Curd sales (accounts for approx. 81 % of Branded Value Added Products Sales)**
- **1.91 % yoy de-growth in Milk Procurement to 10.28 LLPD (Lakh Litres Per Day)**
- **EBITDA of Rs 364 mn (EBITDA margin of 7.87 %) as against Rs 392 mn (EBITDA margin of 8.88 %) in Q2FY16**
- **Dairy Parlors as on 30.9.2016 are 1574 Nos.**
- **Export Turnover during Q2FY17 of Rs 49 mn.**
- **Capital Employed for Dairy Rs 1728.39 mn**

Q2FY17 Key metrics - Retail

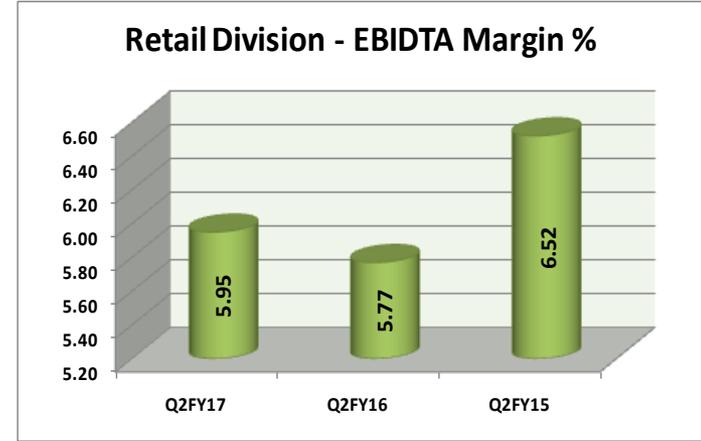


Particulars	Q2FY17	Q2FY16	YOY %
No. of stores	123	96	28.13
Total carpet area ('000 sq ft)	423	345	22.60
Effective Carpet Area (sq ft)	420	347	21.20
Avg store sales (Rs/ sq ft/month)	1200	1157	3.72
Revenue Break-up:			
Heritage Fresh Stores	1512	1203	25.72
Institutional, General Trade & Others	92	78	17.92
Other Operating Income+Oth Income	143	105	35.66
Total Income	1747	1386	26.04
Total Gross Profit	337	264	27.62
Gross margin (%)	19.28%	19.04%	1.26
Gross margin Heritage Fresh (%)	20.34%	20.21%	0.65
EBITDA at store level (Rs mn)	104	80	29.91
EBITDA margin (%)	5.95%	5.77%	3.07
Regional & Corporate Overheads	143	115	24.26
Overheads/sft/month	114	111	2.52
EBITDA (Rs mn) (Before Exceptional Items)	(39)	(35)	12

