



*Bring Home Health & Happiness*

# Heritage Foods Limited

## Financial Results – Q1FY17

Hyderabad, 29<sup>th</sup> July 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**

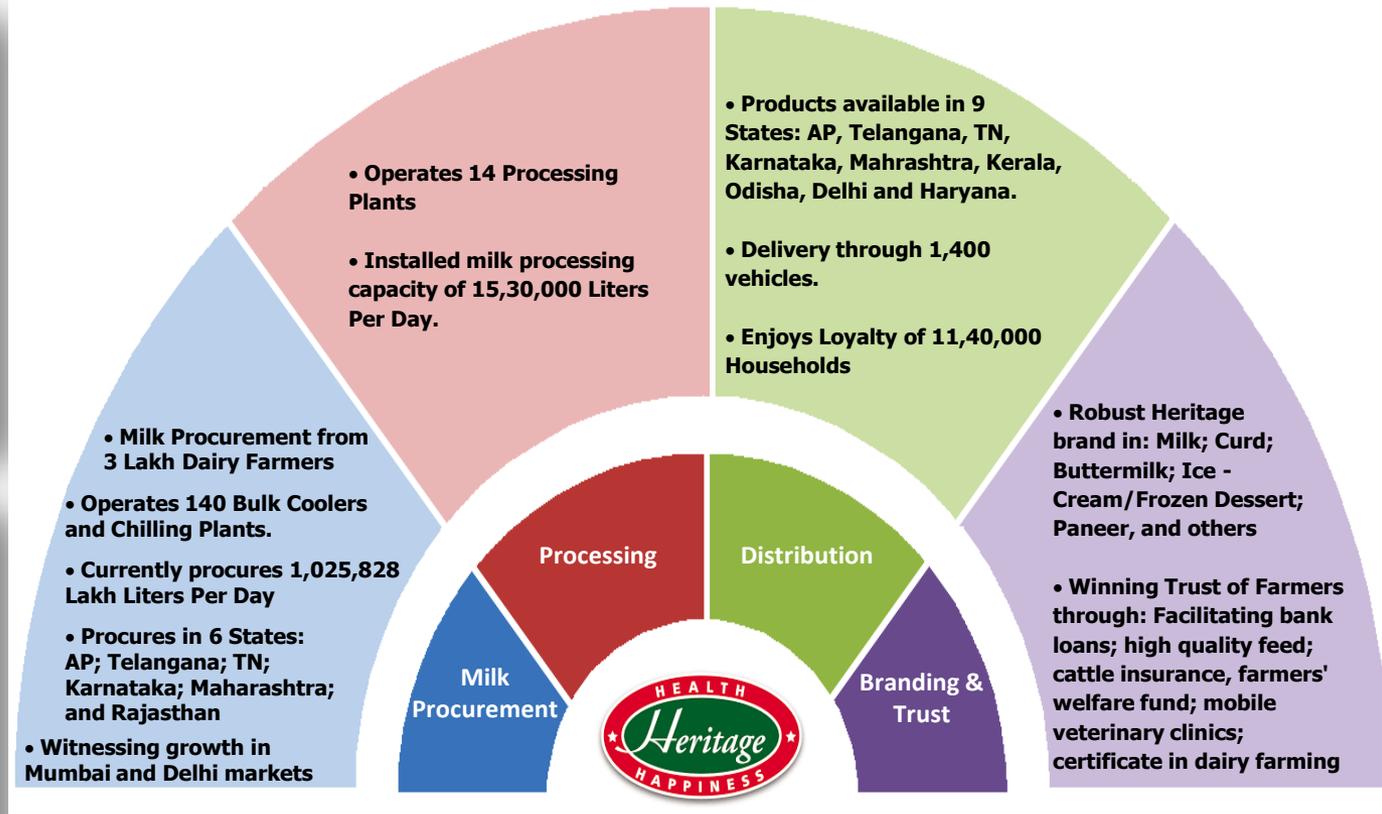
We anticipate, understand and respond to our customers' needs by creating high quality products and making them available through innovative and convenient channels.

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**

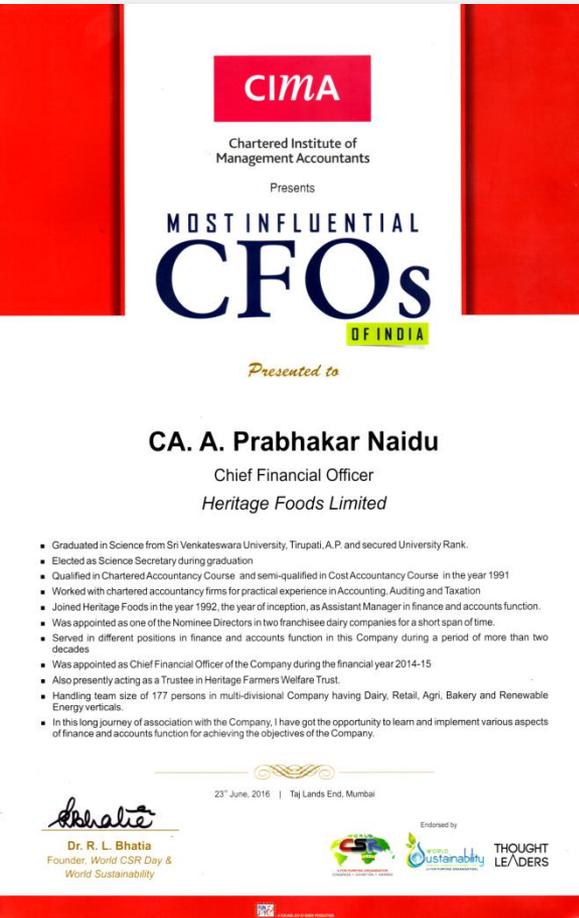
# Heritage Foods CFO bags "100 Most Influential CFO's of India" CIMA award...



