

Heritage Foods Limited



Delivering nutrition

2017-18
26th Annual Report



DISCLAIMER

Some information in this report may contain forward-looking statements which include statements regarding Company's expected financial position and results of operations, business plans and prospects etc. and are generally identified by forward-looking words such as "believe," "plan," "anticipate," "continue," "estimate," "expect," "may," "will" or other similar words. Forward-looking statements are dependent on assumptions or basis underlying such statements.

We have chosen these assumptions or basis in good faith, and we believe that they are reasonable in all material respects. However, we caution that actual results, performances or achievements could differ materially from those expressed or implied in such forward-looking statements. We undertake no obligation to update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.

For the online version of the Annual Report please log on to www.heritagefoods.in

A healthy nation is happy one.
And we are geared up to be one of
the brands in India that makes it a
reality!

From being a player in a niche product category, we are now expanding our reach and capabilities to touch more consumers with our fresh and nutrition rich product basket. We aim to be a vital player in the wellness industry, while making significant positive difference to the lives and economy of our country's backbone - the farmer community!

It's often the simple things that leave
the biggest mark. With our intent of
delivering nutrition to our customers,
we look forward to transforming the
world as we know it!

Inside the Report

CORPORATE OVERVIEW

02	About Heritage
03	Creating Value for Stakeholders
04	What We Achieved in 2017-18
07	Our Blueprint for Growth
08	Chairperson's Message
10	Message from Management
13	Our Promise to Deliver Nutrition
14	Silver Jubilee Celebrations
18	Our Business Model

20	Our Business Segments
22	Animal Nutrition - A Step Forward
23	Financial Snapshot
24	Corporate Social Responsibility (CSR)
28	10-Year Financials
29	Expanding Our National Footprint
30	Corporate Information

STATUTORY REPORTS

31	Notice to Shareholders
37	Director's Report
79	Management Discussion and Analysis
89	Corporate Governance

FINANCIAL STATEMENTS

106	Standalone Financials
172	Consolidated Financials

About Heritage

Heritage Foods Limited (called “Heritage” hereinafter) is one of the fastest growing dairy companies in India. Heritage was incorporated in 1992 with the objective of remunerating dairy farmers with fair prices and providing fresh and healthy dairy products to consumers.

Over the years, we have evolved and widened our product offerings that delight customers. Our presence in an extremely consumer driven market

generates a demand for healthy and balanced dairy products. With a well-established presence in South India and a strong franchisee network, we

aim to deepen our penetration along with expanding our reach to new markets.



Our Vision

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



Our Mission

- To be a nationally recognized brand for Healthy and Fresh products with a revenue of ₹6000 Crore 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, Promoting Empowerment, alongside transparent and open communication.



Creating Value for Stakeholders

We recognise that doing business in a sustainable and responsible manner is integral to ensuring our future viability. Value-creation for all stakeholders underpins our business strategy and growth.



Financial Capital

₹ **2,344** Crore

Revenue in 2017-18



Social Relationship Capital

15 Lakh

Households served daily with our products



Natural Capital

8,751,253 Units

Renewable energy generated during the year

₹ **778** Crore

Net worth as on March 31, 2018

3 Lakh

Farmers associated as partners for milk procurement



Manufacturing Capital

₹ **182** Crore

Capital expenditure in 2017-18



Network

12,186 No's

Milk Procurement Representatives

10.53 LLPD

Liquid milk sold in 2017-18

6,608

Distributing agents

13.20 LLPD

Milk procured in 2017-18

1,380 No's

Franchise Parlours

LLPD: Lakh Liters Per Day

What We Achieved in 2017-18

Integration of Dairy business acquired from Reliance Retail Limited. As a part of integration process we decided to continue with the two brands of Reliance Dairy, i.e., Dairy Life and Dairy Pure.



We received the Golden Peacock Award for excellence in Corporate Governance for the second

consecutive year in 2017. The award was given by Institute of Directors in association with The Institute of

Companies Secretaries of India (ICSI), New Delhi.

We were awarded the second prize, National Energy Conservation Awards in Dairy sector for 2017. The award was introduced by Ministry of Power, Government of India for effective energy conservation methods that we adopted in Gokul Dairy Plant, Tirupati, Andhra Pradesh.





Our Company was declared as the Winner of the FTAPCCI Excellence Awards in Corporate Social Responsibility. The award was given by Federation of Telangana and Andhra Pradesh Chambers of Commerce and Industry.



Mr. K Rajababu, IT Head of the Company has been awarded among the 50 Most Innovative CIO of India by The World CSR day organisation, for the year 2017.



The Company has received the Telangana Best Employer Brand Award 2017 from the World CSR Day & World Sustainability organisation.



Mr. A Prabhakara Naidu, CFO of the Company has been recognised with the Hyderabad CFO Leadership Award instituted by the World CSR Day & World Sustainability organisation for the year 2017.



Mr. Dheeraj Tandon, Head HR of the Company has been recognised among the 100 Top HR Mind in India Award by the World HRD Congress, for the year 2017.



India's 50 Best CFO's Awards 2017-18 was conferred to Mr. A. Prabhakara Naidu, Chief Financial Officer of the Company by White Page International in association with UK Asian Business Council. The award was presented at The Asian Brand & Leadership Conclave, held in Singapore on March 09, 2018.



