



## **HERITAGE FOODS LIMITED**

30<sup>th</sup> Annual General Meeting

**July 29, 2022**



### **DIRECTORS/MANAGEMENT:**

Ms. N. Bhuvaneshwari - Vice Chairperson & Managing Director

Dr. V Nagaraja Naidu - Non-Executive Director

Ms. Aparna Surabhi - Non-Executive Independent Director

Mr. Rajesh Thakur Ahuja - Non-Executive Independent Director

Mr. M. P. Vijay Kumar - Non-Executive Independent Director

Ms. Brahmani Nara - Executive Director

Dr. M. Sambasiva Rao - President

Mr. A. Prabhakara Naidu - Chief Financial Officer

Mr. Srideep N Kesavan - Chief Executive Officer

Mr. Umakanta Barik - Company Secretary & Compliance Officer



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**Moderator:** Over to the company secretary.

**Umakanta Barik:** Good Morning, everyone. Welcome to the 30th Annual General Meeting of Heritage Foods Limited. This is our third virtual Annual General Meeting, held live from the broadcast venue i.e., the registered office of the Company, Panjagutta, Hyderabad. This AGM is convened in a fully virtual manner in compliance with the circulars issued by the Ministry of Corporate Affairs, Government of India, and the Securities Exchange Board of India.

The Company has taken all the feasible steps to ensure that the Members are provided with opportunity to participate in this Annual General Meeting through Video Conferencing or other Audio-Visual Means on first come-first-serve basis. All the Members who have joined this meeting are by default placed on mute by the host to avoid any disturbances arising from the background noise and ensure smooth and seamless conduct of the Meeting.

The company has appointed NSDL to provide the e-voting facilities by remote voting and voting as homogeneously. Since there is no physical attendance of the members, the requirement of appointing proxies is not applicable. The Members who have not voted earlier through a remote devoting can cast their vote during the meeting through e-voting facilities.

As the requisite quorum is present, now I am requesting Smt. N. Bhuvanewari madam to chair the Meeting. Madam, over to you.

**N. Bhuvanewari:** Thank you Umakanta. Thank you, very much. Good morning to all. A warm welcome to the 30th AGM of the Company. It is 10 a.m. Now with the requisite quorum present, I call the meeting to order.

I thank all the members for joining this meeting. Hope all of you, and your loved ones are safe and in good health. The Coronavirus pandemic resulted disruptive changes across the world. The second wave ended too on geopolitical tension with Ukraine-Russian war. Truly, we are in a hookah world.

However, Heritage business with strategic objectives, long-term goals, and new product launches has been as usual steady and resilient to external challenges. I request the directors attending the AGM to introduce themselves from their respective locations.

**V Nagaraja Naidu:** I am V. Nagaraja Naidu, Non-Executive Director in Heritage Foods and attending this meeting from Hyderabad.

**Aparna Surabhi:** Yes. I am Aparna Surabhi, Non-Executive Independent Woman Director in Heritage Foods. And I am attending this meeting from Hyderabad.



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**Rajesh Thakur Ahuja:** I am Rajesh Thakur Ahuja, Non-Executive Independent Director, attending the meeting from Mumbai.

**M. P. Vijay Kumar:** I am M. P. Vijay Kumar, Non-Executive Independent Director, attending this meeting from the meeting venue.

**N Brahmani:** I am N. Brahmani, Executive Director in Heritage Foods and attending this meeting from meeting venue.

**N. Bhuvaneswari:** Thank you. Thank you one and all. Now I request the key executives of the Company to introduce themselves.

**M. Sambasiva Rao:** Good morning, ma'am. Good morning all. This is M. Sambasiva Rao, President, Heritage Foods, attending from the venue.

**A. Prabhakara Naidu:** I am Prabhakara Naidu, Chief Financial Officer. I am attending this meeting from this building only.

**Srideep Kesavan:** Good morning, everyone. I am Srideep Kesavan. I am the Chief Executive Officer. I'm attending this meeting from the venue.

**N. Bhuvaneswari:** We acknowledge the presence of Sanjay Kumar Jain, Partner, Walker Chandiok & Company LLP, Chartered Accountants, Statutory Auditors of the Company and Smt. Savita Jyoti, Partner, Savita Jyoti Associates, Secretarial Auditor of the Company, who is also acting as Scrutinizer for the voting in the Meeting to verify and validate the voting results.

Good morning all shareholders. The annual report including the notice of AGM was sent electronically to you in time. Since the notice was already circulated to all the members, I take the notice convening the meeting as read. The auditor's report on the standalone and consolidated financial statements and the secretarial audit report of the company for the year ended March 31st, 2022, do not contain any qualification, reservation, adverse remark, or any disclaimer. Accordingly, reading the reports is not required.

Heritage family strives to endure in these difficult times and have been working tirelessly to supply essentials to all the consumers to protect income of the farmers.