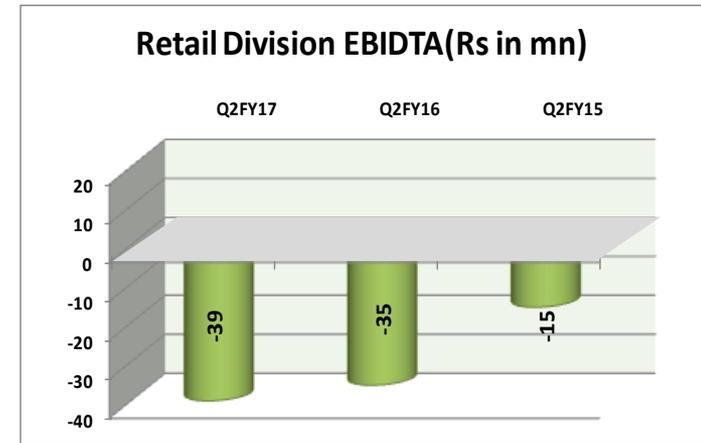
Q2FY17 Key metrics - Retail



Retail Division	
Year	EBIDTA Margin%
Q2FY17	5.95
Q2FY16	5.77
Q2FY15	6.52



Retail Division	
Year	EBIDTA(Rs in mn)
Q2FY17	-39.00
Q2FY16	-35.00
Q2FY15	-15.00



Q2FY17 Key Highlights - Retail



- Same Store growth (considering 88 comparable stores) stood at 2.52 %
- Average Bill Value (ABV) decreased by 5.35 % yoy to Rs 256 (Rs 243 in 2QFY16)
- No. of Bills (NOB) increased by 24.42 % yoy to 5.91 mn (4.75 mn in 2QFY16)
- Store Gross margin Increased by 13 bps to 20.34 % and overall gross margin increased by 24 bps to 19.28 %
- Store Fixed Cost increased by Rs 8.24/sqft/month to Rs 173/sqft/month in 2QFY17 against Rs 164 sqft/month in 2QFY16
- Regional & Corporate Overheads increased by Rs 2.80/sqft/month to 114/sqft/month in Q2FY17 against Rs 111/sqft/month in 2QFY16
- 14 Stores opened during 2QFY17
- Capital Employed for Retail Rs 972.01 mn

Q2FY17 Key Highlights – Agri, Bakery & Vat Ca



- Turnover for Agri in Q2FY17 was Rs 127.91 mn.
- Capital Employed for Agri division Rs 243.89 mn.
- Turnover for Bakery in Q2FY17 was Rs 36.07 mn.
- Capital Employed for Bakery division Rs 90.41 mn.
- Turnover for Vat Ca in Q2FY17 was Rs 136.57 mn.
- Capital Employed for Vat Ca Rs 64.62 mn.



- Commissioned a 2.34 MWP Solar Power Project at IPH, in Medak district in Telangana state in September 2013, under REC mechanism and to meet for the captive energy requirement.
- Turnover in Q2FY17 was Rs 12.31 mn.
- Capital Employed for Renewable Energy division Rs 430.22 mn.
- Commissioned a 2.1 MW Wind Power Plant at Ananthapur District, Andhra Pradesh for captive consumption. This Plant is expected to generate 5 Million units per annum for under Captive Open Access Arrangement.
- Commissioned 2nd Wind Power Plant 2.1 MW Capacity at Vajrakarur, Ananthapur District, Andhra Pradesh, India during September, 2016 for captive consumption. This Plant is expected to generate 5 Million Units per annum to be utilized/consumed at Dairy Plants of the Company under Captive Open Access Arrangement through APTRANSCOM/APSPDCL.

