Quarterly Update Q1FY15

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.

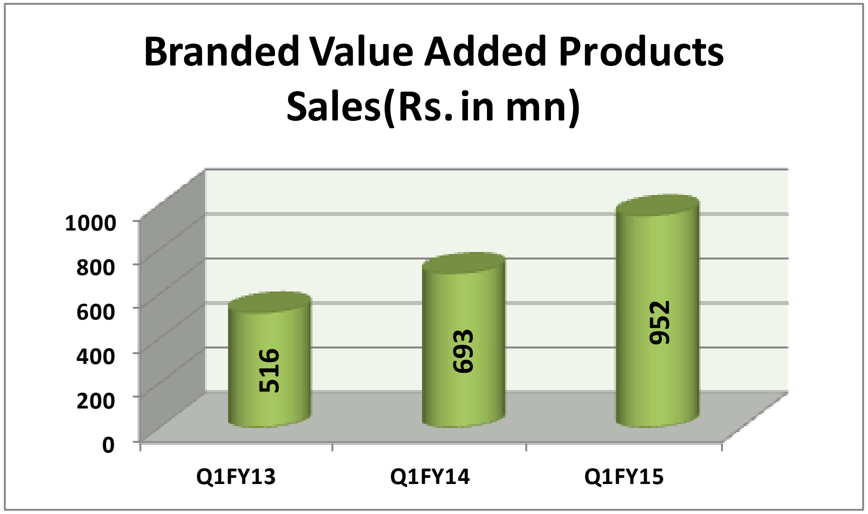
Q1FY15 Key metrics - Dairy

	Q1FY15	Q1FY14	YOY %
Liquid milk sales (llpd)	8.0	8.1	(1.2%)
Liquid milk price real. (Rs/l)	36.3	30.9	17.5%
Milk Procurement (llpd)	8.9	8.4	5.9%
Milk procurement price (Rs/l)	30.5	26.1	16.9%
Branded Value added Products sales (Rs mn)	952	693	37.4%
No. of Parlours	1222	1212	0.8%

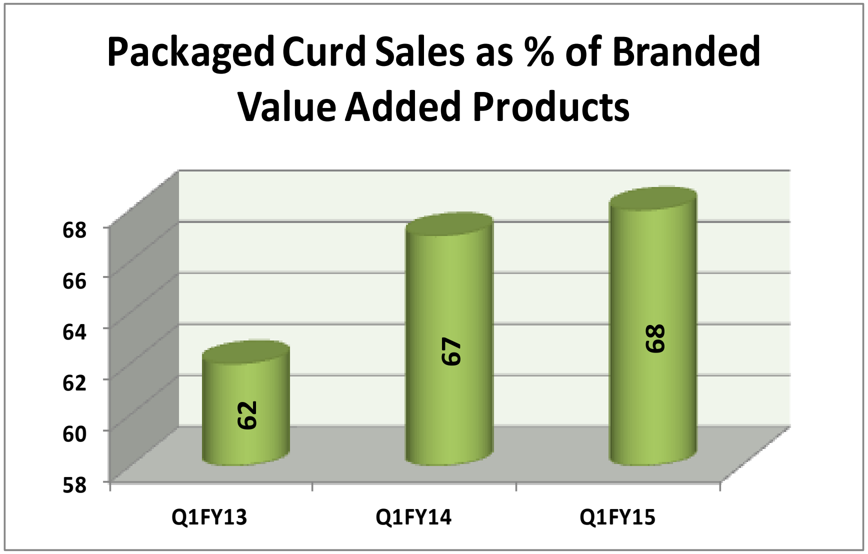
llpd: lakh liters per day

Q1FY15 Key metrics - Dairy (Branded Value Added Products)

Branded Value Added Products	
Year	**Sales(Rs. in mn)**
Q1FY13	**516**
Q1FY14	**693**
Q1FY15	**952**



Packaged Curd Sales	
Year	**As % of Branded Value Added Products**
Q1FY13	**62**
Q1FY14	**67**
Q1FY15	**68**