I now request Executive Director Brahmani to make her comments and observations on financial year 2021-2022 operations.

**Brahmani Nara:** Thank you very much, ma'am, and a very good morning to everyone, again. I'd like to start off by saying that we are a 31-year-old company. We completed 30 years of our journey. It's a long journey and we at Heritage are really proud to have completed this very rewarding



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journey, a journey that involves a lot of foresight. It involves fortitude and unwavering focus to grow and create value for all.

Our farmers, consumers and other stakeholders have supported us throughout this journey. The journey has involved evolving lifestyles and changing food habits as well. By maintaining close relationships with our farmers which is the ethos of the company with which we started, and staying closer to the production centers, we've always fulfilled our promise of delivering fresh and healthy nutritious value-added dairy products to our consumers and have delighted them every single day.

We never deviated from the founding principles of serving our farmers with the highest level of integrity over the last 30 years. We've built a very strong legacy and brand reputation in what is still considered a traditional industry. By modernizing the outlook to business with the unique spectrum of innovations across the breadth of our value chain, this led to creating a consumer-centric set of experiences and several product introductions. For instance, we were the pioneers in making and selling packaged curd or Dahi and are one of the largest sellers of this product in the country today.

As we step into the fourth decade of our journey, the spirit of innovation continues with intense focus on consumer centricity supported by tech-enabled operations. Our commitment to leading technology and engineering have helped us create some of the most energy efficient dairy operations in the country and we would like to continue to focus on the same.

We also empower our farmers with knowledge about cattle well-being, feeding, breeding and nutrition to increase their yield and enhance their income. While serving our farmers and consumers responsibly, we've also gained a reputation as a responsible corporate citizen. As a part of our sustainability initiatives, we are steadily reducing our carbon footprint, expanding green belt in all of our plants of operations, and adopting green energy to power our plant operations. About 65% of our production facilities' electricity consumption comes from renewable sources and we only intend to increase this going forward. All our processing facilities are zero discharge in nature.

Coming back to the financial year FY22, it's been a fascinating year for the world and several countries battled the ongoing and pandemic, India included. I'm happy to convey that we perform better despite the upheavals coming in our way. Financial year 21-22 saw us take several steps to widen our procurement network, improve our operational efficiencies as I mentioned before and aggressively build a more profitable and value-added products portfolio in our core markets. We have employed new ways of bringing nutritional values in dairy by launching a series of products delighting our consumers. We believe in the future of dairy, India being one of the largest producers and consumers of dairy in the world and becoming very interesting to global players also. And we believe in our capabilities of delivering sustained value to our consumers as well as other stakeholders.



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I am happy to convey that we performed better despite the difficulties or challenges that came our way. We achieved a net turnover of Rs. 26,429 million in financial year '22 as against Rs. 24,070 million in the previous financial year. We handed 1.3 million liters per day of milk during financial year '22. The operational profit of Rs. 1,444 million was achieved in the financial year 21-22.

Consistent with our financially prudent approach, we have strengthened our balance sheet by achieving debt free status and paying up over 45 crores of term loan during the financial year. Our strategies have proven to be effective in the phase of unforeseen macroeconomic challenges that I mentioned earlier. As we continue to focus on diversifying our product portfolio, we're looking ahead with a lot of confidence. In addition to the interim dividend declared of Rs. 2.50 per equity share, that is 50% of face value of Rs. 5 during the financial year 21-22. The board of directors has also recommended a final dividend of Rs. 2.50 per equity share, that is 50% of face value of Rs. 5 each for the financial year 21-22 totaling to 100% dividend declared during the financial year 21-22.

Heritage Nutrivet Limited or HNL, the Wholly Owned Subsidiary of your company is one of the leading Live-Stock and Feed Supplements players in the South India having access to over 300,000 farmers. We achieved a net turnover of Rs. 946.12 million in financial year 21-22 as against Rs. 1,215.26 million in the previous financial year mainly affected by external conditions of COVID etc., and some regulatory changes.

Heritage Nutrivet Limited has been closely associated with the Pharma community to provide technical support and to share technical knowledge. The cattle feed products are prepared with deep understanding of cattle feeding practices, reading animal production level of livestock in the country.

Heritage Novandie Foods Private Limited, which is a 50:50 JV between Heritage Foods Limited and Novandie SNC from France. The Company had started its commercial production at the tail end of the previous financial year of FY 20-21 and launched French Yogurts under the name Mamie Yova under the brand Yo Pop in India.

The company is consistently making efforts for penetrating the markets where there is incredible opportunity for fruit and flavored yogurts and western deserts in the future. The board is optimistic on the future performance of the company and is taking necessary actions from time to time for making the financial position stronger going forward. The company is striving for increasing the sales volumes and be a market leader in manufacturing various types of yogurts and other interesting niche dairy products in India.

