



Quarterly Update 1QFY13

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.

Key metrics - Dairy



Dairy

	1QFY13	1QFY12	YOY %
Liquid milk sales (llpd)	8.3	7.8	6%
Liquid milk price real. (Rs/l)	29.6	26.4	12%
Milk Procurement (llpd)	9.0	7.7	17%
Milk procurement price (Rs/l)	24.7	23.3	6%
Branded Value added Products sales (Rs mn)	538	373	44%
No. of Parlours	1055	1007	

1QFY13 Key Highlights - Dairy



- **33% yoy growth in turnover to Rs3306mn**
 - ❖ Launched 20 days shelf life Milk in Aseptic Poly Pack in Chennai and AP markets
 - ❖ 6% yoy growth in Milk sales to 8.3LLPD (lakh litres per day)
- **44% yoy growth achieved in Branded Value Added Products sales**
 - ❖ 67% yoy growth in Packaged Curd sales (accounts for approx. 60% of Branded Value added products sales)
 - ❖ Introduced new variants in Ice cream - Anjeer Badam and Butterscotch Premium in Tubs
- **17% yoy growth achieved in milk procurement to 9LLPD (lakh litres per day)**
- **EBITDA of Rs248mn (EBITDA margin of 7.5%) as against Rs138mn (EBITDA margin of 5.6%) in 1QFY12**
 - ❖ Reduced dependency on Business Associates for Milk procurement
 - ❖ Higher contribution from higher margin branded value added products
- **Opened 23 new Dairy Parlors during 1QFY13 taking the total number to 1055**
 - ❖ New private label product introduced - Rs5 bakery cake
- **Extensive campaign launched for appointing new Distributors, Agents and Parlor franchisees**

Key metrics - Retail



Rs m n	1QFY13	1QFY12	YOY %
No. of stores	68	72	
Total carpet area ('000 sq ft)	199	174	14%
Effective Carpet Area (sq ft)	205	172	19%
Avg store sales (Rs/ sq ft/month)	1042	1161	-10%
Heritage Fresh Stores	641	602	6%
Institutional, General Trade & Others	120	68	76%
Other Operating Income	59	30	97%
Total Revenue	820	700	17%
Total Gross Profit	156	132	18%
Gross margin (%)	19.0%	18.9%	
Gross margin Heritage Fresh (%)	20.6%	19.9%	
EBITDA at store level (Rs m n)	37	23	61%
EBITDA margin (%)	4.5%	3.3%	
Regional & Corporate Overheads	79	63	
EBITDA (Rs m n)	(42)	(40)	

1QFY13 Key Highlights - Retail



- SSS(considering 61 comparable stores) stood at 2.4%
- 10% yoy productivity de-growth on account of 22000 sq ft (approx. 10% of total area) addition at first floor level in 6 stores. Productivity tends to be lower on first floor
- Average Bill Value (ABV) increased by 12.2% yoy to Rs194 (Rs173 in 1QFY12)
- No. of Bills (NOB) fell by 5.2% yoy to 3.3mn (3.48mn in 1QFY12)
- Store Gross margin improved strongly by 70 bps to 20.6% and overall gross margin increased by 10 bps
- Store fixed cost reduced to Rs164/sq ft/month (Rs174 in 1QFY12)
- Regional & Corporate Overheads higher by Rs7/sq ft/month on account of Rs 4.6mn of one-time expense.
- Store opening/closing : 6 stores closed during the quarter and 1 new store opened

Financial results



UNAUDITED FINANCIAL RESULTS FOR THE QUARTER ENDED JUNE 30, 2012

(Rs.in lakhs)

