



Fast Moving Committed to Grow

Heritage Foods Limited (Formerly Known as Heritage Foods (India) Ltd.)

Forward-Looking Statement

In this Annual Report, we have disclosed forward-looking information to enable investors to comprehend our prospects and take investment decisions. This report and other statements – written and oral – that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance. We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in our assumptions. The achievements of results are subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind. We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future events or otherwise.

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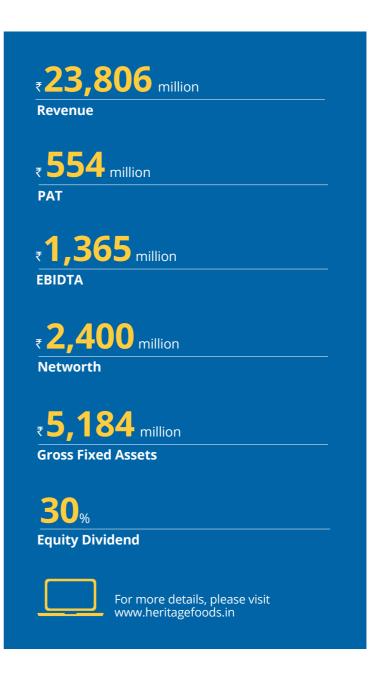
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Ever since inception, we have honed our expertise to grow sustainably across diverse business segments. Now we are set to position ourselves as a prominent FMCG company, by expanding our offerings, while strengthening our existing business verticals.

As a leading dairy company, we aim to further enhance the contribution of value-added products in the dairy vertical from 21% to 40%.

The retail business is growing encouragingly, meeting the needs of modern Indian consumers who want convenience and comfort. We are confident of witnessing healthy profits by 2018.

At Heritage Agri, we follow a farm-to-fork model and source fresh fruits and vegetables from farmers. Growing awareness about health among customers is facilitating the growth of our agri vertical.

With changing eating habits of people and rise in the consumption of fast food, we also see promising growth in our bakery vertical.

> The evolution of renewable energy over the past decade has surpassed all expectations. In line with that, we have embarked on a clean energy initiative and came up with renewable energy vertical. With our consistent endeavour to push our limits at every step, we are

Fast Moving Committed to Grow.



A Glimpse of Heritage

Incorporated in 1992, Heritage Foods Limited (Heritage) is one of the most evolving FMCG companies in India with five key business verticals – Dairy, Retail, Agri, Bakery and Renewable Energy.

An Inspiration to Reality

Heritage was founded with a vision to assure remunerative prices to dairy farmers who needed better marketing opportunities. At the same time, the aim was to build an enduring connection of trust with customers by delivering pure and fresh products. Over the years, we have been able to position ourselves as a leading dairy company, while remaining close to dairy farmers from whom we procure milk. We have maintained our track record of profitability and shareholder value creation, and are now set to strengthen our prominence, at every step.

Vision

Delighting every home with fresh and healthy products and empowering the farmer.

Mission

- To be a nationally recognised brand for healthy and fresh products with a revenue of ₹ 6,000 Cr. (USD 1 billion) 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

Values

Speed and Agility Our strategic agility is strengthened and propelled by our operational agility.	Uphold Integrity We do the right thing in the 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.		

Geographical Presence

We have our strong presence across 10 states in India.



Ā	Dairy	Andhra Pradesh, Telangana, Karnataka, Kerala, Tamil Nadu, Maharashtra, Odisha, Rajasthan, Haryana and NCR Delhi
	Retail	Bengaluru (Karnataka), Chennai (Tamil Nadu) and Hyderabad (Telangana)
A	Agri	Chittoor (Andhra Pradesh) and Medak (Telangana)
	Bakery	Uppal in Hyderabad (Telangana)
T	Renewable energy	Solar plant in Medak district (Telangana). Wind power plant in Ananthapur district (Andhra Pradesh)