The turnover of HNFPL stood at Rs. 20.63 million and the company earned a total income of Rs. 23.49 million in financial year 21-22.



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Although we have gone through three interesting decades serving value-added products to our 1.5 million households that we're associated with across 11 states in the country and we uphold the spirit of ethical and transparent business practices. We believe that this is just the beginning. Understanding short-term challenges that I mentioned earlier in the operating scenario of our business and globally, we are marching towards our immediate mission of achieving a revenue of Rs. 6,000 crores in the next few years and we are excited to be a force for good for all stakeholders.

In conclusion, I would like to thank our dedicated employees, farmers, distributors, other distribution partners, our customers, our consumers for their unpaved faith in our product, our quality, and our service. I would like to thank our team for their untiring contributions in a very challenging year. They've gone above and beyond. I would also like to thank all of you, our shareholders, our stakeholders for your continued commitment and support over the last three decades. Thank you very much again. Thank you, ma'am.

**N. Bhuvaneswari:**

Thank you, Brahmani, for your comments and observations.

**Moderator:**

Now the floor is open to the members for questions. We will announce the names of the members who have registered their names as Speaker Member one by one. The Speaker Member will thereafter be unmuted by the host. To start speaking, the members are requested to click the video on button. While speaking, we would request the speakers to ensure that he or she is clearly audible, minimize any noise in the background, and there is proper lighting to have a good video experience. If there is connectivity problem at the speaker's end, we would invite the next speaker to join. We would like to request the members to kindly limit their speech or queries to 3 minutes so that opportunity can be given to other members too.

I now invite Mr. Arun Kumar Boppana to unmute his audio and video and ask the question or give comments.

**Arun Kumar Boppana:**

Good morning to everybody. So the annual report is in the true Heritage spirit. I can see the Heritage merit. I compliment all the team for making excellent balance sheet. I know the share price has taken a beating because there's a power group after you and I'm happy you're fighting out legally ethically. I wish you all the success in that.

So decades ago life was straightforward. We had a cow or a buffalo in the house in the backyard with natural fresh milk twice a day. We subsisted on meager resources, never worried about adulteration or malnutrition. The milk now is either reconstituted, recombined with milk powder, which is prone to adulteration.

Heritage did bring back the base basics of milk, promising natural fresh milk, and unaltered milk directly to the doorstep or the consumer and Heritage became a trailblazer in the dairy business. So my questions, I compliment for all the positive work, and my questions remain



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the Heritage R&D, can we develop plant-based proteins and micronutrients which are need of the hour? What are the initiatives strengthen product excellence by volume, by price or opportunity and availability?

Historic evidence shows that companies couldn't go faster through acquisitions, startups and being in new geography. What are Heritage plans? What are the noticeable emerging risks in dairy businesses? What are disruptions by new players and new business models on transition to net zero for zero toxic residue and zero liquid discharge? What are Heritage plans? HR initiatives to create next-gen leaders with balanced lifestyles and what is the breakup in general diversity? What is the expected size of industry in five to seven years?

Sir, Punjab believes in desi ghee for better digestion and to strengthen the immunity system. What is aromatic ghee obtained from granulation process? Is Heritage in it? If not, why? Assam, there is white revolution there. The CM takes personal interest. He wants to make Assam a milk processing hub, investment in processing units etc., and reduce dependency on milk from outside the state. Any plans of heritage foray into Assam? In 1993 was born Heritage with Sabians' grand parentage with purpose taking precedence over profitability.

And lastly, Bhuvanewari madam, you are a woman of great character. You're known for your honesty. You're known for a moderate lifestyle. You never lived up to any artificial expectations. You have a raised soul that cannot be reached. You do not add to the circus by actions or comments. You must remain the inspirational remain you are. Hats off to you. I wish you all the best.

But in conclusion, everybody serious in the Boardroom. I would like to end on a lighter spiritual note. At age plus 70, I do not want to go empty. We'll try to remove some fear in the coming year. Corona will be a thing of the past. We will then move very fast. Sun will shine on the sector and company both, surely for unparalleled growth. Fortunes will turn for our teams to earn. With relation this strong, we will walk many miles long. For the future course, we must remain strong. I wish Heritage all the west and thank you very much. I'm glad to see some smiles on the Boardroom now. It made my day. Thank you, President.

**Umakanta Barik:** It's always a pleasure interacting with you.

**Management:** They deserve this fight to give credit to you.

**Brahmani Nara:** Thank you so much for the appreciation, the feedback and the queries, Mr. Arun. I will try to take some topics and some questions to begin with. We will take your questions once we receive the rest of the questions as well just to overrun.



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**Moderator:** Thank you. I now invite Mr. Reddeppa Gundluru to unmute his audio and video and ask the question or give comments. Interest of time, may I request you to restrict your questions or comments to three minutes?