## Heritage Foods CFO bags CIMA award, joins elite list of "100 Most Influential CFO's of India"

The Chief Financial Officer (CFO) of Heritage Foods Ltd, Mr. A. Prabhakara Naidu has been conferred an Award by the London-based Chartered Institute of Management Accountants(CIMA), there by joining the elite list of CIMA's "100 Most Influential CFOs".

The CIMA award was conferred at the 2016 CIMA Annual Awards Ceremony held in Mumbai on June 23, 2016. The Award is in recognition of the CFO of the Company "commitment and exceptional performance done by him in the field of Finance." The award has been instituted by the CIMA to acknowledge CFOs with a proven track record of performance, achievements and contribution to the business. CIMA is the largest management accounting body in the world, with more than 203,000 members in 179 countries.



# Heritage Foods CFO bags "100 Most Innovative CIO's of India" World CSR Day award...



## Heritage Foods CIO bags the World CSR Day award of "100 Most Innovative CIO's of India"

Mr. K.Rajababu, Head-Information Technology, Dairy Division of the Company is among those conferred with the "100 Most Innovative CIO of India" by The World CSR day ([www.indiasgreatest.com](http://www.indiasgreatest.com)), Mumbai.

The World CSR Day aims to recognize Great Leaders across leadership levels in individual within an organization that aim at believing the excellence is infinite and perfection has no limit and targets are milestones not an end of the journey. The CIO Excellence Awards is the highest recognition to an individual because they believe that perfection has no limits. Strategic Perspective, Track Record, Continuous Innovations, Effective Use of Technology, Integrity & Ethics and Thought Leadership were the criteria and competencies benchmarked for selection.

# Q1FY17 Key Highlights



## Turnover

- ✓ Total Turnover has grown on YoY by 9.65 % at Rs 6,342 mn.
- ✓ Dairy Revenue is higher by 5.44 % at Rs 4,605 mn.
- ✓ Retail Revenue is up by 26.04 % at Rs 1,688 mn.
- ✓ Branded Value Added Products in Dairy surged forward by 19.67 % at Rs 1,308 mn.



## EBITDA

- ✓ Dairy EBITDA is at Rs 394 mn.
- ✓ Retail EBITDA is at Rs (38) mn as against Rs (30) mn in Q1 previous year.
- ✓ Agri EBITDA is at Rs (2) mn as against Rs (2) mn in Q1 previous year.
- ✓ Vet Ca EBITDA is at 3 mn as against Rs 8 mn in Q1 previous year.
- ✓ Bakery EBITDA is at Rs 1 mn as against Rs 1 mn in Q1 previous year.

## Employee Strength

- ✓ Employee Strength: Dairy: 2,267; Retail: 2,706; Agri & Vet Ca: 112; Bakery: 46

# Q1FY17 Key metrics - Dairy



	Q1FY17	Q1FY16	YOY %
Liquid Milk Sales (llpd)	8.42	7.85	7.26
Liquid Milk Price Real. (Rs/l)	36.91	37.13	(0.59)
Milk Procurement (llpd)	10.26	11.07	(7.32)
Milk Procurement Price (Rs/l)	31.63	31.25	1.22
Branded Value Added Products Sales (Rs mn)	1,308	1,093	19.67
No. of Parlours	1,515	1,332	

llpd: lakh liters per day

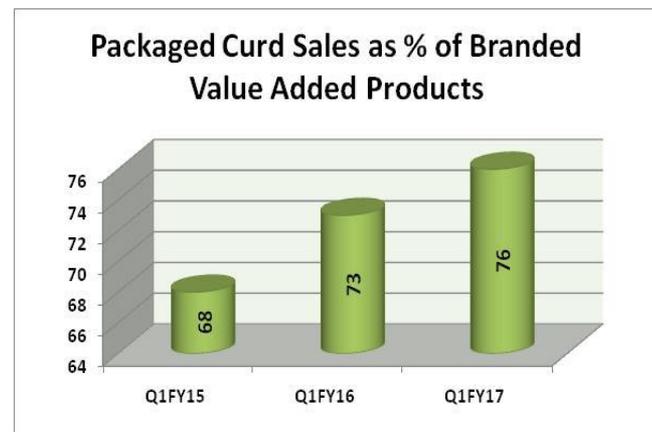
# Q1FY17 Key metrics - Dairy (Branded Value Added Products)



