



Heritage Foods Limited

(Formerly known as Heritage Foods (India) Ltd)

23rd Annual Report 2014-15



Adding Value

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Caution regarding forward-looking statements

This document contains statements about expected future events and financial and operating results of Heritage Foods Limited, which are forward-looking. By their nature, forward-looking statements require the company to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that the assumptions, predictions and other forward-looking statements will not prove to be accurate. Readers are cautioned not to place undue reliance on forward-looking statements as a number of factors could cause assumptions, actual future results and events to differ materially from those expressed in the forward-looking statements. Accordingly, this document is subject to the disclaimer and qualified in its entirety by the assumptions, qualifications and risk factors referred to in the management's discussion and analysis of the Heritage Foods Limited Annual Report 2014-15.

Adding Value

Heritage is in the business of value-added dairy products, retail, agriculture and bakery. The inherent value of our products is the main driving force for ever increasing brand equity and economic growth of the company. In recent years, we have fortified our product mix with many value-added variants. Our dairy & bakery product portfolio as well as our retail business were revamped with renewed values and features. Beyond adding value to products, at Heritage, it's our earnest endeavour to persistently create social as well as financial value for our stakeholders. We channelize our organisational strategies and resources to add value to our employees, our community encompassing farmers, our suppliers and other stakeholders. Going forward, we will continue to delight our stakeholders by adding value.



Our Vision

Delighting Every Home with Fresh and Healthy Products and Empowering the Farmer

How we create value

Speed and Agility

Our strategic agility is strengthened and propelled by our operational agility

Uphold Integrity
We do the right thing in right way

Customer Delight

Customer Delight is paramount. We are passionate about building sustainable, valuable and enduring inter-generational relationships with them

Collaboration with Leadership Excellence

We work collectively and believe in leading by example; communicating in a clear and transparent fashion

Empowering Society and Employees

We believe in caring for our community and our employees

Supremacy Through Innovation

We strive to do things differently

Sustainability

We aim to build a better future for the generations to come

Our Mission

To be a nationally recognized brand for healthy and fresh products with a revenue of INR 6000 Crores by 2020

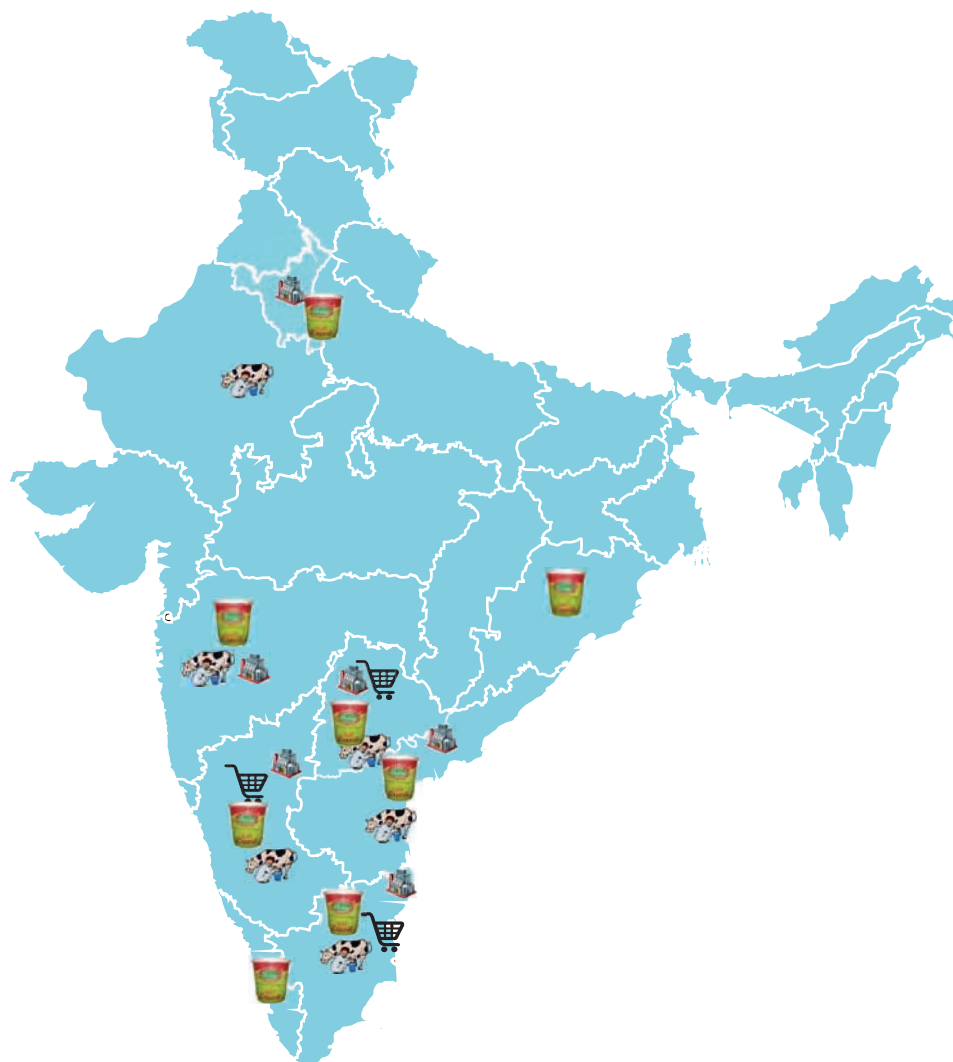
We anticipate, understand and respond to our customers' needs by creating high quality products and making them available through innovative and convenient channels