Particulars	STANDALONE				CONSOLIDATED			
	Quarter Ended		Year Ended		Quarter Ended		Year Ended	
	30.06.2012 (Unaudited)	31.03.2012 (Unaudited)	30.06.2011 (Unaudited)	31.03.2012 (Audited)	30.06.2012 (Unaudited)	31.03.2012 (Unaudited)	30.06.2011 (Unaudited)	31.03.2012 (Audited)
1. Income from operations								
a) Net Sales / Income from Operations (Net of excise duty)	40802.68	35952.46	31410.11	137685.10	40802.68	35952.46	31410.11	137685.10
(b) Other Operating Income	600.96	611.68	317.19	1655.47	600.96	611.68	317.19	1655.47
Total income from operations	41403.64	36564.14	31727.30	139340.57	41403.64	36564.14	31727.30	139340.57
2. Expenses								
(a) Cost of materials consumed	23632.18	25352.18	21483.95	93736.97	23632.18	25352.18	21483.95	93736.97
(b) Purchase of stock-in-trade	6599.67	6058.59	5015.36	22931.04	6599.67	6058.59	5015.36	22931.04
(c) Changes in inventories of finished goods, work-in-progress and stock-in-trade	2925.47	(2035.65)	(772.82)	(4761.96)	2925.47	(2035.65)	(772.82)	(4761.96)
(d) Employees benefits expense	1940.97	1574.88	1655.29	6916.28	1940.97	1574.88	1655.29	6916.28
(e) Depreciation and amortisation expense	530.14	536.74	522.61	2118.65	530.14	536.74	522.61	2118.65
(f) Other expenses	4272.46	4209.58	3453.06	15391.92	4272.46	4223.62	3453.37	15406.78
Total expenses	39900.88	35696.32	31357.45	136332.90	39900.88	35710.36	31357.75	136347.77
3. Profit / (Loss) from operations before other income, finance costs & exceptional items (1-2)	1502.77	867.82	369.85	3007.67	1502.77	853.78	369.54	2992.80
4. Other Income	59.48	119.21	64.12	320.73	59.48	119.21	64.12	320.73
5. Profit / (Loss) from ordinary activities before finance costs and exceptional items (3+4)	1562.25	987.03	433.97	3328.39	1562.25	973.00	433.66	3313.53
6. Finance costs	523.61	491.97	495.97	1970.73	523.61	491.97	495.97	1970.73
7. Profit / (Loss) from ordinary activities after finance costs and exceptional items (5+6)	1038.64	495.06	(62.00)	1357.67	1038.64	481.03	(62.31)	1342.80
8. Exceptional Items								
9. Profit / (Loss) from ordinary activities before tax (7-8)	1038.64	495.06	(62.00)	1357.67	1038.64	481.03	(62.31)	1342.80
10. Tax expense								
Current Tax (MAT)	200.98	105.94	0.00	290.00	200.98	105.94	0.00	290.00
Prior period tax	0.00	0.00	0.00	(0.80)	0.00	0.00	0.00	(0.80)
Deferred Tax Charge / (Credit)	(6.97)	82.73	(8.85)	135.04	(6.97)	82.73	(8.85)	135.04
11. Net Profit/ (Loss) from ordinary activities after tax (9 -10)	844.63	306.40	(53.15)	933.42	844.63	292.37	(53.46)	918.56
12. Extraordinary Items (net of tax expenses)	---	---	---	---	---	---	---	---
13. Net Profit/(Loss) for the period (11-12)	844.63	306.40	(53.15)	933.42	844.63	292.37	(53.46)	918.56
14. Share of profit / (loss) of associates	---	---	---	---	(0.05)	(0.25)	0.00	(0.25)
15. Minority interest	---	---	---	---	0.00	(1.48)	(0.16)	(1.65)
16. Net Profit/ (Loss) after taxes, minority interest and share of profit / (loss) of associates (13+14-15)	---	---	---	---	844.58	293.59	(53.30)	919.96
17. Paid-up equity share capital	1152.95	1152.95	1152.95	1152.95	1152.95	1152.95	1152.95	1152.95
Face value per share (Rs.)	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
18. Reserves excluding revaluation reserves as per Balance Sheet of previous	---	---	---	8159.63	---	---	---	8124.12
19. Earnings per share (Rs.)								
a) Basic and diluted EPS before Extraordinary items for the period, for the year to date and for the previous year (not to be annualized)	7.33	2.66	(0.46)	8.10	7.33	2.54	(0.46)	7.97
b) Basic and diluted EPS after Extraordinary items for the period, for the year to date and for the previous year (not to be annualized)	7.33	2.66	(0.46)	8.10	7.33	2.54	(0.46)	7.97
20. Particulars of shareholding								
Public shareholding								
- Number of shares	6259253	6259253	6260253	6259253	6259253	6259253	6260253	6259253
- Percentage of shareholding	54.29	54.29	54.30	54.29	54.29	54.29	54.30	54.29

Financial results-Segmental



(Rs.in lakhs)