Q2FY17 Financial Results - Segmental



STATEMENT OF STANDALONE UNAUDITED FINANCIAL RESULTS FOR THE QUARTER AND HALF YEAR ENDED SEPTEMBER 30, 2016						Rs in lakhs
Particulars	STANDALONE					
	Quarter Ended			Half Year Ended		Year Ended
	30.09.2016 (Unaudited)	30.06.2016 (Unaudited)	30.09.2015 (Unaudited)	30.09.2016 (Unaudited)	30.09.2015 (Unaudited)	31.03.2016 (Audited)
1. Income from operations						
(a) Net Sales / Income from Operations (Net of excise duty)	62676.88	61945.18	57598.65	124622.06	114391.95	232895.32
(b) Other Operating Income	1454.08	1477.74	1080.29	2931.83	2129.18	5163.01
Total income from operations (a+b)	64130.96	63422.92	58678.94	127553.88	116521.13	238058.33
2. Expenditure						
(a) Cost of materials consumed	33847.61	33296.11	31869.22	67143.72	66948.47	141378.79
(b) Purchase of stock-in-trade	14180.36	14163.74	11938.69	28344.10	23064.49	49296.66
(c) Changes in inventories of finished goods, work-in-progress and stock-in-trade	2084.24	1991.96	2062.36	4076.20	2160.60	(2808.45)
(d) Employees benefits expense	4152.25	4028.43	3501.50	8180.68	6678.26	13999.11
(e) Depreciation and amortisation expense	943.42	902.99	863.71	1846.41	1697.88	3451.21
(f) Other expenses	6568.26	6394.35	5793.10	12943.66	11366.42	23114.88
Total expenditure (a+b+c+d+e+f)	61776.14	60777.57	56028.58	122534.76	111916.12	228432.20
3. Profit / (Loss) from operations before other income, finance costs & exceptional items (1-2)	2354.83	2645.35	2650.36	5019.13	4605.01	9626.13
4. Other income	109.32	124.21	130.39	214.58	300.48	654.96
5. Profit / (Loss) from ordinary activities before finance costs and exceptional items (3+4)	2464.15	2769.56	2780.74	5233.71	4905.49	10281.09
6. Finance costs	245.56	263.60	400.79	509.16	837.30	1545.89
7. Profit / (Loss) from ordinary activities after finance costs but before exceptional items (5-6)	2218.59	2505.96	2379.95	4724.55	4068.19	8735.20
8. Exceptional Items	-	-	-	-	-	136.95
9. Profit / (Loss) from ordinary activities before tax (7-8)	2218.59	2505.96	2379.95	4724.55	4068.19	8598.25
10. Tax expense						
Current Tax /MAT	536.00	940.00	905.00	1476.00	1556.00	3086.50
Prior period tax	(107.54)	0.11	(19.14)	(107.43)	(18.06)	(18.06)
Deferred Tax Charge / (Credit)	220.30	(86.48)	(35.24)	133.82	(70.86)	(13.34)
11. Net Profit/ (Loss) from ordinary activities after tax (9 -10)	1569.83	1652.33	1529.33	3222.17	2601.11	5543.15
12. Extraordinary Items (net of tax expense)	-	-	-	-	-	-
13. Net Profit/ (Loss) for the period before share of profit / (loss) of associates and minority interest (11-12)	1569.83	1652.33	1529.33	3222.17	2601.11	5543.15
14. Share of profit / (loss) of associates	-	-	-	-	-	-
15. Minority interest	-	-	-	-	-	-
16. Net Profit/ (Loss) after taxes, minority interest and share of profit / (loss) of associates (13+14+15)	1569.83	1652.33	1529.33	3222.17	2601.11	5543.15
17. Paid-up equity share capital	2319.90	2319.90	2319.90	2319.90	2319.90	2319.90
Face value per share (Rs.)	10.00	10.00	10.00	10.00	10.00	10.00
18. Reserves excluding revaluation reserves as per Balance Sheet of previous Accounting year	----	----	----	----	----	21679.38
19. Earnings per share (Rs.)						
a) EPS before Extraordinary items for the period, for the year to date and for the previous year (not annualized):						
i. Basic	6.77	7.12	6.59	13.89	11.21	23.89
ii. Diluted	6.77	7.12	6.59	13.89	11.21	23.89
b) EPS after Extraordinary items for the period, for the year to date and for the previous year (not annualized):						
i. Basic	6.77	7.12	6.59	13.89	11.21	23.89
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Q2FY17 Financial Results - Segmental