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

Heritage operates in 10 states



Processing/Cooling
/Chilling Plants



Milk/Milk Product (Sales)



Milk Procurement



Retail Stores

	AP	Telangana	TN	Karnataka	Maharashtra	Kerala	Odisha	Haryana	Rajasthan	NCR
Milk & Milk product (Sales)								-	-	
Milk Procurement (Litres Per Day)	498,142	94,147	165,293	15,447	180,327	-	-	3,787	11,821	-
No. of Processing, Bulk cooling /Chilling Plants	78	46	13	1	7	-	-	1	2	-
Retail Stores	-	51	27	14	-	-	-	-	-	-

Refreshing Values

“ Dairy, our flagship business segment clocked a revenue of Rs.1,556 cr in the year 2014 - 15 a 17.14% growth Year-on-Year (Y-o-Y). In the year under review, the revenue contribution of value-added products in the dairy product mix is 20% against 17% in the previous year. This is in sync with our long-term strategy to increase the revenue from value-added products and to capitalise on the growing demand for value-added dairy products in India ”

Dear Fellow Shareholder,

Before taking you to the highlights of the performance of the year under review, I would like to inform you with profound grief, the demise of Dr. A Appa Rao, who served the Board of your Company as Non-Executive Independent Director, early this financial year. He served the Company for 14 long years and contributed significantly to put in place good operational systems. He guided the management in adopting best practices in governance and made significant contributions during Board deliberations. At this juncture, along with my colleagues on the Board, I sincerely appreciate the contributions made by Dr. A Appa Rao, during his tenure with the Company.

The company continues to maintain its growth momentum. I have immense pleasure in informing you that the Financial Year 2014-15 is another milestone in the history of the company and a memorable year for the organization, with gross revenue from operations crossing the Rs. 2,000 cr mark.

The revenue for the year stands at

Rs. 2,073 cr as against Rs. 1,722 cr in the previous year.

In tune with our progressive dividend policy, the Board of Directors have recommended a final dividend of Rs. 3 per share for FY 2014-15.

Another hallmark of this year's performance has been the increase in the store level EBIDTA by 61% on a Y-o-Y basis in our retail business. This is a clear indication of our strategies to turnaround the retail business yielding results. As you may recall, since the last 5 years we have been rationalising the retail business by renegotiating rents, relocating underperforming stores and improving various retail business practices. We continue to expand on the retail business front. The retail carpet area crossed 3 lakhs sq ft during the year to reach a total of 3.38 lakhs sq ft at the end of the year. While we added 22 new stores during the year, we closed 4 underperforming stores as part of our rationalization process. During the year we could also reduce the Stores Fixed Costs by Rs. 20 per sq ft per month.