SEGMENT REPORTING FOR THE QUARTER ENDED June 30, 2012								
Particulars	STANDALONE				CONSOLIDATED			
	Quarter Ended		Year Ended		Quarter Ended		Year Ended	
	30.06.2012 (Unaudited)	31.03.2012 (Unaudited)	30.06.2011 (Unaudited)	31.03.2012 (Audited)	30.06.2012 (Unaudited)	31.03.2012 (Unaudited)	30.06.2011 (Unaudited)	31.03.2012 (Audited)
1. Segment Revenue								
a. Dairy	33063.91	28788.40	24812.20	109397.20	33063.91	28788.40	24812.20	109397.20
b. Retail	8189.27	7704.16	6986.00	29901.03	8189.27	7704.16	6986.00	29901.03
c. Agri	1034.70	805.57	816.84	3258.35	1034.70	805.57	816.84	3258.35
d. Bakery	83.35	69.17	74.54	315.22	83.35	69.17	74.54	315.22
e. HFRL	---	---	---	---	0.00	0.00	0.00	0.00
f. Power SPV	---	---	---	---	0.00	0.00	0.00	0.00
g. Heritage Conpro Ltd	---	---	---	---	0.00	0.00	0.00	0.00
Total Segment Revenue	42371.22	37367.29	32689.58	142871.80	42371.22	37367.29	32689.58	142871.80
Less: Inter Segment Revenue	967.58	803.15	962.28	3531.23	967.58	803.15	962.28	3531.23
Net Sales / Income from Operations	41403.64	36564.14	31727.30	139340.57	41403.64	36564.14	31727.30	139340.57
2. Segment Results (Profit (+) / (Loss) (-) before finance costs and tax)								
a. Dairy	2181.48	1504.79	1089.29	6066.63	2181.48	1504.79	1089.29	6066.63
b. Retail	(559.33)	(425.04)	(557.37)	(2305.24)	(559.33)	(425.04)	(557.37)	(2305.24)
c. Agri	(25.87)	(66.07)	(55.87)	(306.19)	(25.87)	(66.07)	(55.87)	(306.19)
d. Bakery	(34.04)	(26.65)	(42.08)	(128.69)	(34.04)	(26.65)	(42.08)	(128.69)
e. HFRL	---	---	---	---	0.00	(0.38)	0.00	(0.66)
f. Power SPV	---	---	---	---	0.00	(6.29)	(0.00)	(6.53)
g. Heritage Conpro Ltd	---	---	---	---	0.00	(0.38)	(0.31)	(0.69)
Total Segment Results	1562.25	987.03	433.97	3326.51	1562.25	979.98	433.66	3318.63
Less: i. finance costs	523.61	491.97	495.97	1970.73	523.61	491.97	495.97	1970.73
ii. Other un-allocable Expenditure net off	---	---	---	---	0.00	6.98	---	6.98
Add: iii. Other un-allocable Income	0.00	0.00	0.00	1.88	0.00	0.00	0.00	1.88
Total Profit before Tax	1038.64	495.06	(62.00)	1357.67	1038.64	481.03	(62.31)	1342.80
3. Capital Employed (Segment Assets - Segment Liabilities)								
a. Dairy	13590.46	14202.59	13254.86	14202.59	13590.46	14202.59	13254.86	14202.59
b. Retail	6197.56	6071.70	5597.84	6071.70	6197.56	6071.70	5597.84	6071.70
c. Agri	3590.30	3671.62	3670.83	3671.62	3590.30	3671.62	3670.83	3671.62
d. Bakery	1161.09	1166.17	1193.44	1166.17	1161.09	1166.17	1193.44	1166.17
e. HFRL	---	---	---	---	(0.33)	(0.34)	(0.61)	(0.34)
f. Power SPV	---	---	---	---	---	23.11	60.69	23.11
g. Heritage Conpro Ltd	---	---	---	---	(0.33)	(0.34)	(0.11)	(0.34)
h. Unallocated	377.99	379.87	507.93	379.87	377.99	379.87	507.93	379.87
Total	24917.39	25491.95	24224.89	25491.95	24916.73	25514.39	24284.85	25514.39

Current Share holding pattern



As on June 2012

	mn shares	% holding
Promoters	5.3	46%
Flls	1.1	9%
Domestic Institutions	0.1	1%
Others	5.1	44%
Total	11.5	

Dairy - Spread of Operations



- Widest regional footprint in India among privately held dairy companies. Spread across 6 states
 - Andhra Pradesh
 - Tamil Nadu
 - Karnataka
 - Maharashtra
 - Kerala
 - Orissa
- Present in the highest milk producing states in India
- One of the Top 3 private sector dairy companies in India in sales and volumes



Particulars	Andhra Pradesh	Tamil Nadu	Karnataka	Maharashtra	Kerala	Orissa	Delhi	Total
No of Chilling Plants	86	8	0	5	--	--	--	99
Chilling Capacity (LPD)	1047000	186000	50000	67000	--	--	--	1350000
Milk Procurement (*LPD)	576675	147148	29030	147715	--	--	--	900568
No of Processing & Packing Plants	10	1	1	1	--	--	--	13
Packing Capacity (LPD)	900000	50000	150000	50000				1150000
Liquid Milk Sales (LPD)	457820	206923	102269	36290	13146	6250	3635	826333
Ice Cream (LPD)	5998	2127	619	--	--	--	--	8744
Curd (*MTPD)	54.39	26.59	8.09	--	0.20	1.20	--	90.47

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Distribution Network Structure



One Level

87% sales

Sales Office

Agents/Retailer/Parlours

Consumer

- No of Sales offices 24
- No of Distributors/Agents - 4250
- No of outlets - 85,000
- No of Households serviced on daily basis: 10,00,000
- No of vehicles (trucks/tankers/puff vehicles) servicing Heritage everyday: 1,000 (employing ~ 3,000 people)

Two Level

11% sales

Sales Office

Distributors/Stockists

Agents/Retailers

Consumer

Three Level

2% sales

Sales Office

CFA/CA

Distributors/Stockists

Agents/Retailers

Consumer

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



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Range of Products



Buffalo Ghee



Cow Ghee



Paneer



Dairy Whitener



Skim Milk Powder



Ice Cream



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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



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Pack Houses Infrastructure



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Economic Activity - Manpower



S No	Division	Regular Jobs	Part timers/Casuals Jobs	Total
1	Dairy	1788	1652	3440
2	Retail	1868	340	2208
3	Agri	87	76	163
4	Bakery	41	44	85
Grand Total		3784	2112	5896



Thank You

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