



FUTURE IN PROGRESS

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A lot happens in a quarter of a century. New ideas evolve. Big strides are taken. Firm commitments are formed. Strategic changes are made. Performance levels are escalated.

But most of all, a renewed sense of purpose is born – when you finally stand at the milestone of 25 years & look back at all that you've achieved.

For us, these 25 years have been a journey to remember. We have made a mark in a highly competitive industry. From running several verticals, we have brought our focus down to one core vertical – dairy. And now, with a new zest to succeed in our hearts, we are striving ahead with plans of tripling our revenues in the next five years and becoming the preferred national dairy player.

STANDING AT 25 GLORIOUS YEARS, WE GLANCE BACK WITH GRATITUDE AND PRIDE FOR THE SUCCESS WE'VE HAD.

AND LOOK AHEAD WITH ENTHUSIASM AND COMMITMENT TOWARDS BUILDING A FUTURE-READY ENTERPRISE!



HERITAGE AT A GLANCE

We are one of the India's fastest growing dairy companies.

Incorporated in 1992, Heritage was formed with two core fundamentals – One, to remunerate dairy farmers with fair prices; two, to provide fresh and healthy products to the customers with an enduring relationship. A wide network of farmers for procurement of milk, state-of-the-art infrastructure for processing and expansive retail touch points led us towards emerging as among the fastest growing dairy companies in India.

Our customers and products

15+ LAKHS

Households serviced daily

22

Different products offered

277

SKUs

- Lakhs of households cherish the freshness and healthy products of Heritage Foods
- With a variety of products on the offering across the value-chain of dairy

Near you, always

1,670

Franchise-operated exclusive
Heritage Parlours

6,578

Distributors and agents

1,18,500

Outlets across India selling
Heritage products

- A wide distribution of Heritage Foods products
- Present across 10 states in India
- Already covered more than 100 cities/towns as on March 31, 2017

Our presence

Headquartered

In Hyderabad

15

Processing plants

Our partners

3+

 LAKHS

Farmers associated with us for direct milk procurement

18.9

 LAKHS LITRES PER DAY

Milk handling capacity during FY 16-17

Our stakeholders

39.90

 %

Promoter stake as on March 31, 2017

₹2,49,714

 LAKHS

Market capitalization as on March 31, 2017

Our people

2,420

Team size across our offices and plants

5,000+

People provided indirect employment

Vision

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

Mission

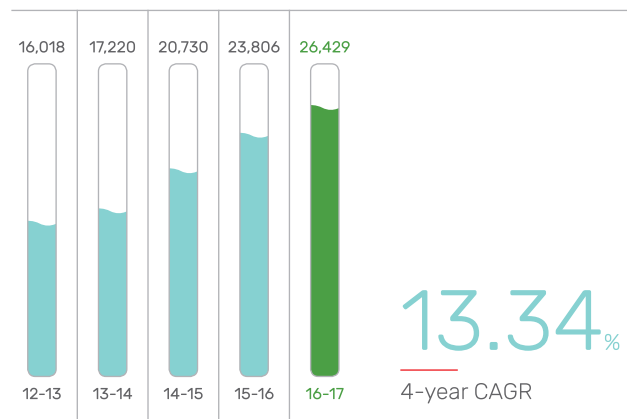
- To be a Nationally Recognized Brand for Healthy and Fresh products with a revenue of ₹ 6,000 Crore (USD 1 Billion) by 2022
- We anticipate, understand and respond to our Customers' needs by creating high quality products and making them available through innovative and convenient channels
- We embrace 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 farmer community through our unique 'Relationship Farming' Model
- We aim to be the employer of choice by nurturing Entrepreneurship and Promoting empowerment, alongside transparent and open communication



ACCELERATING FINANCIAL PERFORMANCE

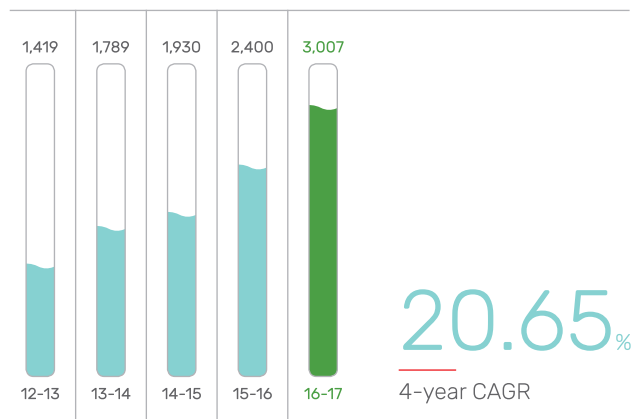
Revenue

(₹ in million)