Dairy, our flagship business segment

clocked a revenue of Rs. 1556 cr in the year - a 17.14% growth. In the year under review, the revenue contribution of value-added product in the dairy products mix is 20% against 17% in the previous year. This is in sync with our long-term strategy to increase the revenue from value-added products and to capitalise on the growing demand for value-added dairy products in India. Going forward we are confident that the value-added dairy product sales will increase its share in the overall dairy revenue.

Today Heritage is a pan-India dairy brand with our footprints in Kerala, Tamil Nadu, Andhra Pradesh, Telangana, Karnataka, Odisha, Maharashtra and NCR Delhi. Commercial production of our 14th Packing Station was commenced on December 26, 2014 at our newly acquired plant at Sonipet, Haryana. This unit comes with 75,000 litres per day capacity to process liquid milk, paneer, pouch and cup curd, buttermilk and lassi. With this new plant, we are able to serve the consumers in and around NCR.



“We have clearly set our targets for 2020 to become a Rs. 6,000 cr (USD 1 Billion) company. While our operational mechanism is gearing up to achieve this goal, our strategies are aimed at increasing the value-added products sales in the dairy business and making a complete turnaround of the retail business by improving margins”



Our Renewed Mission and Values

We remain clear on our long-term strategy to grow branded and value-added products sales, to become more efficient, to reduce risk, to improve the quality of our earnings and to make value enhancing acquisitions and disposals.

We have clearly set our targets for 2020 to become a Rs. 6,000 cr (USD 1 Billion) company. While our operational mechanism is gearing up to achieve this goal, our strategies are aimed at increasing the value-added products sales in the dairy business and making a complete turnaround of the retail business by improving margins.

To strengthen our endeavour towards achieving this goal we have engaged an external consultant to guide us on all aspects of the business which includes rationalization of business operations, opportunity mapping, and business restructuring.

Milk Procurement

Currently we procure milk from over 300,000 farmers in Southern and Western India. Procurement of more milk gives us the strength to grow.

Heritage, therefore increased its milk volume significantly in 2015. Out of 9.69 lakhs liters per day (LLPD) milk procured, AP contributes 51%, Maharashtra 18.5%, Tamil Nadu 17% and Telangana 10%.

Farmer empowerment is inherent in our vision. What makes Heritage attractive for a dairy farmer is that the company over the years, has been handholding farmers for better managing their cattle. This is assisting on optimal feed and animal health and by facilitating animal insurance and dairy farm loans from Banks and Financial Institutions.

Emerging Segments

Agriculture and Bakery segments of the company continued the growth momentum generating a revenue of Rs. 840 Million and Rs. 58 Million respectively.

Let me conclude by thanking all our stakeholders for their continued support.

Regards

D. Seetharamaiah
Chairperson

Key Performance Indicators (2014 -15)

Revenue (Rs. Million)
20730

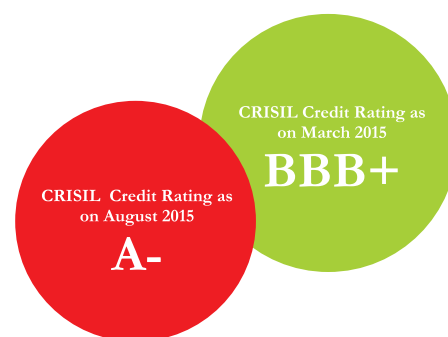
EBIDTA (Rs. Million)
881

PAT (Rs. Million)
282

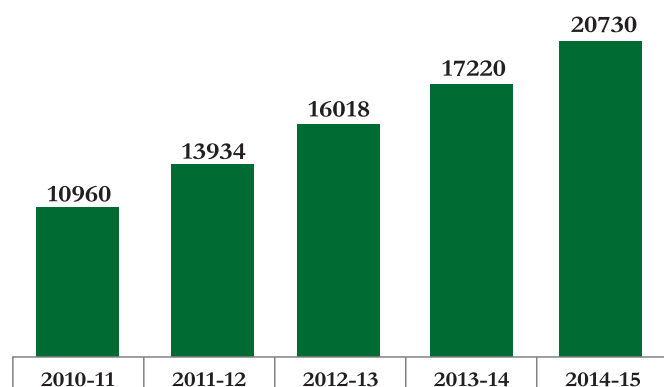
Networth (Rs. Million)
1930

Segment Wise - Revenue (Rs. Million)