Branded Value Added Products	
Year	Sales(Rs. in mn)
Q1FY15	952
Q1FY16	1093
Q1FY17	1308



Packaged Curd Sales	
Year	As % of Branded Value Added Products
Q1FY15	68
Q1FY16	73
Q1FY17	76



# Q1FY17 Key Highlights - Dairy



- 5.44 % yoy growth in turnover to Rs 4,605 mn
- 7.26 % yoy growth in Milk sales to 8.42 LLPD (lakh litres per day)
- 19.67 % yoy growth achieved in Branded Value Added Products sales
- 24 % yoy growth in Packaged Curd sales (accounts for approx. 76 % of Branded Value added products sales)
- (7.32) % yoy de-growth in milk procurement to 10.26 LLPD (lakh litres per day)
- EBITDA of Rs 394 mn (EBITDA margin of 8.56 %) as against Rs 314 mn (EBITDA margin of 7.19 %) in Q1FY16
- Dairy Parlors as on 30.6.2016 are 1,515 Nos.
- Export turnover during Q1FY17 of Rs 45 mn

# Q1FY17 Key metrics - Retail

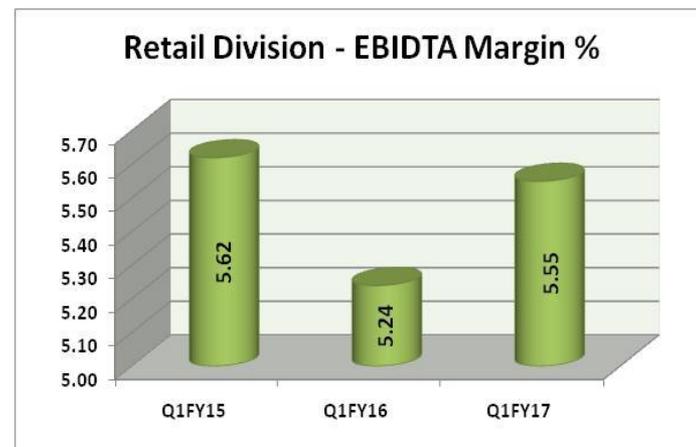


Particulars	Q1FY17	Q1FY16	YOY %
No. of stores	112	93	20.43
Total carpet area('000 sqft)	397	340	16.61
Effective Carpet Area('000 sqft)	394	339	16.39
<b>Avg store sales(Rs/sq ft/month)</b>	<b>1183</b>	<b>1118</b>	5.90
<b>Revenue Break-up:</b>			
Stores(Rs mn)	1400	1136	23.27
Institutional, General Trade & Others(Rs mn)	143	102	40.40
Other Operating Income+Other Income(Rs mn)	147	102	44.18
<b>Total Income(Rs mn)</b>	<b>1690</b>	<b>1340</b>	26.16
<b>Total Gross Profit(Rs mn)</b>	<b>317</b>	<b>245</b>	29.48
Gross margin chain level(%)	18.76%	18.28%	2.63
Gross margin store level(%)	20.61%	20.22%	1.93
<b>EBITDA at store level(Rs mn)</b>	<b>94</b>	<b>70</b>	33.51
EBITDA margin(%)	5.55%	5.24%	5.82
Regional & Corporate Overheads(Rs mn)	132	100	32.06
Overheads/sft/month	111	98	13.46
<b>EBITDA(Rs mn)</b>	<b>(38)</b>	<b>(30)</b>	29.00

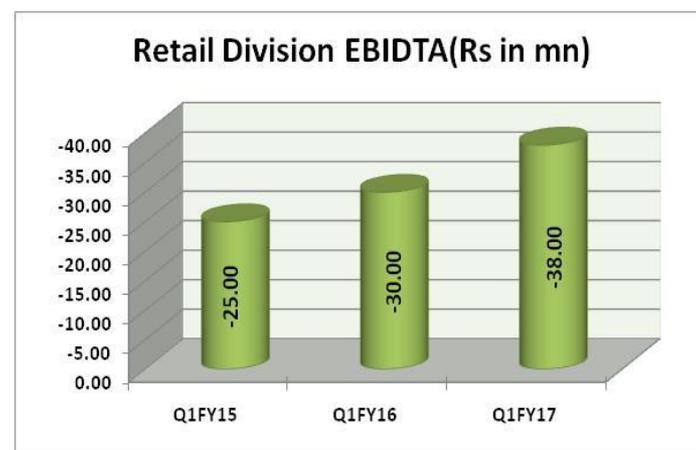
# Q1FY17 Key metrics - Retail



Retail Division	
Year	EBIDTA Margin%
Q1FY15	5.62
Q1FY16	5.24
Q1FY17	5.55



Retail Division	
Year	EBIDTA(Rs in mn)
Q1FY15	-25
Q1FY16	-30
Q1FY17	-38



# Q1FY17 Key Highlights - Retail



- Same Store growth (considering 90 comparable stores) stood at **4.52 %**
- Average Bill Value (ABV) decreased by (0.57) % yoy to Rs 243 (Rs 245 in 1QFY16)
- No. of Bills (NOB) increased by 5.13 % yoy to 4.80 mn (4.57 mn in 1QFY16)
- Store Gross margin Increased by 39 bps to 20.61 % and overall gross margin increased by 48 bps to 18.76 %
- Store fixed cost increased by Rs 17.13/sqft/month to Rs 177/sqft/month in 1QFY17 against Rs 160 sqft/month in 1QFY16
- Regional & Corporate Overheads increased by Rs 13.22/sqft/month to 111 sqft/month in Q1FY17 against Rs 98/sqft/month in 1QFY16
- 2 Stores opened during 1QFY17