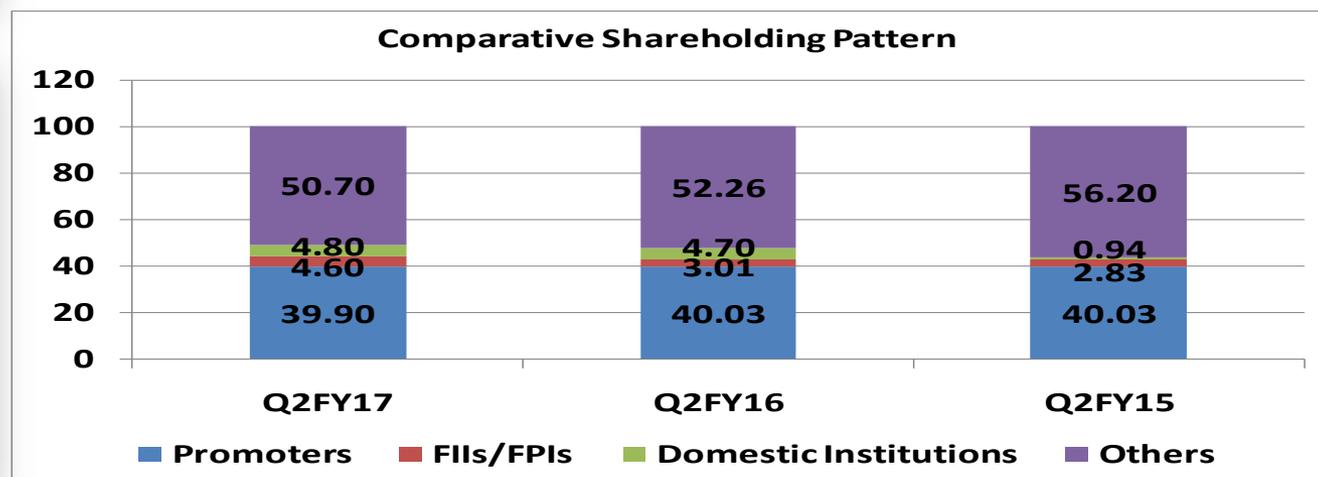


STATEMENT OF CONSOLIDATED UNAUDITED FINANCIAL RESULTS FOR THE QUARTER AND HALF YEAR ENDED SEPTEMBER 30, 2016						Rs in lakhs
Particulars	CONSOLIDATED					
	Quarter Ended			Half Year Ended		Year Ended
	30.09.2016 (Unaudited)	30.06.2016 (Unaudited)	30.09.2015 (Unaudited)	30.09.2016 (Unaudited)	30.09.2015 (Unaudited)	31.03.2016 (Audited)
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Total income from operations (a+b)	64130.96	63422.92	58678.94	127553.88	116521.13	238058.33
2. Expenditure						
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(b) Purchase of stock-in-trade	14180.36	14163.74	11938.69	28344.10	23064.49	49296.66
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(d) Employees benefits expense	4152.25	4028.43	3501.50	8180.68	6678.26	13999.11
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(f) Other expenses	6568.26	6394.35	5793.10	12943.66	11366.43	23115.30
Total expenditure (a+b+c+d+e+f)	61776.14	60777.57	56028.58	122534.76	111916.12	228432.61
3. Profit / (Loss) from operations before other income, finance costs & exceptional items (1-2)	2354.83	2645.35	2650.36	5019.13	4605.01	9625.72
4. Other Income	109.32	124.21	130.39	214.58	300.48	654.96
5. Profit / (Loss) from ordinary activities before finance costs and exceptional items (3+4)	2464.15	2769.56	2780.74	5233.71	4905.49	10280.68
6. Finance costs	245.56	263.60	400.79	509.16	837.30	1545.89
7. Profit / (Loss) from ordinary activities after finance costs but before exceptional items (5-6)	2218.59	2505.96	2379.95	4724.55	4068.18	8734.79
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Prior period tax	(107.54)	0.11	(19.14)	(107.43)	(18.06)	(18.06)
Deferred Tax Charge / (Credit)	220.30	(86.48)	(35.24)	133.82	(70.86)	(13.34)
11. Net Profit/ (Loss) from ordinary activities after tax (9 -10)	1569.83	1652.33	1529.33	3222.17	2601.11	5542.74
12. Extraordinary Items (net of tax expense)	-	-	-	-	-	-
13. Net Profit/(Loss) for the period before share of profit /(loss) of associates and minority interest (11-12)	1569.83	1652.33	1529.33	3222.17	2601.11	5542.74
14. Share of profit / (loss) of associates	(0.02)	(0.01)	(0.02)	(0.03)	(0.02)	(0.09)
15. Minority interest	-	-	-	-	-	(0.04)
16. Net Profit/ (Loss) after taxes, minority interest and share of profit / (loss) of associates (13+14+15)	1569.81	1652.32	1529.31	3222.14	2601.09	5542.69
17. Paid-up equity share capital	2319.90	2319.90	2319.90	2319.90	2319.90	2319.90
Face value per share (Rs.)	10.00	10.00	10.00	10.00	10.00	10.00
18. Reserves excluding revaluation reserves as per Balance Sheet of previous Accounting year	----	----	----	----	----	21670.36
19. Earnings per share (Rs.)						
a) EPS before Extraordinary items for the period, for the year to date and for the previous year (not annualized) :						
i. Basic	6.77	7.12	6.59	13.89	11.21	23.89
ii. Diluted	6.77	7.12	6.59	13.89	11.21	23.89
b) EPS after Extraordinary items for the period, for the year to date and for the previous year (not annualized):						
i. Basic	6.77	7.12	6.59	13.89	11.21	23.89
ii. Diluted	6.77	7.12	6.59	13.89	11.21	23.89