**Reddeppa Gundluru:** First of all, my Chairman, Bhuvaneswari madam ji and Brahmani garu and Srinivas Raju garu and Nagaraja Naidu garu and Prabhakara Naidu garu, Rajesh Thakur Ahuja ji, Aparna Surabhi madam, Srideep Nair Kesavan garu and Raju Vijaykumar garu, and finally Umakanta Barik garu, my Company Secretary, good morning. Namaste. My name is Reddeppa Gundluru. I'm from Hyderabad, sir. I'm a financial advisor and business partner with Motilal Oswal. Sir, as a shareholder, we are very happy and proud about company performance of this financial year, sir. Wonderful year, sir. Colorful with data information, sir. Financial '22 is wonderful, sir. Sir, 30 years completes, sir. Wonderful presentation and speech by my chairman madam ji. Sir, salute to and thanks to our Founder Chairman Nara Chandrababu garu, the visionary chairman. So I am very proud of him, sir. So remembering 25 years of frustration also, so we definitely will face 30 years also in this physical AGM, sir. Thank you, sir. And also I would like to highlight this success of my company to women's power of success pillars, backbones of this company is strong women.

So I am very proud of my women backbone pillars. Wonderful leadership. I would like to highlight the corporate governance, Madam, I am going through all the annual report and all the information, madam. My company is doing a very good ethical corporate governance, madam. I agree with Boppana sir also. Very good, sir, as like accountability, transparency, integrity. Very good, sir. I would like to special kudos to all the KMPs, Umakanta garu team. Sir, financial is very good, sir. Congratulating the management team successfully completing 30 years of this operations and I am confident company will achieve a revenue target of 50 billion by '26. I'm very much confident in this. In this difficult times also, wonderful performance, sir. Company has posted almost 10% revenue growth, sir. thanks for dividend, 100% dividend. Sir, I'm very proud about the debt free company, sir. This is the success of our company. I am proud to see the wonderful numbers are posted, madam.

I would like to ask some few questions. What is the visibility in couple of years? And the second question is for key reasons for profitability for financial year 2022 were higher and higher crude oil prices are as we see, crude oil prices are surging and the only labor available to management is reducing any procurement price. What is the strategy for this, achieve this crude oil and this price? Please give me some information.

And third question is latest on Suguna Dairy integration and how much percentage of contribution in terms of revenues, madam? So these are my three questions.

Finally, I would like to thank my Company Secretary Umakanta Barik and his team to wonderful services, madam. Always reachable, madam. I personally believe that company will achieve many more higher awards under the leadership of Nara Bhuvaneswari madam garu



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and as well Brahmani garu. So I wish achieve all the financial targets of financial '23 and I wish all the Board good health and happiness and continue to support the society and industry. Thank you so much for this 30th AGM for giving this opportunity. Namaste.

**Moderator:** Thank you. I now invite Mr. Ayush Gupta to unmute his audio and video and ask the question or give comments. In interest of time, may I request you to restrict your question or comments to 3 minutes?

**Ayush Gupta:** Sir I am Ayush Gupta. I welcome you all, Madam I am a shareholder of the company for the long time but in this video mode I am calling from Delhi so I am getting connected from a very good platform. Madam before AGM one very excellent presentation was going on in that they were talking about the company in brief but madam there many things have happened like the GST was applied on some of the dairy products. Are we in a position to pass on this. Second, in single use plastic what is our strategy regarding the same how are we going to face that please let us know about it. Madam I am from Delhi North India so how are we going to increase our presence in the North India. Otherwise, secretariat department who gave me a chance to join on this platform and how to join they helped me with that so I thank the entire team and a good platform we got so I hope we continue our AGM on this platform through which the shareholders of pan India can join you. Thank you so much.

**Moderator:** Thank you. I now invite Mr. K. Bharat Raj to unmute his audio and video and ask the question or give comments. In interest of time, May I request you to restrict your question or comments to three minutes?

**K. Bharat Raj:** First of all, very good morning to enter Board of Directors for this 30 years Annual General Meeting. I'm happy to see you all safe, fine, and healthy. First of all, madam, MD madam, I am very happy the way the performance of the 30 years and annual returns are wonderful madam. I thank the Board for giving 50% dividend. Thank you very much and the wonderful annual report. In this annual report, everything is been clear and clarity. Sir, one picture is there, Indian map. In this Indian map, few states are missing. So under the leadership of Ms. Brahmani, when will we fulfill that entire states? And that responsibility is upon Ms. Brahmani, our Executive Director. First of all, I congratulate our Executive Director Ms. Brahmani for clearing our company, debt free company. I'm very proud, madam. Under your leadership, my company is growing and the new brands and new, new products have been introduced recently, Rasgulla, Gulab Jamun. I'm very happy, sir. How is the response from the market, madam? That is my question. And regarding this products, madam, any future plans coming into the Lay chips, namkins, and sauce, jams and bread roll, cream bread roll? Recently, I visited one company. They are doing only cream bread, cream breadroll that is 10, 20 rupees something. They are doing in Vizag some kind of that Anjani Foods. So any future plans into the cream bun also, madam? They're good market because hungry people are ready made food that is in the tea shops or everybody is going and having that food, snacks. That is any future plans, madam? i recently that's a paneer, madam, cooked paneer. It is very good,