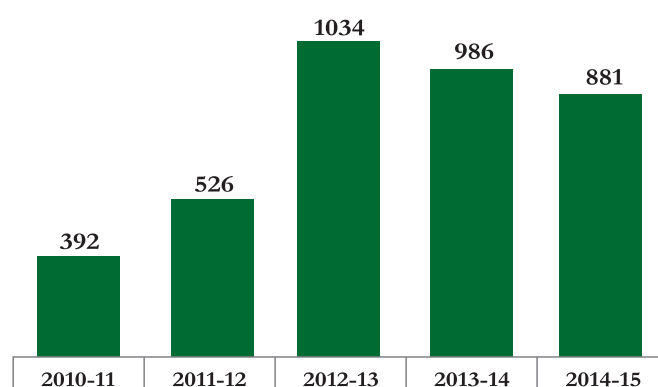
Year	Dairy	Retail	Agriculture	Bakery	Renewable Energy
2014-15	15559	4940	840	59	26
2013-14	13282	3779	678	37	8
2012-13	12686	3266	399	41	-



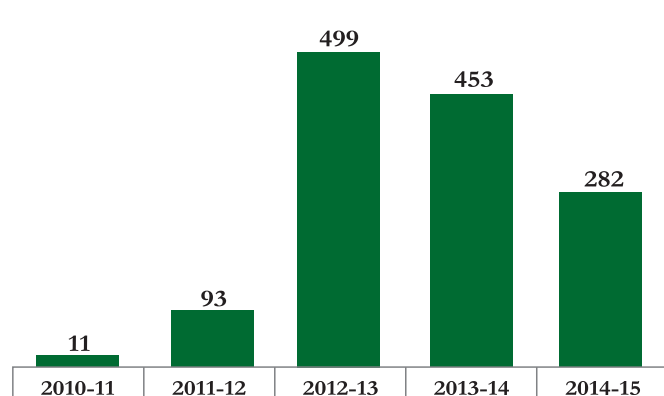
Revenue (Rs. Million)



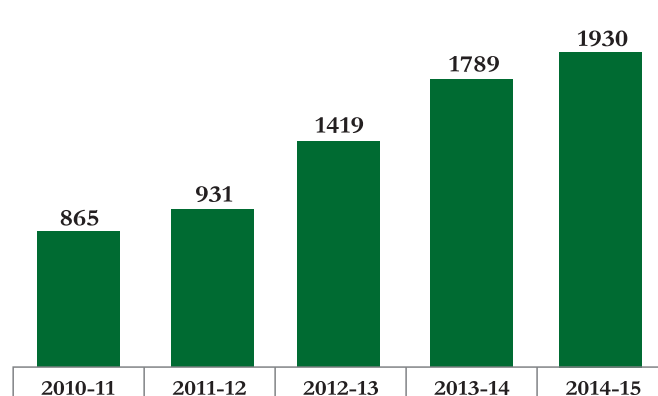
EBIDTA (Rs. Million)



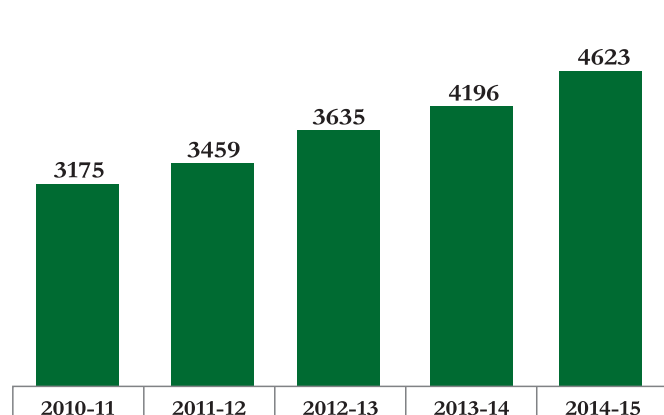
PAT (Rs. Million)