Q2FY17 Shareholding Pattern



As on Sept, 2016	mn shares	% holding
Promoters	9.26	39.90
FPIs / FIIs	1.07	4.60
Domestic Institutions	1.11	4.80
Others	11.76	50.70
Total	23,199,000	100



Q2FY17 Dairy - Spread of Operations



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

-Andhra Pradesh

-Karnataka

-Odisha

-Telangana

-Maharashtra

-Haryana - Delhi

-Tamil Nadu

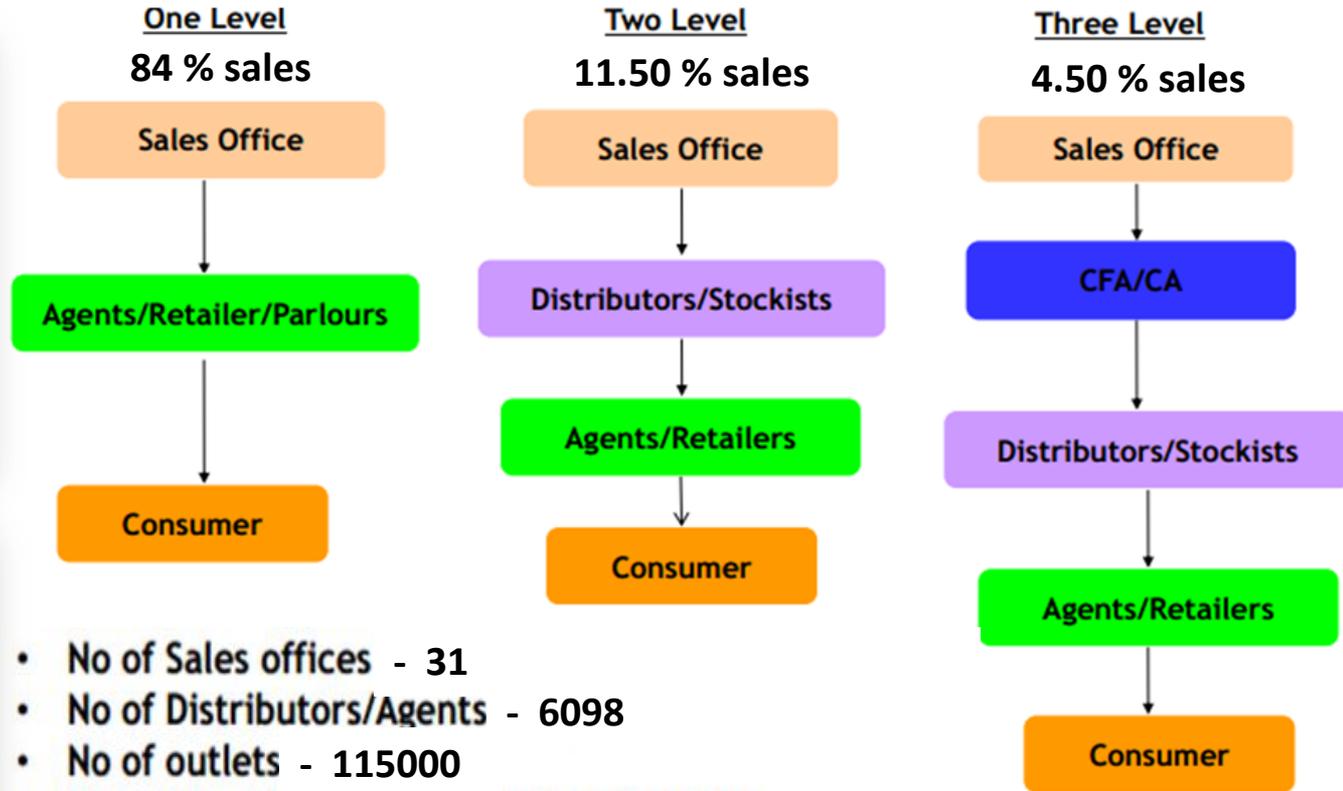
-Kerala

-Rajasthan

Particulars	Andhra Pradesh	Telangana	Tamil Nadu	Karnataka	Maharashtra	Kerala	Odisha	Haryana/Delhi	Rajasthan	Total
Average Procurement of Milk (LPD)	610945	126189	159773	29867	67170	--	--	8436	25567	1027947
No. of Chilling Plants	81	36	13	1	9	0	0	1	3	144
Chilling Capacity LPD as on 30.9.2016	1060000	191000	264000	55000	125000	0	0	10000	30000	1735000
No. of Processing and Packing Plants	7	3	1	1	1	0	0	1	--	14
Processing Capacity LPD as on 30.9.2016	765000	390000	50000	150000	100000	0	0	75000	--	1530000
Liquid Milk Sales (LPD)	215730	320236	144484	125962	47247	11047	10358	17303	--	892368
Curd (Kgs/ Day)	95321	42410	34245	24809	241	671	2652	3317	--	203667