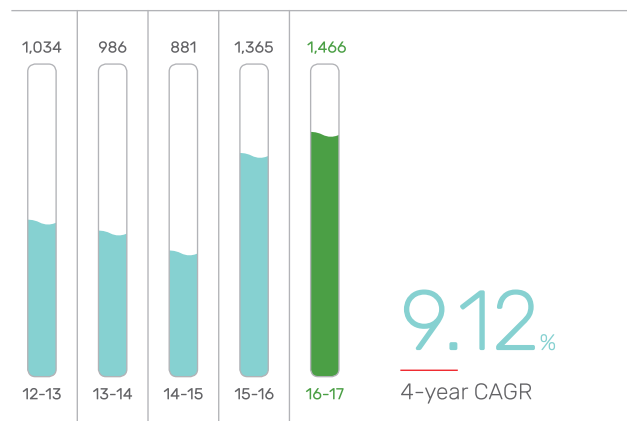
Net Worth

(₹ in million)



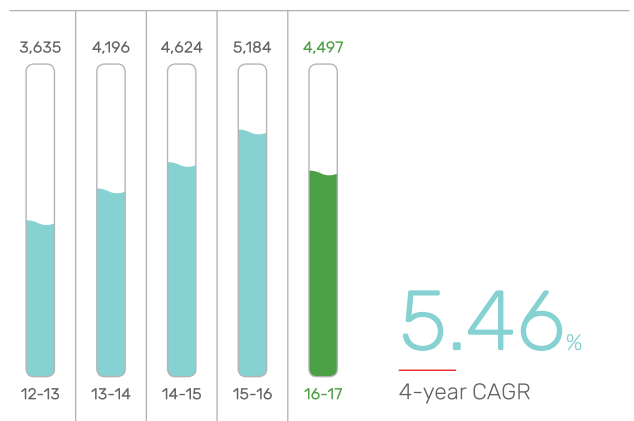
EBITDA

(₹ in million)



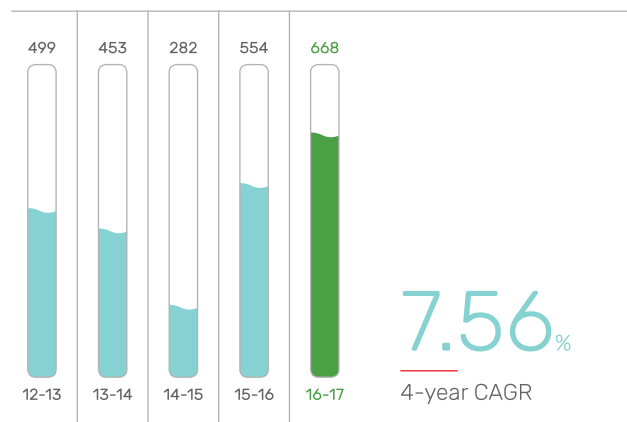
Gross Fixed Assets

(₹ in million)



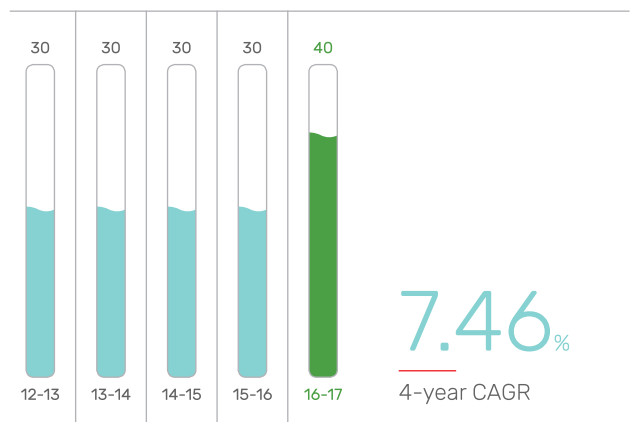
PAT

(₹ in million)



Equity dividend

(in %)



*2016-17 figures are consolidated numbers as the effect has been given during the current financial year for the Composite Scheme of Arrangement between Heritage Foods Limited ("Transferor Company") and Heritage Foods Retail Limited ("Transferee Company" or "Demerged Company") and Future Retail Limited ("Resulting Company").