Q1FY15 Key Highlights - Dairy

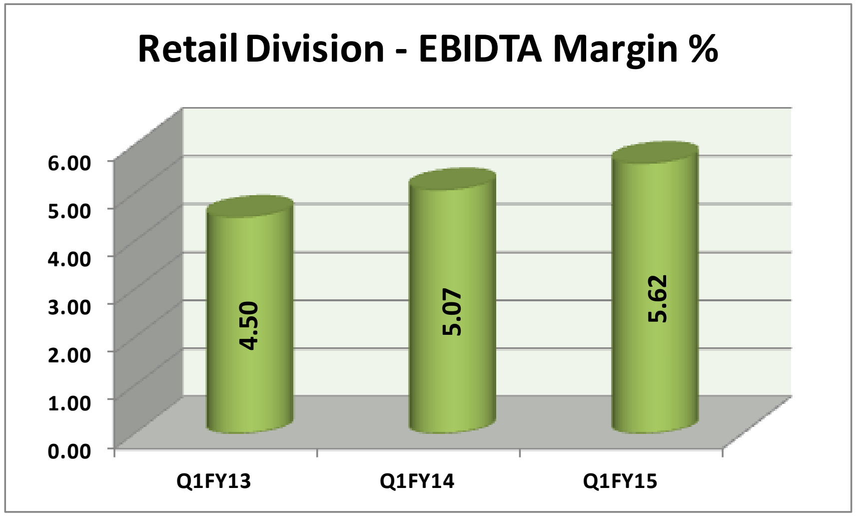
- 14% yoy growth in turnover to Rs 3,826mn
  - (1%) yoy de-growth in Milk sales to 8.0LLPD (lakh litres per day)
- 37% yoy growth achieved in Branded Value Added Products sales
  - 40% yoy growth in Packaged Curd sales (accounts for approx. 68% of Branded Value added products sales)
- 5% yoy growth in milk procurement to 8.9LLPD (lakh litres per day)
- EBITDA of Rs 208mn (EBITDA margin of 5%) as against Rs 326mn(EBITDA margin of 10%) in Q1FY14
- Dairy Parlors as on 30.06.2014 are 1222 Nos.
- Export Turnover during Q1FY15 was Rs 4.9mn

Q1FY15 Key metrics - Retail

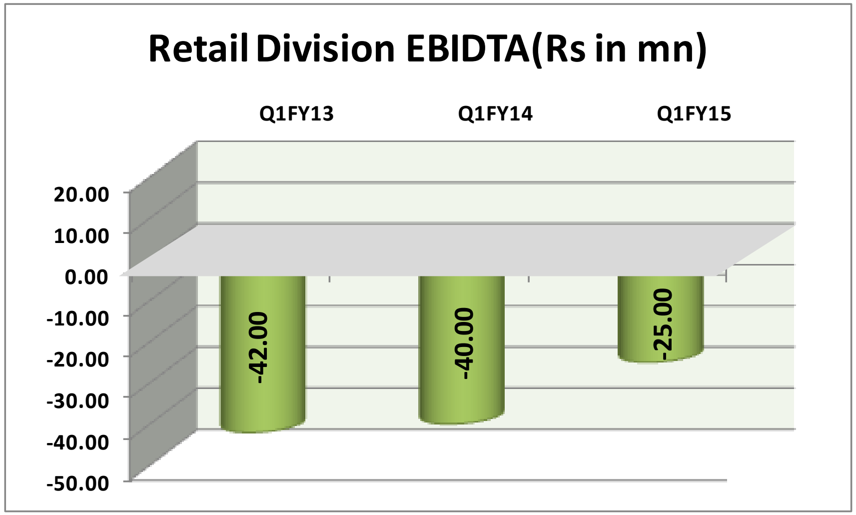
Particulars	Q1FY15	Q1FY14	YOY %
No. of stores	77	67	14.9%
Total carpet area('000 sq ft)	276	207	35.3%
Effective Carpet Area(sq ft)	267	207	29.0%
Avg store sales(Rs/ sq ft/month)	**1207**	**1217**	**0.4%**
Heritage Fresh Stores	969	746	29.9%
Institutional, General Trade & Others	121	141	(14.2%)
Other Operating Income	87	80	8.8%
Total Revenue(Rs mn)	**1177**	**967**	**21.7%**
Total Gross Profit	**210**	**175**	**20.0%**
Gross margin(%)	17.83%	18.08%	(1.5%)
Gross margin Heritage Fresh(%)	19.76%	20.98%	(5.8%)
EBITDA at store level(Rs mn)	**66**	**49**	**34.7%**
EBITDA margin(%)	5.62%	5.07%	10.8%
Regional & Corporate Overheads(Rs mn)	91	89	2.2%
EBITDA(Rs mn)	**(25)**	**(40)**	**60%**