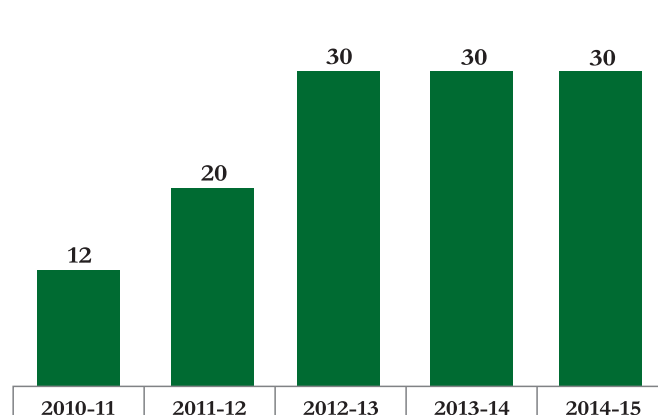
Networth (Rs. Million)



Gross Fixed Assets (Rs. Million)



Equity Dividend (%)



10 Year Financials

(Rs in crores)

	1	2	3	4	5	6	7	8	9	10
	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06
Turnover	2072.97	1722.04	1601.81	1393.41	1096.08	900.38	796.02	588.03	346.33	292.07
Other Income	7.02	4.95	4.20	3.21	4.81	2.93	3.23	40.13	1.29	1.27
Total Income	2079.99	1726.99	1606.01	1396.62	1100.89	903.31	799.25	628.16	347.62	293.34
Earnings before Depreciation, Interest and Tax (EBIDTA)	88.08	98.65	103.42	52.58	38.85	47.03	3.43	23.66	12.17	25.23
Depreciation & Amortization	33.99	25.00	22.02	21.19	19.94	19.64	17.22	10.55	6.78	4.80
Interest	14.95	11.93	14.84	17.82	15.97	16.67	14.58	12.43	1.84	0.40
Tax Expenses	10.93	15.90	13.69	4.24	1.83	4.98	6.58	(0.26)	1.82	6.39
Profit after Tax	28.21	45.31	49.96	9.33	1.12	5.60	(35.61)	0.94	1.72	13.64
Cash Profit/(Loss)	62.20	70.31	71.98	30.52	21.06	25.24	(18.39)	11.49	8.51	18.44
Equity Dividend (%)	30.00	30.00	30.00	20.00	12.00	18.00	Nil	18.00	30.00	30.00
Dividend Payout (Including Tax on Dividend)	8.37	8.14	4.05	2.68	1.61	2.42	Nil	2.13	3.51	3.42
Equity Share Capital	23.20	23.20	11.60	11.53	11.53	11.53	11.53	11.53	9.99	9.99
Reserves and Surplus	169.81	155.79	130.29	81.60	75.01	75.35	69.24	104.17	59.31	62.50
Networth	193.01	178.99	141.89	93.13	86.53	86.87	80.77	115.70	69.30	72.49
Gross Fixed Assets	462.34	419.63	363.48	345.90	317.50	294.24	264.47	206.45	128.88	80.15
Net Fixed Assets	280.65	271.48	236.79	230.26	221.72	215.24	203.68	162.41	95.38	53.33

Key Ratios

	1	2	3	4	5	6	7	8	9	10
	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06
Earnings per share -Rs.	12.16	19.53	21.64*	8.1	0.97	4.85	(30.89)	0.92	1.73	13.65
Cash Earnings per Share -Rs.	26.81	30.31	31.03*	26.47	19.84	26.32	(9.67)	9.96	8.51	18.46
Book Value per share -Rs.	83.19	77.15	61.16*	80.77	75.05	75.35	70.05	100.35	69.37	72.57
Debt : Equity Ratio	0.32:1	0.25:1	0.42:1	0.99:1	1.15:1	1.34:1	1.50:1	0.96:1	0.79 : 1	0.00 : 1
EBIDTA/Turnover -%	4.25	5.73	6.27	3.77	3.52	5.22	0.43	4.02	3.51	8.63
Net Profit Margin -%	1.36	2.63	3.12	0.67	0.1	0.62	(4.47)	0.16	0.5	4.65
RONW -%	14.62	25.31	35.21	10.02	1.29	6.45	(44.09)	0.81	2.48	18.81

*EPS and book value per share for FY-2012-13 has been adjusted on account of issue of bonus shares in FY-2013-14