10-YEAR FINANCIAL HIGHLIGHTS

Healthy financials

(₹ in million)

	1	2	3	4	5	6	7	8	9	10
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17*
Turnover	5,880	7,960	9,004	10,961	13,934	16,018	17,220	20,730	23,806	26,429
Other Income	401	32	29	48	32	42	50	70	66	60
Total Income	6,282	7,992	9,033	11,009	13,966	16,060	17,270	20,800	23,871	26,489
Earnings before Depreciation, Interest and Tax (EBIDTA)	237	34	470	389	526	1,034	987	881	1,365	1,466
Depreciation & Amortization	106	172	196	199	212	220	250	340	345	378
Interest	124	146	167	160	178	148	119	150	146	105
Provision for Taxation	(3)	66	50	18	42	137	159	109	306	315
Profit after Tax	9	(356)	56	11	93	500	453	282	554	668
Cash Profit/(Loss)	115	(184)	252	211	305	720	703	622	899	1,046
Equity Dividend (%)	18	Nil	18	12	20	30	30	30	30	40
Dividend Payout (Including Tax on Dividend)	21	Nil	24	16	27	41	81	84	84	112
Equity Share Capital	115	115	115	115	115	116	232	232	232	232
Reserves and Surplus	1,042	692	754	750	816	1,303	1,558	1,698	2,168	2,775
Networth	1,157	808	869	865	931	1,419	1,790	1,930	2,400	3,007
Gross Fixed Assets	2,065	2,645	2,942	3,175	3,459	3,635	4,196	4,623	5,184	4,497
Net Fixed Assets	1,624	2,037	2,152	2,217	2,303	2,368	2,715	2,807	3,120	2,971

Key matrices

	1	2	3	4	5	6	7	8	9	10
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17*
Earnings per share - ₹	0.92	(30.89)	4.85	0.97	8.1	21.64*	19.53	12.16	23.89	28.80
Cash Earnings per Share - ₹	9.96	(9.67)	26.32	19.84	26.47	31.03*	30.31	26.81	38.77	45.09
Book Value per share - ₹	100.35	70.05	75.35	75.05	80.77	61.16*	77.15	83.29	103.45	129.61
Debt : Equity Ratio	0.96:1	1.50:1	1.34:1	1.15:1	0.99:1	0.42:1	0.25:1	0.29:1	0.27:1	0.25 : 1
EBIDTA/Turnover - %	4.02	0.43	5.22	3.52	3.77	6.27	5.73	4.25	5.68	5.54
Net Profit Margin - %	0.16	(4.47)	0.62	0.10	0.67	3.12	2.63	1.36	2.33	2.53
RONW - %	0.81	(44.09)	6.45	1.29	10.02	35.21	25.32	14.62	23.10	22.22

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

#2016-17 figures are consolidated numbers as the effect has been given during the current financial year for the Composite Scheme of Arrangement between Heritage Foods Limited ("Transferor Company") and Heritage Foods Retail Limited ("Transferee Company" or "Demerged Company") and Future Retail Limited ("Resulting Company").

CHAIRPERSON'S MESSAGE



DEAR SHAREHOLDERS,

It seems like yesterday when we started our operations in 1993. Starting with a few farmers, Heritage Foods Limited (HFL) is now one of the leading dairy companies in India. We enjoy the respect of 3 lakhs strong farmer community, engaging in milk procurement of 10.6 lakhs litres on a daily basis. The journey has been a long and winding one – there have been moments of glory as well as despair – but in the end we have managed to not just survive, but thrive.