Q1FY15 Key metrics - Retail

Retail Division	
Year	EBIDTA Margin%
Q1FY13	4.50
Q1FY14	5.07
Q1FY15	5.62



Retail Division	
Year	EBIDTA(Rs in mn)
Q1FY13	-42
Q1FY14	-40
Q1FY15	-25



Q1FY15 Key Highlights - Retail

- SSS (considering 64 comparable stores) stood at 10.2%.
- Average Bill Value (ABV) increased by 2.75% yoy to Rs 227 (Rs 222 in 1QFY14) on same store basis.
- No. of Bills (NOB) grown by 7.45% yoy to 3.50 mn (3.25 mn in 1QFY14) on same store basis.
- Store Gross margin decreased by 122 bps to 19.76% and overall gross margin decreased by 27 bps.
- Store fixed cost decreased to Rs 166/sq ft/month (Rs 182 in 1QFY14).
- Regional & Corporate Overheads decreased by Rs 30/sq ft/month compare to Q1FY14 (Rs 143)
- Store opened : 3 new stores opened during the quarter.

Q1FY15 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 Q1FY15 was Rs 5.97mn.**
- **Capital Employed for Renewable Energy division Rs 165.51mn.**

Q1FY15 Financial Results

Heritage — Health · Happiness

UNAUDITED FINANCIAL RESULTS FOR THE QUARTER AND YEAR ENDED JUNE 30, 2014 (₹ in Lakhs)								
PARTICULARS	STANDALONE				CONSOLIDATED			
	Quarter Ended			Year Ended	Quarter Ended			Year Ended
	30-Jun-14	31-Mar-14	30-Jun-13	31-Mar-14	30-Jun-14	31-Mar-14	30-Jun-13	31-Mar-14
	Unaudited	Unaudited	Unaudited	Audited	Unaudited	Unaudited	Unaudited	Audited
1) Income from operations								
Net Sales/Income from Operations	**49680.33**	**43064.35**	**42739.31**	**169506.35**	**49680.33**	**43064.35**	**42739.31**	**169506.35**
Other Operating Income	896.43	710.62	817.81	2697.64	896.43	710.62	817.81	2697.64
Total income from operations	**50576.76**	**43774.97**	**43557.12**	**172203.99**	**50576.76**	**43774.97**	**43557.12**	**172203.99**
2) Expenses								
Cost of materials consumed	31442.72	27893.38	24743.56	103058.18	31442.72	27893.38	24743.56	103058.18
Purchase of stock in trade	10154.37	8141.23	8663.36	32210.89	10154.37	8141.23	8663.36	32210.89
Changes in inventories of finished goods, work-in-progress and stock in trade	-271.62	-896.83	289.19	-888.39	-271.62	-896.83	289.19	-888.39
Employees benefit expense	2715.59	2192.98	2432.10	10009.46	2715.59	2192.98	2432.10	10009.46
Depreciation and Amortisation expense	817.04	645.48	566.69	2500.23	817.04	645.48	566.69	2500.23
Other expenses	4726.89	4616.43	4575.94	18315.72	4726.89	4616.93	4575.94	18316.21
Total Expenses	**49584.99**	**42592.66**	**41270.84**	**42594.66**	**49584.99**	**42596.66**	**41270.84**	**165206.58**