# Q1FY17 Key Highlights – Agri, Bakery & Vat Ca



- Turnover for Agri in Q1FY17 was Rs 130.55 mn.
- Capital Employed for Agri division Rs 274.93 mn.
- Turnover for Bakery in Q1FY17 was Rs 25.42 mn.
- Capital Employed for Bakery division Rs 106.96 mn.
- Turnover for Vat Ca in Q1FY17 was Rs 133.56 mn.
- Capital Employed for Vat Ca Rs 57.25 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 Q1FY17 was Rs 11.15 mn.
- Capital Employed for Renewable Energy division Rs 288.42 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.
- The Board has approved the establishment / setting up of 2<sup>nd</sup> Wind Power Plant 2.1 MW Capacity at Sy. No. 40/A2, Chinahothur Village, Vajrakarur Mandal, Ananthapur District, Andhra Pradesh, India for Captive Consumption. This Plant is expected to generate 5 Million Units per annum.

# Q1FY17 Financial Results



## EXTRACT OF STANDALONE AND CONSOLIDATED UNAUDITED FINANCIAL RESULTS FOR THE QUARTER ENDED JUNE 30, 2016 (Rs. In lakhs)

Particulars	STANDALONE				CONSOLIDATED			
	Quarter Ended		Year Ended		Quarter Ended		Year Ended	
	30.06.2016	31.03.2016	30.06.2015	31.03.2016	30.06.2016	31.03.2016	30.06.2015	31.03.2016
	Unaudited	Unaudited	Unaudited	Audited	Unaudited	Unaudited	Unaudited	Audited
Total income from operations (net)	<b>63,422.92</b>	63,270.68	57,842.19	238,058.33	<b>63,422.92</b>	63,270.68	57,842.19	238,058.33
Net Profit/ (Loss) for the period (before tax, exceptional and /or extraordinary items)	<b>2,505.96</b>	2,736.93	1,688.23	8,735.20	<b>2,505.96</b>	2,736.52	1,688.23	8,734.79
Net Profit/ (Loss) for the period before tax (after exceptional and /or extraordinary items)	<b>2,505.96</b>	2,736.93	1,688.23	8,598.25	<b>2,505.96</b>	2,736.52	1,688.23	8,597.84
Net Profit/ (Loss) for the period (after tax, exceptional and /or extraordinary items)	<b>1,652.33</b>	1,804.93	1,071.78	5,543.15	<b>1,652.32</b>	1,804.53	1,071.78	5,542.69
Total Comprehensive income for the period (Comprising Profit / (Loss) for the period (after tax) and other comprehensive income (after tax))	NA	NA	NA	NA	NA	NA	NA	NA
Equity Share Capital	<b>2,319.90</b>	2,319.90	2,319.90	2,319.90	<b>2,319.90</b>	2,319.90	2,319.90	2,319.90
Reserves (excluding Revaluation Reserve as shown in the Balance Sheet of Previous year)	-	-	-	21,679.38	-	-	-	21,670.36
Earning per share (of Rs.10/-each) for continuing and discontinued operations)								
Basic : (Rs.)	<b>7.12</b>	7.78	4.62	23.89	<b>7.12</b>	7.78	4.62	23.89
Diluted : (Rs.)	<b>7.12</b>	7.78	4.62	23.89	<b>7.12</b>	7.78	4.62	23.89