Ice Cream (LPD)	1420	1704	522	179	185	--	--	--	--	4010

*LPD:liters per day

Q2FY17 Distribution Network Structure



- No of Sales offices - 31
- No of Distributors/Agents - 6098
- No of outlets - 115000
- No of Households serviced on daily basis: - 1148000
- No of vehicles (trucks/tankers/puff vehicles) servicing Heritage everyday: - 1457

Range of Products



Category 1 :



Pouch Milk



Pouch Curd



Pouch Buttermilk



UHT Processed Milk

Category 2 :



Cup Curd



Paneer



Lassi



Paneer



Doodh Peda

Category 3 :



Ghee



Flavored milk



Cooking Butter



Table Butter



Skimmed Milk Powder

Category 4 :



Ice-cream





- 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 sq ft and contains over 6,000 SKUs
- A typical store is on 9 year 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



- **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



Growth Potential



Geographical Presence



To achieve EBITDA breakeven for Retail by FY17.



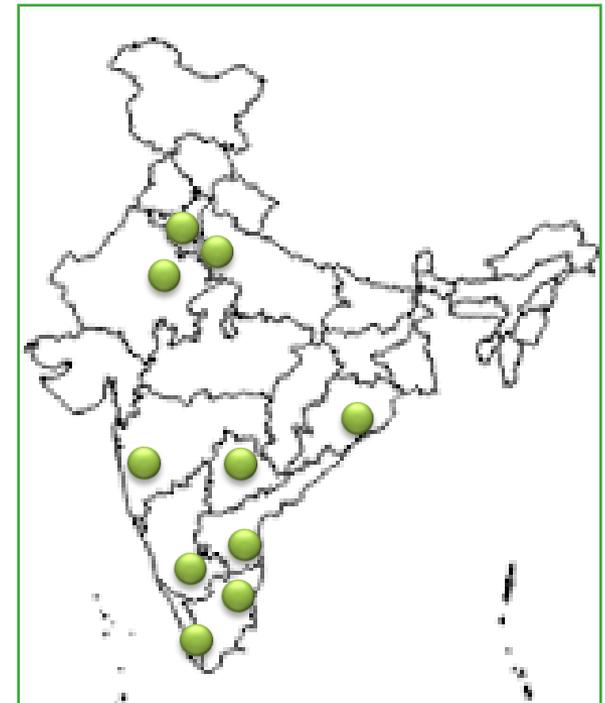
To improve contribution of VAD products in Dairy business to 40% by 2020.