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madam. What is the response in the market, madam? And I come to this fish feeding, madam. This is wonderful idea coming into the fish field, fish feeding, madam. And I want to recommend the management to look into the shrimps feed also. If you compare in India, Avanti Feed is the number one and their matter capture is 60%. So why not to come into the shrimp feed also, madam? Because it will be added into our revenue. So please look into the shrimps feed also, because in India, the shrimps are coming, growing like vastly and everybody get habituated for the eating prawns. So look into the shrimps feeding also, madam. Thank for CSR, madam. See, there is no question to for CSR because we are very serious in CSR. Madam, Chairman madam is very serious, our MD madam. Thanks for that, madam. Regarding this expansion, any future plans of take over any plants, madam, In North India, anywhere in the part of India? Regarding this anything new products are coming into our company, madam? And we are very proud, madam. 30 years we have completed. It is as you say last year, we have completed 24 years and that is why we are seeing, madam. 30 years, in this 30 years, the annual report given every story of our company. I'm very proud, madam. It is a legacy of our honorable founder Mr. Chandrababu Naidu garu where he started his journey and in this annual speech, he told how we started and how the Heritage brand has came. We are very proud, sir.

I want to share one incident, madam. We visited Uppal plant, madam. In that, when I visited the Uppal plant, madam, really, the way the clean ambience and everything, I'm very proud, madam. Till now since after the visit of the plant I realized every milk will be tested 36 times. Till that, I don't know. I thought the milk will come generally by some other process, but 36,, this process complete only, then the milk will come into the market. Even one test is failed, we will throw the milk, sir. That is what the Heritage is a brand which is a quality and a good brand in the market, sir. I am very proud, sir, because I never know when I visited the factory and everybody, employees, everybody, the way they received us, I'm very proud, sir, and thanks Mr. Umakanta for arranging this plant visit. I am very proud that the Heritage brand is going a longer journey. And madam, there is one question, madam. I used to sell, when will we become billion-dollar company? So the dollar has increased Rs. 80. So when we asked the dollar was Rs. 60 rupees or Rs. 70. Now the dollar has become 80 rupees. So even though we believe in our leadership, but I definitely will become a billion dollar? Definitely. We are always with you. I really recommend all the resolutions. Madam Chairman, I have one request, Madam, regarding Mr. Umakanta. Umakanta's designation is Company Secretary and Secretary Services. His colleagues are all our batchmates are vice presidents and senior vice president, the designation. Please look into the designation, madam. He's the senior most in the company, madam. I'm not just to say about Umakanta because all his batchmates visited all the companies, they're all vice presidents. But Umakanta is very honorable and noble man. He never ask anything, but we feel something a senior most company secretary having a comprehensive designation, we feel something because he is a senior most. Please look into this matter, madam, once again. Entire Board of Directors, all the best for the coming years. We are always with you. Support you, sir. Thank you. God bless you all.



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**Moderator:** I now invite Mr. Praful Chawda to unmute his audio and video and ask the question or give comments. In interest of time, may I request you to restrict your question or comments to three minutes?

**Praful Chawda:** First page what Company Secretary has given I want to thank him, Secretarial Department has given a proper focus and company is entering into new decade, one new decade is starting and in this decade also company will work properly and many average will come and will give good benefits to the customers. Sir previous shareholder also said who is speaking from Delhi it is not like that I do not want to report I support company Executive Directors, they both run the company and they have a good understanding. One decade Daughter in law and mother in law they go on well, but now daughter in law and mother in law has run the entire company how mother in law and daughter in law stay that is why I tell many people see it should be in this way, this relation works at home and it works here also and I want to thank you both of you to proceed this company in this way and reach to new heights. Sir premium when does it come I have taken one and I got free and in this way the company image is getting bad I feel so it should not be in this way it should be in the same rate. It is doubtful that why they are selling in one they are giving free and whatever it should be there we should not give one and give one free. Last year we have Fortune shares and I can definitely say 99% and they do the checking by themselves, they have given the share certificate and Heritage shares we have taken and send the certificate in time and there is a good benefit they run away when it becomes zero we felt that we have been betrayed, but it has not happened and we have done well. Madam I want to say one thing now is the electronic time, all the engines are coming electronic both two wheeler and four wheeler and whosoever come the supplier of milk they use two wheeler and somebody uses four wheelers then we give subsidiary and government gives subsidy for doing the purchase electronic two wheeler to four wheeler and from the company side by giving a subsidy can give promotion to people, pollution will be less, there will be saving of petrol and sound will be less too do something like that and now Modi ji has said our flag should spread everywhere. So, I want to say that to your employees and along with them distribute Indian flag free of cost so that everybody should spread the flat. Thank you.