# Q1FY17 Financial Results - Segmental



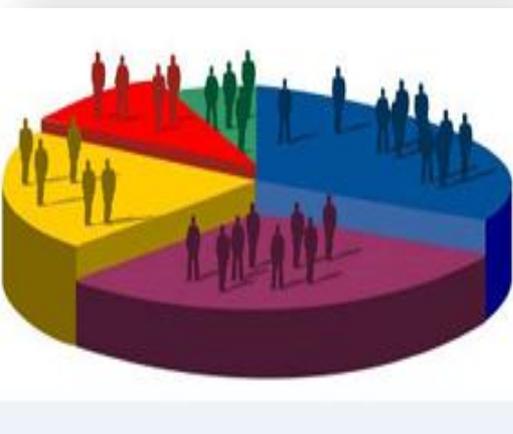
PARTICULARS	SEGMENT REPORTING FOR THE QUARTER AND YEAR ENDED June 30, 2016 (₹ in Lakhs)			
	STANDALONE			
	30-Jun-16 Unaudited	31-Mar-16 Unaudited	30-Jun-15 Unaudited	Year Ended 31-Mar-16 Audited
<b>1. Segment Revenue</b>				
a. Dairy	46,050.36	45,976.46	43,673.81	176,880.13
b. Retail	16,881.28	16,585.93	13,393.47	58,286.49
c. Agri	1,305.48	1,230.90	929.55	3,872.15
d. Bakery	254.19	197.96	205.15	812.04
e. Renewable Energy	111.45	96.84	65.81	304.30
f. Vet Ca	1,335.58	1,391.25	1,408.63	5,695.57
g. Heritage Foods Retail Limited	-	-	-	-
h. Heritage Conpro Ltd	-	-	-	-
<b>Total Segment Revenue</b>	<b>65,938.34</b>	<b>65,479.34</b>	<b>59,676.42</b>	<b>245,850.68</b>
Less: Inter Segment Revenue	2,515.42	2,208.66	1,834.23	7,792.35
<b>Net Sales / Income from Operations</b>	<b>63,422.92</b>	<b>63,270.68</b>	<b>57,842.19</b>	<b>238,058.33</b>
<b>2. Segment Results</b> (Profit (+) / (Loss) (-) before finance costs and tax)				
a. Dairy	3,391.19	2,934.10	2,622.77	11,532.19
b. Retail	(617.18)	155.39	(519.67)	(1,380.99)
c. Agri	(76.84)	(50.97)	(80.69)	(312.41)
d. Bakery	(9.53)	(29.88)	(6.22)	(61.52)
e. Renewable Energy	52.64	51.90	17.98	126.17
f. Vet Ca	23.88	38.72	58.79	176.63
g. Heritage Foods Retail Limited	-	-	-	-
h. Heritage Conpro Ltd	-	-	-	-
<b>Total Segment Results</b>	<b>2,764.16</b>	<b>3,099.26</b>	<b>2,092.96</b>	<b>10,080.06</b>
Less: i. Finance costs	263.60	381.18	436.51	1,545.89
ii. Other un-allocable expenses net off	-	-	-	-
<b>Add: i. Interest income</b>	<b>5.40</b>	<b>18.85</b>	<b>31.78</b>	<b>61.01</b>
ii. Other un-allocable income	-	-	-	3.06
<b>Total Profit before Tax</b>	<b>2,505.96</b>	<b>2,736.93</b>	<b>1,688.23</b>	<b>8,598.25</b>
<b>3. Capital Employed</b> (Segment Assets - Segment Liabilities)				
a. Dairy	18,961.01	19,573.65	19,913.60	19,573.65
b. Retail	9,167.56	8,632.28	8,323.78	8,632.28
c. Agri	2,749.33	2,716.71	2,921.70	2,716.71
d. Bakery	1,069.59	1,064.32	1,068.16	1,064.32
e. Renewable Energy	2,884.19	2,609.15	1,566.13	2,609.15
f. Vet Ca	572.45	494.58	336.47	494.58
g. Heritage Foods Retail Limited	-	-	-	-
h. Heritage Conpro Ltd	-	-	-	-
i. Unallocated	(393.17)	(301.79)	53.52	(301.79)
<b>Total</b>	<b>35,010.97</b>	<b>34,788.90</b>	<b>34,183.36</b>	<b>34,788.90</b>