3) Profit / (Loss) from operations before other income, finance costs & exceptional items(1-2)	**991.77**	**1182.31**	**2286.28**	**6997.91**	**991.77**	**1181.81**	**2286.28**	**6997.41**
4) Other income	99.85	230.77	69.35	495.40	99.85	230.77	69.35	495.40
5) Profit/(Loss) from ordinary activities before finance cost and exceptional items (3+4)	**1091.62**	**1413.08**	**2355.63**	**7493.31**	**1091.62**	**1412.58**	**2355.63**	**7492.81**
6) Finance cost	429.94	368.41	340.09	1322.11	429.94	368.41	340.09	1322.11
7) Profit/(Loss) from ordinary activities after finance cost and before exceptional items (5+6)	**661.68**	**1044.67**	**2015.54**	**6171.20**	**661.68**	**1044.17**	**2015.54**	**6170.70**
8) Exceptional items	0.00	0.00	0.00	0.00	0.00	**0.00**	0.00	0.00
9) Profit/(Loss) from ordinary activities before tax (7-8)	**661.68**	**1044.67**	**2015.54**	**6171.20**	**661.68**	**1044.17**	**2015.54**	**6170.70**
10) Tax expense								
Current Tax/MAT	208.00	220.40	519.10	1303.55	208.00	220.40	519.10	1303.55
Prior period tax	0.02	0.00	0.00	-0.46	0.02	0.00	0.00	-0.46
Deferred Tax Charge/(Credit)	-76.09	131.94	-9.24	299.38	-76.09	131.94	-9.24	299.38
11) Profit/(Loss) from ordinary activities after tax (9-10)	**529.75**	**692.33**	**1505.68**	4568.73	**529.75**	**691.83**	**1505.68**	4568.73
12) Extraordinary Items	0.00	0.00	37.50	37.50	0.00	0.00	37.50	37.50
13) Net Profit/(Loss) (11-12)	**529.75**	**692.33**	**1468.18**	**4531.23**	**529.75**	**691.83**	**1468.18**	**4530.73**
14) Share of profit / (loss) of associates	0.00	0.00	0.00	0.00	-0.02	-0.06	-0.78	-0.79
15) Minority interest	0.00	0.00	0.00	0.00	0.00	-0.05	0.00	-0.05
16) Net Profit/ (Loss) after taxes, minority interest and share of profit / (loss) of associates (13+14-15)	**529.75**	**692.33**	**1468.18**	**4531.23**	**529.73**	**691.82**	**1467.40**	**4529.99**
Paid-up Equity Share Capital	2319.90	2319.90	1159.95	2319.90	2319.90	2319.90	1159.95	2319.90
Reserves (excluding revaluation reserve)	-	-	-	15579.43	-	-	-	15555.98
Earning Per Share before Extra Ordinary Items								
Basic (₹)	2.28	2.98	6.49	19.69	2.28	2.98	6.49	19.69
Diluted (₹)	2.28	2.98	6.49	19.69	2.28	2.98	6.49	19.69
Earning Per Share After Extra Ordinary Items								
Basic (₹)	2.28	2.98	6.33	19.53	2.28	2.98	6.33	19.53
Diluted (₹)	2.28	2.98	6.33	19.53	2.28	2.98	6.33	19.53
Public Share Holding								
Number of shares	13,913,554	13,913,154	6,956,827	13,913,154	13,913,554	13,913,154	6,956,827	13,913,154
Percentage of Public shareholding	59.97	59.97	59.98	59.97	59.97	59.97	59.98	59.97