**Moderator:** Thank you. Our next shareholder Mr. Kamal Kishor Jhavar is connected by an audio call.

**Kamal Kishor Jhavar:** Chairman Sir and Director Sir Namakar this is our third video conference. Every year this video conference happens and wherever we are we can attend your meeting and outside people can also attend what they want to say you get their advice too and we get to know something new every year through video conference. Company is working well and it is running good and we are the company shareholders and all Chair person, Madam all are working very hard every year we are getting good dividend and in 2022 and 2023 in this how much turnover is hopeful tell us about them and Company Secretary tenure has been expired then Secretarial department has given such a good service then he has brought us the check and I praise about Secretarial



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Department they have a very excellent service and I congratulate them and I wish you for the Deepawali and our colleague Suraj Chand Jain please talk to him.

**Suraj Chand Jain:**

Namaskar this is Suraj Chand Jain and sir your hard work, your dedication I give congratulations and best wishes and sir Secretarial Department Kamal Kishor I have some problem and I have said this to Umakanta and Secretarial Department he has resolved our problem in the next three, four days and has given a fast service that how much praise we do that is less and I pray to God the way you are working you achieve some success with leaps and bounds you proceed further and with this good thought I wish you the best of wishes that they have given us the opportunity to join in this program, thank you very much.

**Moderator:**

Thank you. I now invite Mr. Rameshankar Gola to unmute his audio and video and ask the question or give comments. In interest of time, may I request you to restrict your question or comments to three minutes? Mr. Gola, can you please unmute your audio and video and ask your question? Since there is no response, we'll move on to the next question. I now invite Mr. Amit Doshi to unmute his audio and video and ask the question or give comments. Mr. Doshi, can you please unmute your audio and video? Mr. Amit Doshi, can you please proceed with your question? Since there is no response, this was the last question. You can go ahead.

**Moderator:**

So I thank the members for all your questions, feedbacks, and suggestions. I appreciate your interest and thank you for your continuous support to your company. Now I request Executive Director, President, CEO, CFO to respond.

**Brahmani Nara:**

Thank you once again to all the participants. I will attempt to take some of the questions that came up. There is a question from Mr. Arun about the interest in plant-based and non-dairy nutrition. Sir, we believe that dairy by itself is a huge opportunity for us right now in India. Industry is at its time and it's running significantly. India has crossed the 200 million metric ton per year production of milk which I think is a significant milestone in the industry where most of the world is probably seeing people will find some very few countries. We are very proud to be a significant player in the dairy industry which makes a huge difference in rural households and the dairy industry in India is expected to be growing by over 15% CAGR the next couple of years and in fact, the organized sector is expected to be growing faster than that within which value-added products are growing faster than that.

Now why is this important? We believe that there is a huge opportunity in an industry where an organized sector is still quite small and maybe about 30, 35% and we want to be an integral part of it. Value added product, organized sector penetration is much lower than that. We're growing faster in the value-added product segment. As you've seen our numbers as of last financial year, our value-added product revenue contribution to the overall revenue increased to 26.34% percent, which is over the 200 basis points increase in terms of revenue contribution versus the previous financial year. It's also close to 20% growth, which is higher than the



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overall company growth. So there are attractive opportunities in existing as well as new value-added products in the dairy segment itself.

However, having said that, should we come across any interesting opportunities where we see that the market is existing and there are embedded synergies with that existing operations be it in the back end or on the distribution side, we will certainly have a look at this opportunity itself. We will definitely keep that in mind.

I think I've also answered the question on the future of dairy industry which is very attractive in the Indian scenario. The extent that many global players, in fact, are looking at India as their focus destination for growth in dairy because of lack of growth in international markets and dairy becomes a very, very important part of holistic nutrition, which is affordable nutrition, and it also aligns very well with our vision as a company which is to empower rural households. It's a very important part of rural income. It is probably the most consistent source of rural income that the dairy farmers are paid on a weekly or a 10 day or a fortnightly basis and is less affected, relatively less affected by external conditions such as weather etc.

There was a question on new product development and the performance of certain new products. Yes, last year has been an eventful year despite many headwinds. We went ahead with our R&D efforts with an exclusive team and we've also launched several interesting products in the market, new products as well as newer variants in existing categories such as ice cream. Some of our new products have been Badam Charger, which is Badam real pure Badam drink. We've also recently introduced in the current financial year Sweet Rasgulla and Gulab Jamun etc. And we are actually really looking forward to the upcoming festive season, which starts next month August, September where in the real uptake of these products will happen. We will keep you posted, but we're very confident with our growth of these products.