Stakeholder focus

Since inception, we have sincerely believed that our dairy farmers form the backbone of our business. Our 25 year-long journey is filled with instances where we have constantly empowered our farmers and would continue to do so with a renewed focus. But, with growing business comes increasing responsibilities – the responsibilities of taking care of steadily increasing dairy farming community and keeping ourselves acquainted with incipient market trends. As a means to this end, the Company has undertaken a number of measures like providing free veterinary care, supplying high-quality cattle feed at subsidised rates, mitigating risks through insurance policies (farmer and cattle) and facilitating financial support for purchase of cattle.

We intend to undertake many such measures, which I believe, would address the challenges faced by the dairy farmers and keep them secure in what's a highly cyclical business. Farmer's empowerment is our core value at this celebratory moment and would remain so forever at Heritage.

Our dairy revenues grew by 5.73% from ₹ 17,688 million in 2015-16 to ₹ 18,701 million in 2016-17, while the value-added segment reported a 14.77% y-o-y growth in revenues.

Environment focus

At Heritage, we recognise our responsibility towards protecting the environment with utmost importance. As a forward-looking enterprise, we are strongly committed for extending our green footprint. In line with this thinking, we embarked on a clean energy initiative with an 8.2 megawatt renewable energy facility (4 megawatts of solar power and 4.2 megawatts of wind power) at multiple sites in Andhra Pradesh, Telangana, Maharashtra and Karnataka. The result is that 55% of our processing facilities are powered by renewable energy. These eco-friendly initiatives of Heritage haven't gone unnoticed – a fact vindicated by the array of energy conservation awards we have won recently.

Year in review

From a macro perspective, we have seen massive transformations transpiring across India. With the advent of modernised cities and new avenues of trade, there has been a growing demand for quality packaged products everyday, which earlier were largely homemade. The result: consistent growth for the industry in the last few years. A decade back a similar trend was observed in demand for ghee in Southern India, where households moved from making ghee at home to buying it in the packaged format. Today, we are witnessing a similar trend with curd. We believe this will become the norm for other dairy products as well; for example, flavoured milk.

This favourable industry scenario led to a satisfactory financial performance. Our dairy revenues grew by 5.73% from ₹ 17,688 million in 2015-16 to ₹ 18,701 million in 2016-17, while the value-added segment reported a 14.77% y-o-y growth in revenues.

In celebration of our 25 years of existence, at Heritage Foods we took a bold decision of rebranding ourselves. Here I would like to assure our customers that it's only the packing that has changed but our promise of 'Health and Happiness' still remains the same in every product that we produce.

Over the last few years, the industry has seen cattle yields rising with the adoption of new diets and arrival of cutting-edge cattle maintenance systems. Furthermore, with India being billed as one of the most attractive global opportunities from a consumption perspective, the country's dairy sector is expected to see a larger quantum of private investment and a significant increase in entrepreneurial interest. With disposable incomes rising, the industry is expected to see a renewed focus among Indian players to venture into thus far uncharted territories. Thus, I believe the sector is perched atop the crest of a long U-curve and the years ahead would prove to be really fruitful for us in terms of revenues as well as profits.

Way forward

Staying true to the Company's mission of reaching the ₹ 6,000 crore – mark in revenues by 2022, we aim to enhance the contribution of value-added products from the current levels of 24% to 40% over the next five years. Heritage has already made inroads into Western parts of India like Pune and Mumbai and Northern Indian markets like Delhi NCR, Punjab and Haryana. The management is confident of achieving these numbers via organic and inorganic means. Case in point: we recently acquired the dairy business of Reliance Retail Limited, thereby cementing our status as a pan-India player.

Besides, we are continuously adding high-end products to our portfolio. Similarly, we also aim to foray into the beverages segment. This will widen our current portfolio of value-added products and brighten our growth prospects in the years that lie ahead.

Heritage at 25 is inundated with talented personnel who are eager to explore new opportunities and come up with new ideas. Thus, at 25, we are no less excited than what we were at the beginning. The only difference is that today we are much more confident and enjoy the support of a blossoming stakeholder community.

With best regards

D Seetharamaiah

Chairperson

MESSAGE FROM THE MANAGEMENT

“Looking ahead, we intend to cement our identity as the best supporter of the Indian dairy farmer.”

N Bhuvaneshwari, Vice Chairperson and Managing Director, and
N Brahmani, Executive Director, review the Company's performance for FY2016-17



N BRAHMANI

N BHUVANESWARI