Q1FY15 Financial Results - Segmental

SEGMENT REPORTING FOR THE QUARTER AND YEAR ENDED JUNE 30, 2014 (₹ in Lakhs)	STANDALONE				CONSOLIDATED			
PARTICULARS	Quarter Ended			Year Ended	Quarter Ended			Year Ended
	30-Jun-14	31-Mar-14	30-Jun-13	31-Mar-14	30-Jun-14	31-Mar-14	30-Jun-13	31-Mar-14
	Unaudited	Unaudited	Unaudited	Audited	Unaudited	Unaudited	Unaudited	Audited
1. Segment Revenue								
a. Dairy	38264.58	33361.43	33666.45	132819.16	38264.58	33361.43	33666.45	132819.16
b. Retail	11768.66	9950.19	9669.60	37792.56	11768.66	9950.19	9669.60	37792.56
c. Agri	2123.46	1713.22	1548.11	6783.33	2123.46	1713.22	1548.11	6783.33
d. Bakery	108.83	105.29	94.07	366.27	108.83	105.29	94.07	366.27
e. Renewable Energy	59.75	54.24	-	77.35	59.75	54.24	-	77.35
f. HFRL	-	-	-	-	-	-	-	-
g. Heritage Conpro Ltd	-	-	-	-	-	-	-	-
Total Segment Revenue	**52325.28**	**45184.36**	**44978.23**	**177838.67**	**52325.28**	**45184.36**	**44978.23**	**177838.67**
Less: Inter Segment Revenue	1748.52	1409.39	1421.12	5634.67	1748.52	1409.39	1421.12	5634.67
Net Sales / Income from Operations	**50576.76**	**43774.97**	**43557.12**	**172203.99**	**50576.76**	**43774.97**	**43557.12**	**172203.99**
2. Segment Results								
(Profit (+) / (Loss) (-) before finance costs and tax)								
a. Dairy	1551.92	1811.52	2960.04	9869.18	1551.92	1811.52	2960.04	9869.18
b. Retail	-441.99	-305.63	-526.84	-1992.16	-441.99	-305.63	-526.84	-1992.16
c. Agri	-12.37	-84.02	-58.35	-298.70	-12.37	-84.02	-58.35	-298.70
d. Bakery	-28.81	-17.22	-28.83	-102.13	-28.81	-17.22	-28.83	-102.13
e. Renewable Energy	17.85	-1.17	-	-11.54	17.85	-1.17	-	-11.54
f. HFRL	-	-	-	-	-	-0.28	-	-0.28
g. Heritage Conpro Ltd	-	-	-	-	-	-0.22	-	-0.22
Total Segment Results	**1086.60**	**1403.49**	**2346.03**	**7464.64**	**1086.60**	**1402.99**	**2346.03**	**7464.14**
Less: i. Finance costs	429.94	368.41	340.09	1322.11	429.94	368.41	340.09	1322.11
ii. Other un-allocable Expenditure net off	0.00	15.17	-	15.17	0.00	15.17	-	15.17
Add: i. Interest Income	5.03	24.72	9.58	43.70	5.03	24.72	9.58	43.70
ii. Other un-allocable Income	0.00	0.040	-	0.14	0.00	0.040	-	0.14
Total Profit before Tax	**661.68**	**1044.67**	**2015.53**	**6171.20**	**661.68**	**1044.17**	**2015.53**	**6170.70**
3. Capital Employed								
Segment Assets -Segment Liabilities)								
a. Dairy	17665.55	17611.21	13599.45	17611.21	17665.55	17611.21	13599.45	17611.21
b. Retail	6746.62	6460.95	5719.67	6460.95	6746.62	6460.95	5719.67	6460.95
c. Agri	3465.69	3368.09	3312.74	3368.09	3465.69	3368.09	3312.74	3368.09
d. Bakery	1089.97	1119.33	1151.48	1119.33	1089.97	1119.33	1151.48	1119.33
e. Renewable Energy	1655.11	1675.05	875.57	1675.05	1655.11	1675.05	875.57	1675.05
f. HFRL	-	-	-	-	-0.34	-0.39	-0.30	-0.39
g. Heritage Conpro Ltd	-	-	-	-	-0.34	-0.39	0.30	-0.39
h. Unallocated	116.09	143.85	347.01	143.85	116.09	143.85	347.01	143.85
Total	**30739.03**	**30378.50**	**25005.93**	**30378.50**	**30738.35**	**30377.71**	**25005.33**	**30377.71**