And within the company also we have segregated our products given the consumer centric approach into different buckets, again, dividing our products according to the needs and wants of our consumers. This being dairy foods, dairy drinkables, dairy fats, and dairy sweets as being very critical. Aside from that, we have ice creams and frozen desserts as well, and whatever innovations are happening within the company and have happened in the recent past are around the experiences and the opportunities within these categories.

There was a question on zero discharge and sustainability. Sir, we are happy to share that we are already a zero-discharge company. We are very responsible in that sense. We comply with all the rules and regulations of the land and we are very, very concerned and always looking out for our environment. In fact, we've gone extra mile of developing green belts in our plants around our plants and making the environment safe for all stakeholders in locations. Aside from that, we're also heavily focused on renewable energy as mentioned earlier as a key source of electricity to most of our processing facilities and we're looking at opportunities wherein we



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can do it given certain constraints, external constraints even in our procurement facilities wherever possible.

There was a suggestion on electric vehicles. In fact, we already started the transition of trying to move certain vehicles especially on the distribution as well as certain legs of procurement into electric as well as more environmental friendly options such as CNG etc., and we will continue to put in efforts in that direction.

There was a comment on aromatic ghee and we at Heritage essentially follow the process suggested for pure granulated, high fragrance aromatic ghee. It is a very important category of ghee for us and we are focused on that particular product.

I would like to request my colleagues to help answer some of the other questions.

**Management:**

So thank you very much Executive Director for addressing the question on innovations and related to that, I will speak about a question which came from Mr. Reddeppa on what's the vision that we have or what's the plan that we have for the next three years. So, fundamentally, we are committed to driving high growth. The industry is very attractive as the Executive Director called out and our strategies are in place for capturing this growth in our favor.

Currently, you must have seen that in the last several quarters of growth is in excess rather is exceeding the industry growth and we continue to keep that trajectory. Our growth strategy is based on four pillars, if I may call out, in terms of revenue growth. The first is the consumer-centric brands and products that we have and as Executive Director spoke in detail about this starts with understanding what are the unmet or under met needs of the consumers and Heritage has had a long history of creating innovative products. It started for 15 years back when we were one of the first companies to introduce curd in a package format which has become a household product today. In fact, we are one of the top three players in the curd segment in India, because of that first mover advantage. We continue to create, continue to extend the legacy. We have a very strong innovation pipeline and next many quarters you will see many of the first to the world and disruptive products, differentiated products better for you products coming from us. So that's the first pillar.

The second is making it available, closer to you, and we have very recently restructured our router market, which is today fit for purpose. We are extending our footprint. There was also a question about our footprint. We are committed to a footprint that we are present in today. We are present in 11 states with our sales network. The efforts from our side will be to expand in these geographies and go deeper so that more and more consumers can enjoy the delightful products that we bring.

The third is we are now more and more strongly engaging with our customers, our key customers whether it is national, large retail chains or even the small retail customers and



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partners that we have. We have over 870 parlors, Heritage parlors and many more other customers. So over 50,000, 60,000 customers bring our products to our consumers and we have today a framework for engaging with them in a very strategic manner. So that's this strategy that we have put in place are supported by the strength and we have the legacy that we have the consumer following that we have, gives us confidence in achieving the goals that we have set for ourselves.

There was a question on cost inflation from Mr. Reddeppa, and he specifically called out the cost inflation in case of petroleum products and many other related inputs to our production facility. Company has got a very strong strategy in place for managing the cost inflation. The first and foremost thing that is hitting us is actually the inflation or increase of cost of milk products, sorry, raw milk that the price that is paid to the farmer, and at the same time, we are also facing inflationary pressures in terms of other input materials, whether it is petroleum or petroleum products like the film that goes into packing.

At this point in time, the company has put in place a very strong framework for reducing cost of operations, removing wasteful expenses etc., improving operation expectancies, increasing throughput, and hence bringing down that cost. At the same time, we are also looking at all innovative ways of switching to input materials that are cheaper. So that this is the second pillar that we are working on.

The third pillar is that wherever the cost inflation is beyond a certain level where it is something that we cannot handle is being passed on to the consumer and you have seen that the company has taken price increases in the last few months in line with these cost inflation. So at any cost, through these three strategies, we are managing the cost pressures at our end.

Similarly, there was a question about single-use plastic from one of the shareholders and the company at this point in time is committed to the regulatory framework laid out by the government. We are 100% complying to it and we are looking at innovative solutions of meeting that. In fact, the only area where we are hit as far as the single-use plastic is concerned are the plastic straws that are used for the beverages, dairy beverages that we sell in cartons and there is innovation happening in that segment to with alternatives such as paper straws etc.