Employee Strength







9, **9**, **9**, **110 9**, **9**, **9**, **110** Agri

5,077 Total Employees

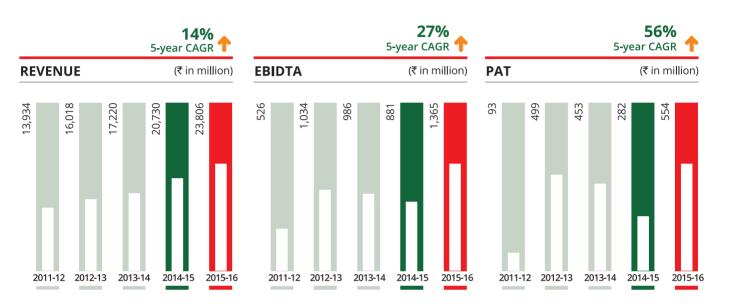
Certifications

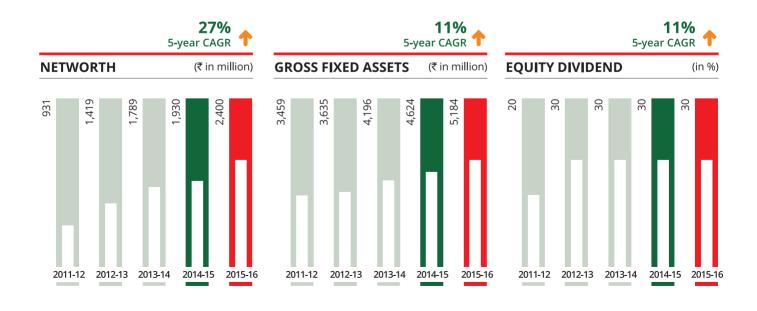
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- ISO 22000-14/2014 by FoodCert India Pvt Ltd
- HCH Cert. No. HFC 15-101 by Halal Certification Hyderabad, Rahmat-e-Aalam Foundation – USA and Shariah Board of India
- HCH Cert. No. HIP 15-102 by Halal Certification Hyderabad, Rahmat-e-Aalam Foundation – USA and Shariah Board of India
- All 14 processing and packing units are ISO 22000 & FSMS certified



Promising Financial Performance





₹ in million

10-year Financial Highlights

Consistent Growth

	1	2	3	4	5	6	7	8	9	10
	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07
Turnover	23,806	20,730	17,220	16,018	13,934	10,961	9,004	7,960	5,880	3,463
Other Income	65	70	50	42	32	48	29	32	401	13
Total Income	23,871	20,800	17,270	16,060	13,966	11,009	9,033	7,992	6,281	3,476
Earnings before Depreciation, Interest and Tax (EBIDTA)	1,365	881	987	1,034	526	389	470	34	237	122
Depreciation & Amortisation	345	340	250	220	212	199	196	172	106	68
Interest	146	150	119	148	178	160	167	146	124	18
Provision for Taxation	306	109	159	137	42	18	50	66	(3)	18
Profit after Tax	554	282	453	500	93	11	56	(356)	9	17
Cash Profit/(Loss)	899	622	703	720	305	211	252	(184)	115	85
Equity Dividend (%)	30	30	30	30	20	12	18	Nil	18	30
Dividend Payout (Including Tax on Dividend)	84	84	81	41	27	16	24	Nil	21	35
Equity Share Capital	232	232	232	116	115	115	115	115	115	100
Reserves and Surplus	2,168	1,698	1,558	1,303	816	750	754	692	1,042	593
Networth	2,400	1,930	1,790	1,419	931	865	869	808	1,157	693
Gross Fixed Assets	5,184	4,623	4,196	3,635	3,459	3,175	2,942	2,645	2,065	1,289
Net Fixed Assets	3,120	2,807	2,715	2,368	2,303	2,217	2,152	2,037	1,624	954

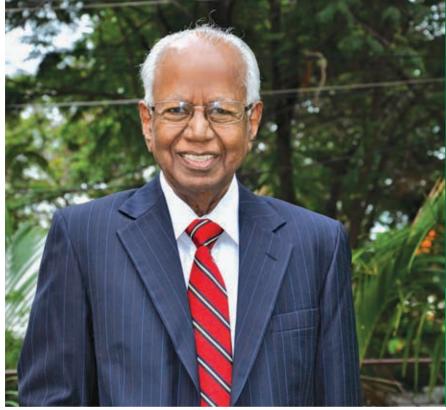
Key Indicators

	1	2	3	4	5	6	7	8	9	10
	2015-16	2014-15	2013 - 14	2012 - 13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07
Earnings per share - ₹	23.89	12.16	19.53	21.64*	8.1	8.1	4.85	(30.89)	0.92	1.73
Cash Earnings per Share - ₹	38.77	26.81	30.31	31.03*	26.47	26.47	26.32	(9.67)	9.96	8.51
Book Value per share - ₹	103.45	83.29	77.15	61.16*	80.77	80.77	75.35	70.05	100.35	69.37
Debt : Equity Ratio	0.27:1	0.29:1	0.25:1	0.42:1	0.99:1	0.99:1	1.34:1	1.50:1	0.96:1	0.79:1
EBIDTA/Turnover - %	5.68	4.25	5.73	6.27	3.77	3.77	5.22	0.43	4.02	3.51
Net Profit Margin - %	2.33	1.36	2.63	3.12	0.67	0.67	0.62	(4.47)	0.16	0.5
RONW - %	23.10	14.62	25.32	35.21	10.02	10.02	6.45	(44.09)	0.81	2.48

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



Chairperson's Communiqué



The society and communities form an important part of our business. We remain committed to our vision to assure remunerative prices to dairy farmers and maximise their income to transform their lifestyles.