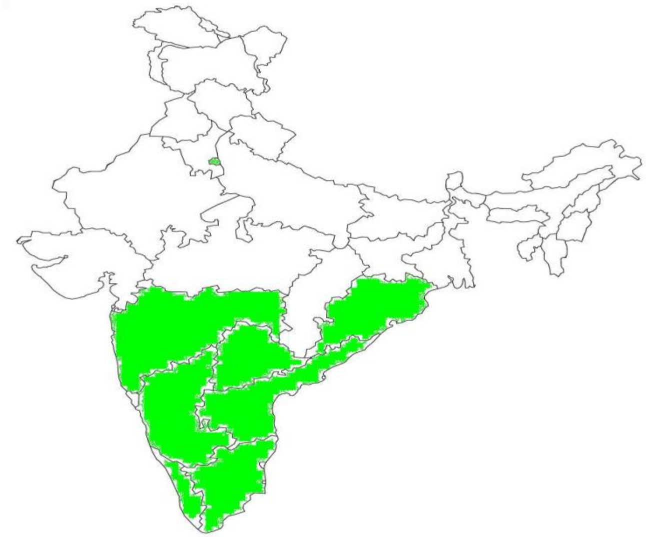
Q1FY15 Share Holding Pattern

As on June 2014

	mn shares	% holding
Promoters	9.28	40.03
FIIs	0.66	2.83
Domestic Institutions	0.21	0.94
Others	13.04	56.20
Total	**23.19**	**100**

Q1FY15 Dairy - Spread of Operations

- **Widest regional footprint in India among privately held dairy companies. Spread across 8 states:**
  - **Andhra Pradesh** - **Telangana**
  - **Tamil Nadu** - **Karnataka**
  - **Maharashtra** - **Kerela**
  - **Odisha** - **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	Orissa	Delhi	Total
Total Procurement of Milk (LPD)	443,258	50,860	131,065	16,759	237,893	0	0	7,600	887,435
No. of own Chilling Plants	67	10	12	0	5	0	0	1	95
Own Chilling Capacity (LPD) as on 30.06.2014	962,000	103,000	251,000	50,000	87,000	0	0	10,000	1,463,000
No. of processing and Packing Plants	7	3	1	1	1	0	0	0	13
Processing Capacity (LPD) as on 30.06.2014	740,000	390,000	50,000	150,000	50,000	0	0	0	1,380,000
Liquid Milk Sales (LPD)	168,642	278,772	184,145	102,773	40,970	11,059	6,000	8,048	800,409
Ice Cream/Frozen Desert (LPD)	3,132	6,420	2,012	971	424	0	594	0	13,553
Curd(MTPD)	80	27	34	16	0	1	2	0	160

*LPD:liters per day **MTPD:metric tonnes per day

Q1FY15 Distribution Network Structure

One Level	Two Level	Three Level
87% sales	12% sales	1% sales
Sales Office → Agents/Retailer/Parlours → Consumer	Sales Office → Distributors/Stockists → Agents/Retailers → Consumer	Sales Office → CFA/CA → Distributors/Stockists → Agents/Retailers → Consumer

- No of Sales offices 26
- No of Distributors/Agents - 5200
- No of outlets - 101000
- No of Households serviced on daily basis: 1100000
- No of vehicles (trucks/tankers/puff vehicles) servicing Heritage everyday: 1073

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

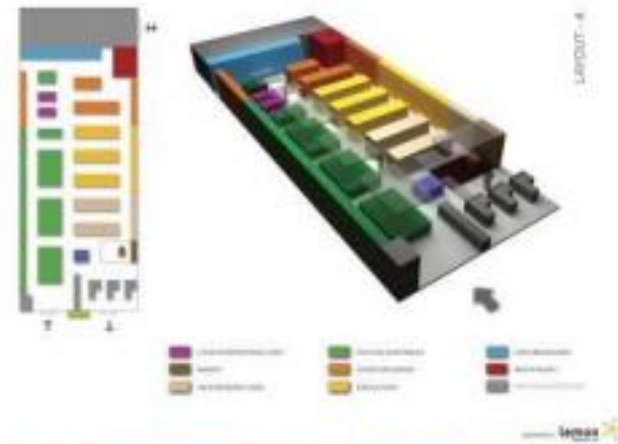
Dairy Whitener

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, 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 flood 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






Q1FY15 Economic Activity - Manpower

S.No	Division	Employee Strength
1	Dairy	1876
2	Retail	1937
3	Agri	88
4	Bakery	38
Grand Total		**3939**

Thank You

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