I think there was a question from Mr. Boppa about HR initiatives. I'll just take that's the last one I'd like to take. And thank you very much for that question. At the heart of whatever we do at Heritage is the strength of the people that we have and we have a very, very strong framework and strategy in place as far as grooming talent within the company is concerned and it starts with bringing in quality manpower. And in the last many years we have strengthened our managerial power and not just at the senior leadership level, but down to market and on-ground leadership, whether it is running our 18 factories or running 200 plus training centers in the procurement side or in the many sales offices across the country.



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The second is we are constantly assessing the capabilities of our people and we are trying to have an internal system that provides our employees the ability to play the potential by understanding their strengths and positioning them right within the organization.

Thirdly, we are building a very high-performance culture. So the HR systems are completely tuned to driving high performance across our organization. We have a very strong KPI system, which covers 100% of the employees. So at any point in time, each and every employee knows exactly where he or she stands as far as the performance is concerned. We are strengthening that with a new way of helping people get focused on being highly outcome oriented and this initiative that we have put in place is what is helping our senior leaders get the best out of our people.

Lastly, and most importantly, we are creating a highly engaging organization and that's at the core of all our people giving discretionary, putting discretionary efforts in bringing unparalleled results and while building this organization, we are focused on making sure that each and every one of our employees are full of pride for the organization and give their utmost commitment to their everyday work. I request Prabhakara Naidu, if you have any questions to take.

**A Prabhakara Naidu:**

There was one question on GST, passing on GST on curd, buttermilk and lassi. From this month onwards, actually, 5% GST has been levied. So in view of paying better prices to farmer, we are actually passing on this to the consumer. So impact on the bottom line is minimal in this regard. Thank you.

**Management:**

Sir, question on Suguna Dairy, currently, we are getting about 11,000 liters from 708 as expected and we are also expecting about the revenue of 17, 18 crores in this financial year from Suguna Dairy. And regarding this desi ghee, madam has already mentioned. Further to that, actually, desi ghee, actually the process which we are following for desi ghee, same is being followed actually and with the manufacturing processes in and with the granulation. Actually, once we manufacture the ghee, we keep it in the granulation room at 22 degrees centigrade for 24 hours. So then that will be packed. So that we are already doing it. And in the ghee, we have different types of ghee. One is Buffalo Ghee, that is desi ghee and the second Cow Ghee and third is Hi Aroma Ghee. Also there and we are calling it as Special Ghee and which are available in different packs that in pet jars, Spout packs, tin packs, all that different pack sizes it is available.

And regarding one question on Assam, pertaining to Assam, yes, currently we are focusing on this Assam market actually focusing on Orissa market. We have yet to understand the Assam market. Basically, it is milk deficit state and only market for SMP and derivate, but yet to understand the initiatives from the government. Currently, we are not focusing on that. Thank you.



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**Management:**

I think most of the questions have been responded to. Only I think Bharat Raj mentioned about the response to our new products suites etc. Response is very good and we are increasing the placements and number of outlets to be covered for in a rapid pace so that the off takes can be faster and higher. Otherwise, all the products whatever have been launched have been well accepted as high quality and tasty and healthy products from Heritage brand so far. We don't have any experience of recalls and withdrawals of that nature. Ma'am, we have completed all of the responses.

**N. Bhuvaneswari:**

Thank you, Executive Director, President, CEO and CFO for your clarifications. I hope all your queries are answered. If you still have any queries, you can send your query via email. I thank all the members for your support and participation. Please be safe and stay healthy. Your health and lives are important to us. Be graceful. Be useful. Keep life simple. Have it pleasant.

**Brahmani Nara:**

Thank you very much, ma'am. I would like to propose the vote of thanks on behalf of everyone present here. Honorable chairperson, our most valued shareholders, ladies, and gentlemen, it's my privilege to propose the vote of thanks. I, on behalf of the entire team of Heritage Foods and on my own behalf, extend a very hearty vote of thanks to the chair and all for sharing with us your findings, insights, opinions, giving us your feedback. I wish all members for having a great future as well as for agreeing to be here during this period and your family.

And with your permission, all the directors and I will log off. And we move on to the next part that is e-voting.

**Moderator:**

For those who have not exercised their vote at the remote e-voting, which was opened from 9 a.m. on Tuesday, July 26, 2022, to 5 p.m. on Thursday, July 28, 2022, will be open to voting now for another 15 minutes. It will be closed after 15 minutes. The combined results of the remote E-voting and E-voting insta call shall be placed at company's website, that is [www.heritagefoods.in](http://www.heritagefoods.in) as well as websites of the stock exchanges where the shares of the company are listed and also would be uploaded on the website of NSDL by the end of the day.

I thank all the shareholders once again for participating in the meeting and for their cooperation in transacting today's business. Thank you.

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