D Seetharamaiah, Chairperson

I am indeed delighted to report that we had an encouraging FY 2015-16 on the back of our robust performance across various - verticals. Although dairy continued to be our primary business, we took a step forward to establish ourselves as a prominent FMCG company.

During the year, we delivered a revenue of ₹ 23,806 million, a 15% growth over the previous year. Our EBITDA grew by 55% over the previous year, with a ₹ 1,370 million profit. The profit before tax was at ₹ 870 million, compared to ₹ 390 million in the previous financial year. PAT was at ₹ 550 million, compared to ₹ 280 million in FY 2014-15.

Performance across Verticals

Coming to our dairy vertical, favourable weather conditions helped us procure milk from our major operational areas. Our dairy vertical revenue grew by a 14%, i.e. ₹ 17,688 million, compared to ₹ 15,558 million; and value-added products delivered a 21% higher revenue, that is ₹ 3,825 million. Value-added products are growing well, essentially, on the strength of packaged curd, besides buttermilk and ice-cream/frozen desserts, among others. The year's EBIDTA for value-added products was 17.68%. Going forward, we expect to further strengthen our flagship business, primarily driven by our value-added products.

After a strong performance during FY 2014-15, our retail vertical was affected by the Chennai floods during FY 2015-16. The city shut down for three days, resulting in loss of inventory and sale, delaying new store opening. But, we recovered in the fourth quarter. Despite headwinds, our retail vertical delivered a ₹ 5,829 million revenue, which is 18% higher than the last year.

Our agri vertical maintained its growth momentum as consumers have become more health conscious. People want farmfresh products on their plate. This favourable scenario has strengthened the performance of our agri vertical. The EBITDA of agri vertical remained positive at ₹ 13 million, 22% higher than the previous year.

Our emerging business like bakery and renewable energy are also showing considerable gains.

Significant Initiatives during FY 2015-16

- We commissioned our first wind power plant of 2.1 MW capacity at Chinahothur Village of Ananthapur district, Andhra Pradesh. It is expected to generate 5 million units per annum, to be consumed by our dairy plants in Chittoor district
- We have hired a powder making plant in Haryana for one year to convert milk into powder
- We opened 17 retail stores during the year
- Our chilling capacity was expanded to 1.68 million litres per day

Society Matters

The society and communities form an important part of our business. We remain committed to our vision to assure remunerative prices to farmers and maximise their income to transform their lifestyles. We take various initiatives in the realms of farmer welfare and community development to improve the lives of people in rural India.

- We provide support to milk producers for purchasing and insuring cattle
- We have established mobile veterinary clinic to offer medical services to cattle
- We offer high-quality cattle feed to farmers and educate them through various video programmes on dairy farming

Committed to Grow

Going forward, our primary focus will remain on positioning ourselves as an FMCG company. We have already started expanding our business portfolio to achieve this mission.

In dairy vertical, we aim to achieve a ₹ 4,500 Cr. revenue by 2020. Next four years' growth will be driven towards multiple directions and at multiple levels. We plan to grow geographically into new markets and penetrate deeper into existing markets.

We aim to strengthen our relationship with customers by delivering pure and fresh products.

On a Thanking Note

I take this opportunity to thank all our employees, customers, shareholders, business associates and the wider fraternity of stakeholders for their encouragement and support. We have a lot more to achieve together and many more milestones to cross.

With best regards,

D Seetharamaiah

Chairperson, Heritage Foods Limited



Strategic Review



N Bhuvaneswari, Vice Chairperson & Managing Director

Our focus will be on leveraging the emerging opportunities to stay on the growth trajectory. We aim to foray into new markets and penetrate deeper into existing markets, primarily in Tier-II and Tier-III cities. Moving ahead, our aim is to further strengthen our valueadded products.

In line with our strategy to 'grow', we concentrated on expanding our business offerings, along with strengthening our existing portfolio. With our consistent investments in various business verticals, we bolstered our position during the year. During FY 2015-16, we spent about ₹ 680 million, of which ₹ 400 million was for dairy infrastructure, ₹ 130 million for retail and around ₹ 140 million for wind power project. These were broadly the major CAPEX commitments incurred during the year under review. With sustained growth of the Indian economy and a consequent rise in purchasing power during the last two decades, more people today are able to afford milk and various other dairy products. This trend is expected to continue with the sector experiencing a robust growth in demand in the short and medium term. During the year, our dairy vertical witnessed significant growth on the back of strong demand for our value-added products, especially curd. We expect the trend of 20-25% growth of value-added products to continue for the next two to three years.

Coming to retail vertical, currently, we have 110 stores, of which 93% are profitable at store level. Therefore, almost 102 stores are profitable. Moreover, we have reached around 390,000 square feet of trading space, which we aim to further increase in FY 2016-17. Our endeavour will be to open new stores in the coming year to make the business more profitable.

Partners of Progress

Along with bolstering our business, we work towards strengthening our relationship with farmers, who are