# Q1FY17 Financial Results - Segmental

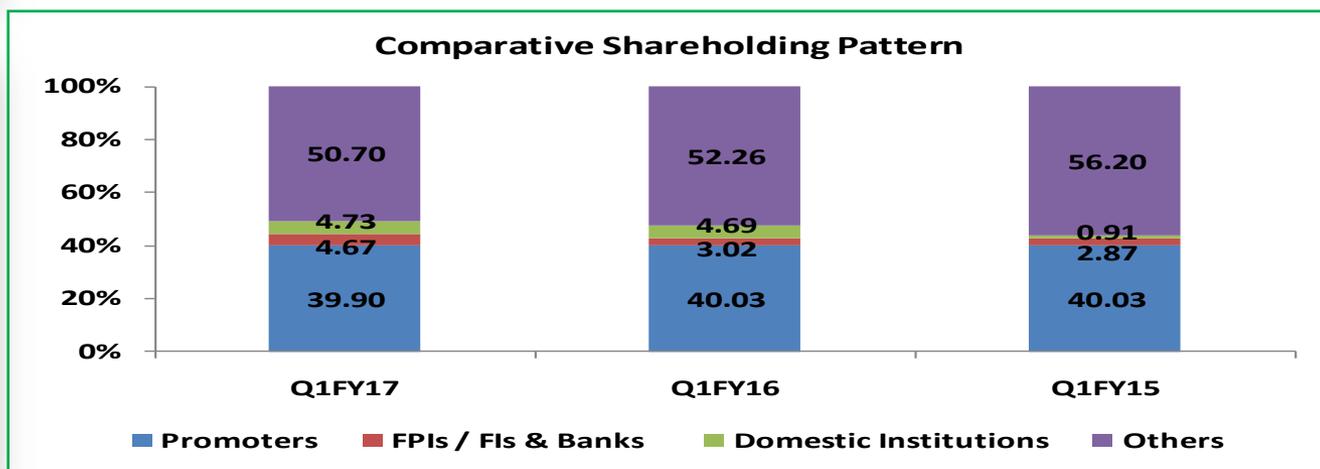


PARTICULARS	SEGMENT REPORTING FOR THE QUARTER AND YEAR ENDED June 30, 2016 (₹ in Lakhs)			
	CONSOLIDATED			
	30-Jun-16 Unaudited	31-Mar-16 Unaudited	30-Jun-15 Unaudited	Year Ended 31-Mar-16 Audited
<b>1. Segment Revenue</b>				
a. Dairy	46,050.36	45,976.46	43,673.81	176,880.13
b. Retail	16,881.28	16,585.93	13,393.47	58,286.49
c. Agri	1,305.48	1,230.90	929.55	3,872.15
d. Bakery	254.19	197.96	205.15	812.04
e. Renewable Energy	111.45	96.84	65.81	304.30
f. Vet Ca	1,335.58	1,391.25	1,408.63	5,695.57
g. Heritage Foods Retail Limited	-	-	-	-
h. Heritage Conpro Ltd	-	-	-	-
<b>Total Segment Revenue</b>	<b>65,938.34</b>	<b>65,479.34</b>	<b>59,676.42</b>	<b>245,850.68</b>
Less: Inter Segment Revenue	2,515.42	2,208.66	1,834.23	7,792.35
<b>Net Sales / Income from Operations</b>	<b>63,422.92</b>	<b>63,270.68</b>	<b>57,842.19</b>	<b>238,058.33</b>
<b>2. Segment Results</b> (Profit (+) / (Loss) (-) before finance costs and tax)				
a. Dairy	3,391.19	2,934.10	2,622.77	11,532.19
b. Retail	(617.18)	155.39	(519.67)	(1,380.99)
c. Agri	(76.84)	(50.97)	(80.69)	(312.41)
d. Bakery	(9.53)	(29.88)	(6.22)	(61.52)
e. Renewable Energy	52.64	51.90	17.98	126.17
f. Vet Ca	23.88	38.72	58.79	176.63
g. Heritage Foods Retail Limited	-	(0.24)	-	(0.24)
h. Heritage Conpro Ltd	-	(0.17)	-	(0.17)
<b>Total Segment Results</b>	<b>2,764.16</b>	<b>3,098.86</b>	<b>2,092.96</b>	<b>10,079.65</b>
Less: i. Finance costs	263.60	381.18	436.51	1,545.89
ii. Other un-allocable expenses net off	-	-	-	-
<b>Add: i. Interest income</b>	<b>5.40</b>	<b>18.85</b>	<b>31.78</b>	<b>61.01</b>
ii. Other un-allocable income	-	-	-	3.06
<b>Total Profit before Tax</b>	<b>2,505.96</b>	<b>2,736.52</b>	<b>1,688.23</b>	<b>8,597.84</b>
<b>3. Capital Employed</b> (Segment Assets - Segment Liabilities)				
a. Dairy	18,961.01	19,573.65	19,913.60	19,573.65
b. Retail	9,167.56	8,632.28	8,323.78	8,632.28
c. Agri	2,749.33	2,716.71	2,921.70	2,716.71
d. Bakery	1,069.59	1,064.32	1,068.16	1,064.32
e. Renewable Energy	2,884.19	2,609.15	1,566.13	2,609.15
f. Vet Ca	572.45	494.58	336.47	494.58
g. Heritage Foods Retail Limited	(0.47)	(0.47)	(0.52)	(0.47)
h. Heritage Conpro Ltd	(0.40)	(0.40)	(0.41)	(0.40)
i. Unallocated	(393.17)	(301.79)	53.52	(301.79)
<b>Total</b>	<b>35,010.10</b>	<b>34,788.02</b>	<b>34,182.44</b>	<b>34,788.02</b>

# Q1FY17 Shareholding Pattern



As on June, 2016	mn shares	% holding
Promoters	9,256,846	39.90
FPIs / FIs & Banks	1,082,148	4.67
Domestic Institutions	1,098,121	4.73
Others	11,761,885	50.70
<b>Total</b>	<b>23,199,000</b>	<b>100</b>