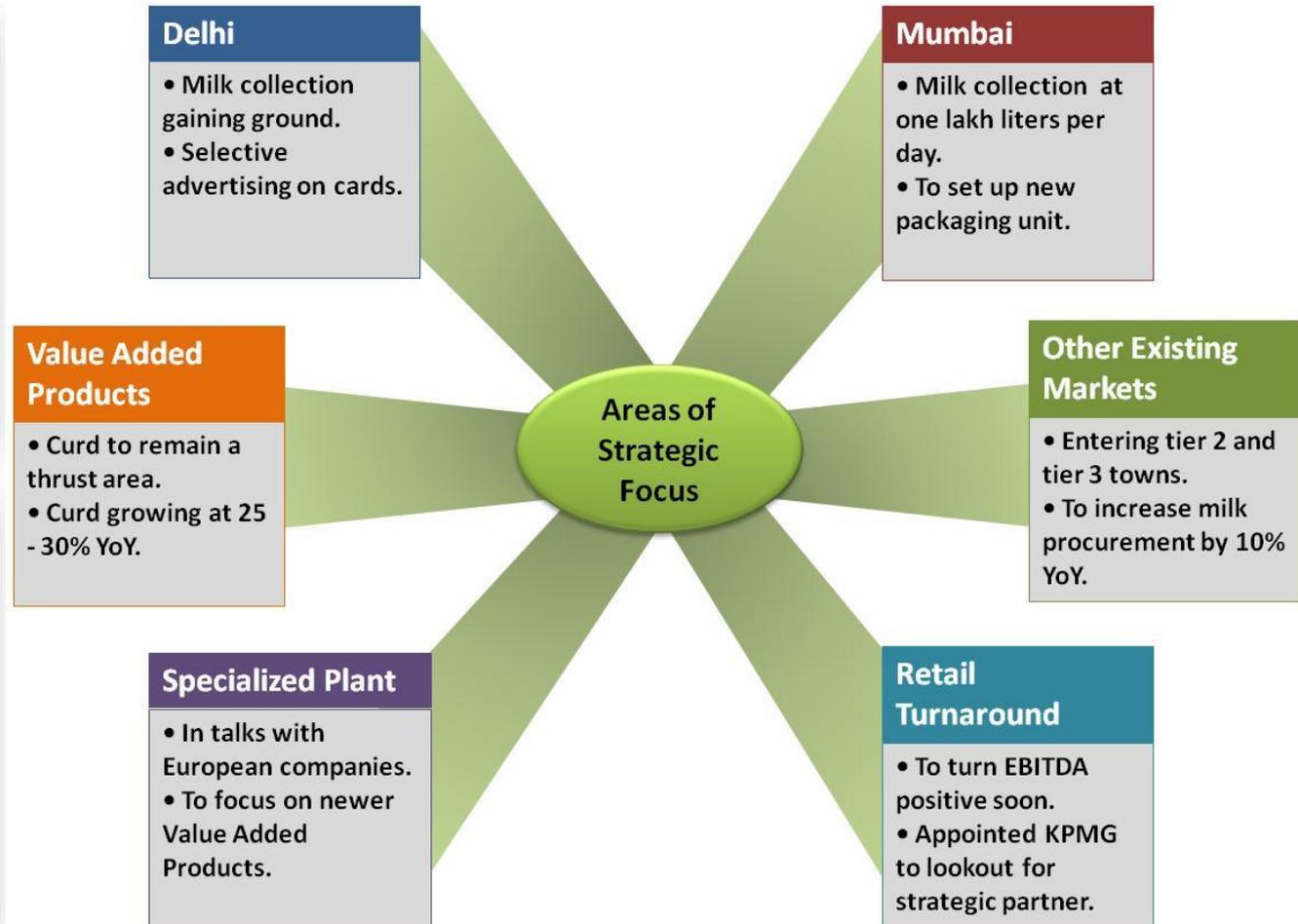


To achieve Rs 6000 crore turnover by 2020.



Appointed M/s. KPMG as Advisor for induction of a suitable Strategic Partner/Investor for Retail Business.





Thank You