Mr. A. Prabhakara Naidu, Chief Financial Officer of the Company has been recognised with CA-CFO Award in the Agriculture & Allied Services Sector by The Institute of Chartered Accountants of India in its 11th ICAI Awards 2017, held in Mumbai on January 19, 2018.



The Company was Awarded with Silver Plate in the Standard Vanilla Category by DuPont in 'The Great Indian Ice Cream & Frozen Dessert Contest Season 6'



The Company was Awarded with Silver Plate in the Best Chocolate Category by DuPont in 'The Great Indian Ice Cream & Frozen Dessert Contest Season 6'



The Company was Awarded with Bronze Plate in the Sorbet Category by DuPont in 'The Great Indian Ice Cream & Frozen Dessert Contest Season 6'

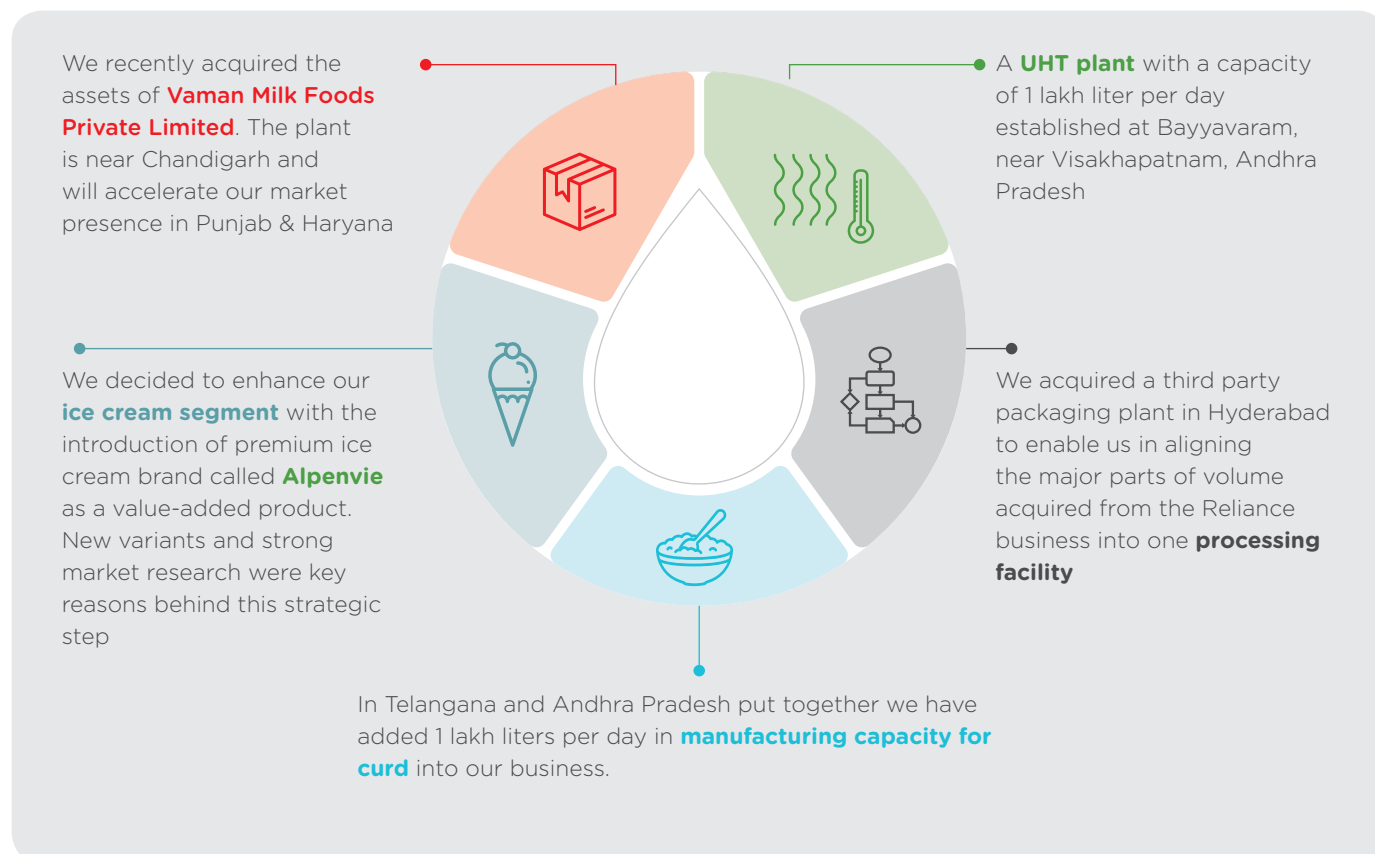
Our Blueprint for Growth

In 2017-18, we focused on delivering products that are high on nutrition and that create a healthy balance in lifestyles of our consumers. Despite challenges and volatility in industry, we took some strategic steps that will help us remain sustainable.

Our strategies



Our execution methodologies



Chairperson's Message



India, the fastest growing economy in the world, experienced a cyclical trend during the year. The country saw a short term set back with a fall in GDP to 5.3% in the 1st quarter of the year, and then saw it rebound to 6.5% in the 2nd quarter.