# Q1FY17 Dairy - Spread of Operations



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

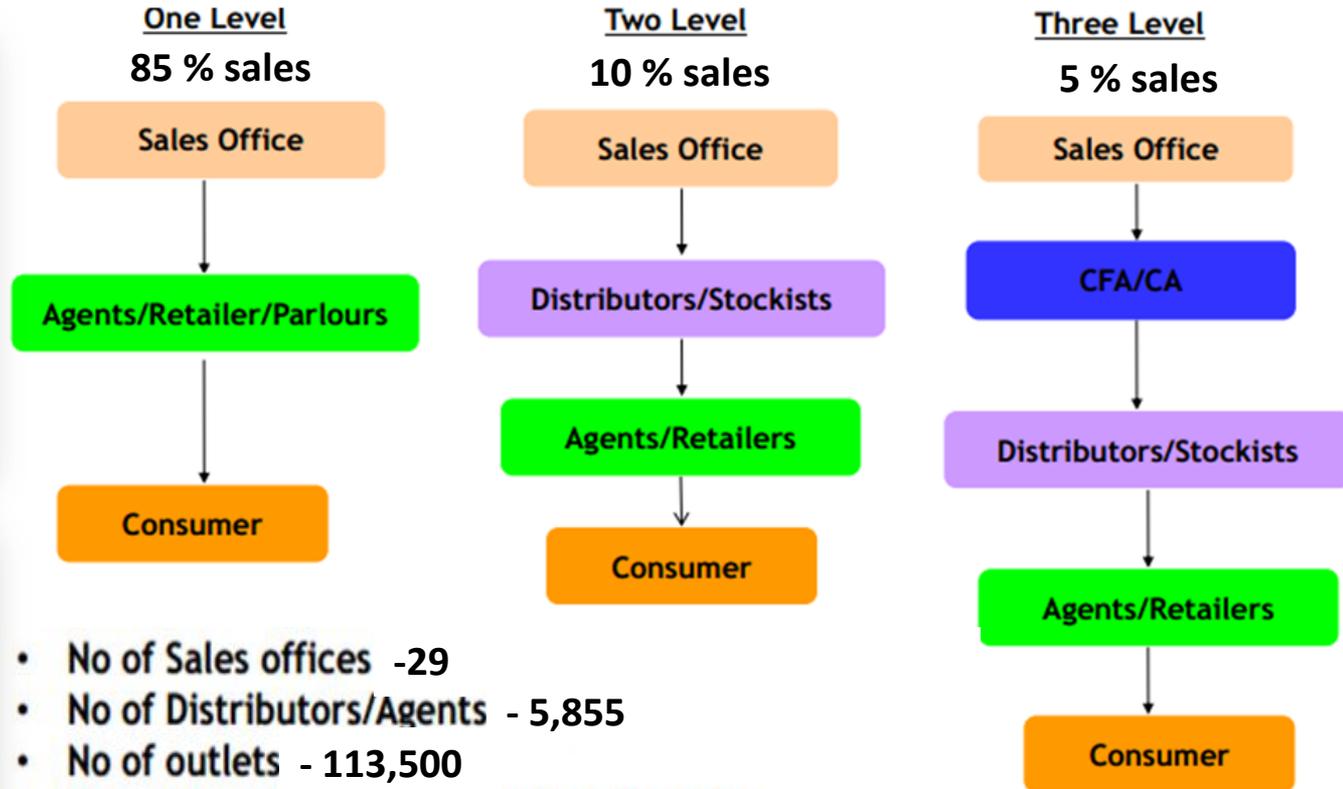
- Andhra Pradesh                      -Telangana                      -Tamil Nadu
- Karnataka                              -Maharashtra                      -Kerala
- Odisha                                      -Haryana - Delhi                      -Rajasthan

**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)	643,301	120,156	123,683	13,510	83,441	--	--	--	41,736	<b>1,025,828</b>
No. of Chilling Plants	77	36	13	1	9	0	0	0	4	<b>140</b>
Chilling Capacity LPD as on 30.6.2016	1,017,000	193,000	264,000	55,000	125,000	0	0	0	40000	<b>1,694,000</b>
No. of Processing and Packing Plants	7	3	1	1	1	0	0	1	--	<b>14</b>
Processing Capacity LPD as on 30.6.2016	765,000	390,000	50,000	150,000	100,000	0	0	75,000	--	<b>1,530,000</b>
Liquid Milk Sales (LPD)	203,717	289,073	142,912	124,628	44,286	11,596	10,198	15,562	--	<b>841,972</b>
Curd (Kgs/ Day)	118,344	51,738	39,910	34,848	279	776	4,497	4,341	--	<b>254,733</b>
Ice Cream (LPD)	2,874	4,416	1,075	481	602	--	120	--	--	<b>9,568</b>

\*LPD:liters per day

# Q1FY17 Distribution Network Structure



- No of Sales offices - 29
- No of Distributors/Agents - 5,855
- No of outlets - 113,500
- No of Households serviced on daily basis: - 1,140,000
- No of vehicles (trucks/tankers/puff vehicles) servicing Heritage everyday: - 1,400

# Range of Products



## Category 1 :



Pouch milk



Pouch curd



Pouch butter milk

## Category 2 :



Cup Curd



Cheese



Paneer



Cooking butter

## Category 3 :



Ice-cream



Ghee



Flavored milk



- 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.



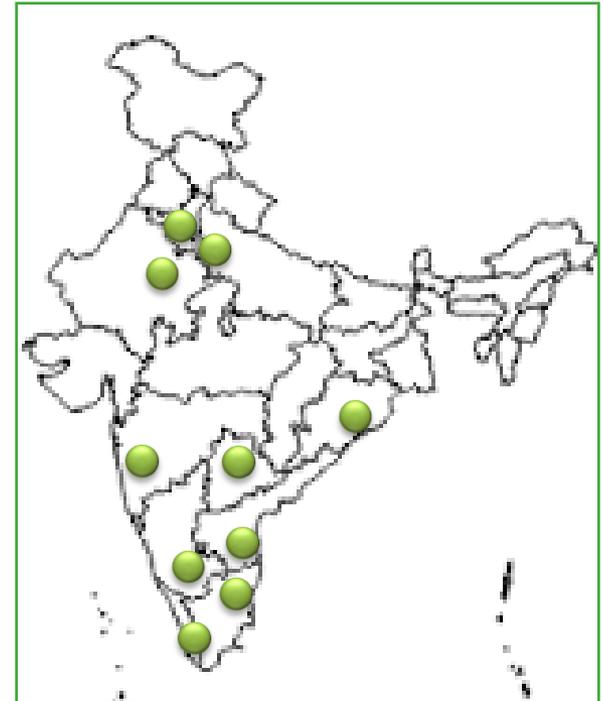
To improve contribution of VAD products in Dairy business to 40% by 2020.

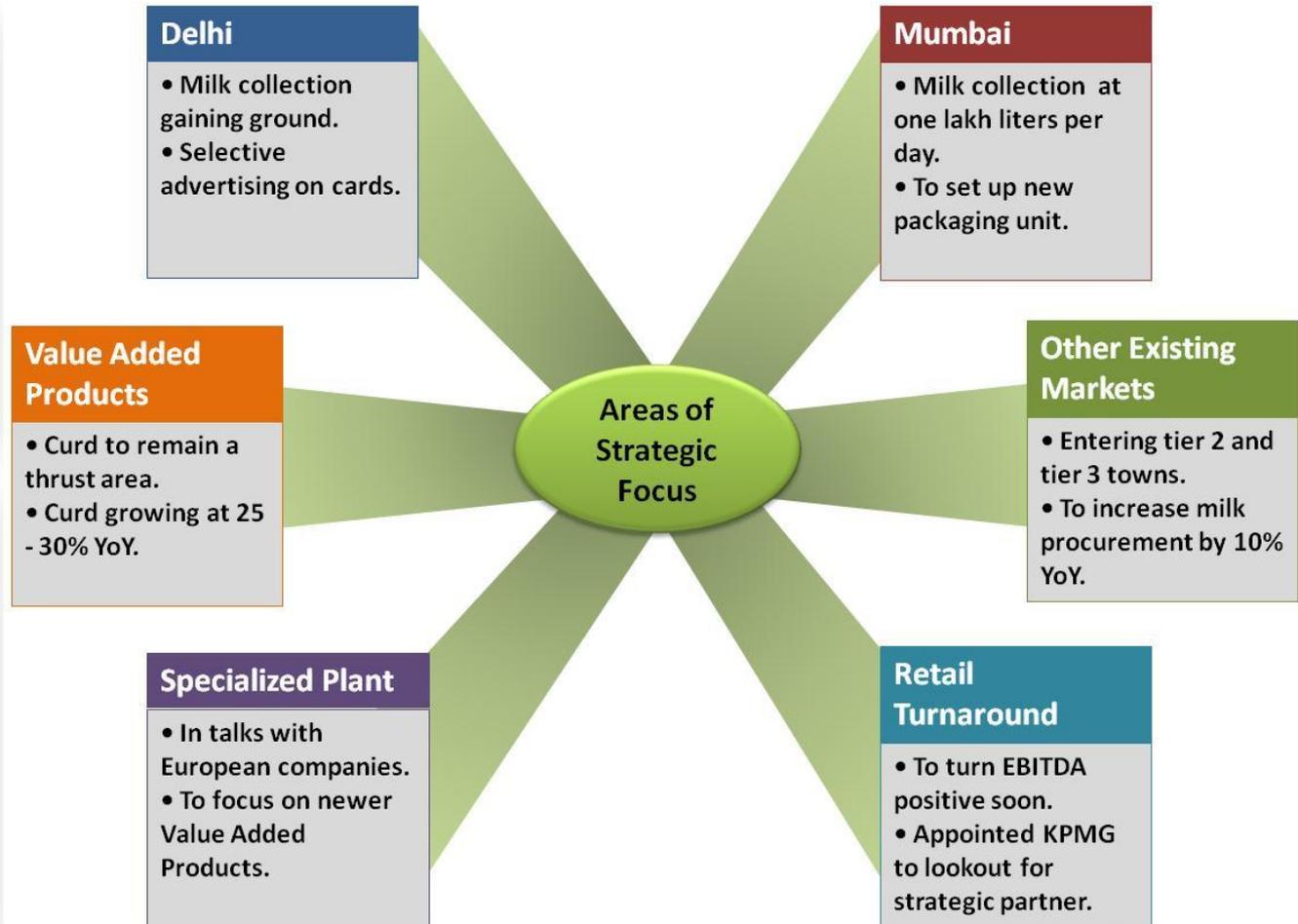


To achieve Rs 6000 crore turnover by 2020.



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





*Thank You*