Heritage Foods Limited

Heritage
HEALTH AND HAPPINESS

elevant.
esilient.
esponsive.

29th

Annual Report | **2020-21**

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To view or download this report online, please visit:
www.heritagefoods.in

In Remembrance

Shri Devineni Seetharamaiah

(April 22, 1926 to July 19, 2020)

With profound grief and sorrow, we share with you the sad demise of our Former Chairperson,
Shri Devineni Seetharamaiah, which has been an irreplaceable loss to Heritage Foods Limited.

Being the Director for almost three decades, since 1992, he constantly imbibed the best governance standards with entrepreneurship.

The Board, our employees and the associates of the Company express their deep condolences and pay tribute to a great visionary. We pray for the departed soul to rest in eternal peace.

Key Metrics

1.3
Million Liters Per Day
Milk procured from farmers

2.1
Million Liters Per Day
Chilling capacity

2.7
Million Liters Per Day
Processing capacity

0.3
Million
Farmers touched

1.5
Million
Households supplied

6,223
No. of
Distributors

858
No. of
Exclusive Franchise Parlours

12,052
No. of
Procurement Representatives

0.7
Million Kgs Per Day
Curd Packaging capacity

1.7
Million Liters Per Day
Milk Packaging capacity

0.13
Million
Retail Outlets

Relevant. Resilient. Responsive.

The year in review was another turbulent and volatile one for the economy and industry. Despite a challenging environment, we anchored ourselves to our purpose and values, and remained deeply focused on anticipating change in consumer trends, and on our purpose of nourishing them in a safe and sustainable manner.

As health and wellness trends continue to drive consumer choices, increasing the demand for active nutrition, we launched **RELEVANT**, differentiated and value-added products. We focused on products that are right for our consumers and for the planet – products that enhance immunity and deliver taste and nutrition to our consumers every day.

We also demonstrated our **RESILIENCE** and ability to consistently respond to consumer needs. By differentiating our business sufficiently, we navigated the industry opportunities and challenges. What also added to our resilience is our unique portfolio, deep industry expertize, distinctive capabilities and footprint, sustainable supply chains and operational excellence.

Understanding and anticipating changes in consumer trends is our core value and central to our strategy. We remained **RESPONSIVE** to rapidly-evolving consumer preferences and maintained a clear focus on nourishing and delighting our consumers. We delivered compelling consumer propositions by satiating their needs for healthier and nutritious foods.

Through our sustainable and scalable business model, we continue to leverage our strategic positioning and competitive market advantages. With this, we laid the foundation that will balance sustainable growth and create long-term value for all stakeholders on a social and environment basis.

Guided By a Three-Decade Legacy

We are Heritage Foods Limited

At Heritage Foods Limited, we are engaged in the dairy business of procurement of milk from dairy farmers at village level, and distribution of processed milk and milk products to 1.5 million households across 11 states in India.

We enable this through 858+ parlours and over 32 distribution centers at Hyderabad, Bengaluru and Chennai. By maintaining strong relationship with over 0.3 million dairy farmers in India, we have gained the capacity to process 2.7 million liters of milk per day.

Unique and strong product portfolio

With 29 years of rich experience, we are well respected for our freshness and purity in dairy products. We have a strong portfolio of dairy products including curd, paneer, butter milk, flavored milk, ice cream, frozen desserts, butter, cream and ghee, aimed at the evolving consumer. We are launching new categories of products regularly with the aim to provide better nutrition to our consumers.

Keeping pace with consumer behaviors

Consumer habits are changing fast. At Heritage, we keep pace with shifting consumer behaviors and combine our insights to find newer ways of connecting with them. With this, we not only increase the value and relevance of our products, but also leverage our ability to innovate and achieve a competitive edge.

In view of the pandemic situation, click-and-collect and home delivery have been every retailer's business priority. At Heritage, we introduced an e-platform where we provide dairy products to consumers directly at home.

Key Objective

To establish Heritage Foods as a leading company catering to changing consumer tastes.

Prime Focus

On product innovation and creating a strong pipeline of value-added products.

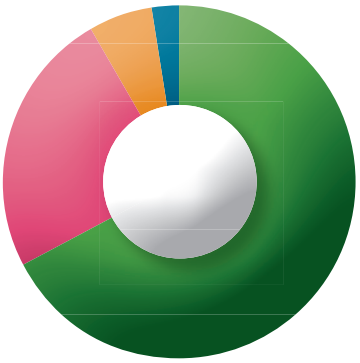
Newness

To introduce, change and modify the products according to consumer demand.

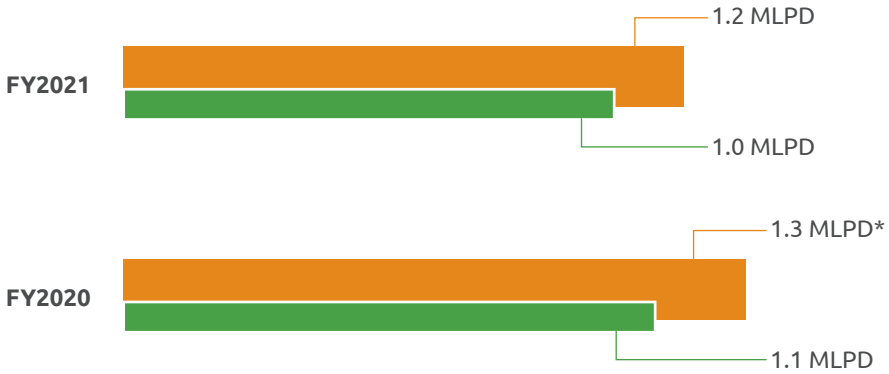
Vision

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

A diversified and growing portfolio

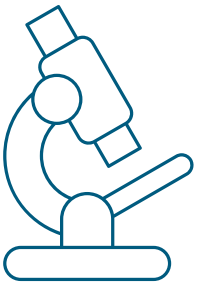


- **67.46%** Milk
- **24.21%** Value-Added
- **6.04%** Fat
- **2.29%** Others



- Milk Procured
- Liquid / Milk Sale

*MLPD- Million Liter per Day



Research & Development Capabilities

- 1Ultra-modern UHT Milk Processing Units at Bayyavaram, Visakhapatnam District, Andhra Pradesh
- 18 State-of-the-art Milk Processing Plants, 113 Bulk Coolers, 76 Chilling Plants
- R&D infrastructure that encompasses advanced equipment, stringent quality control, and a dedicated and an experienced team

From Grass to Glass – Our Milk Value Chain

Milk Procurement

Digitally-automated procurement systems are in place to inform the Procurement & Inputs team about quality and quantity, tanker acknowledgments, and vendor payments. Automated mail alerts are created on procurement-related operational matters.

Heritage Control Center

This digitally-enabled operation creates SMS alerts on milk stock, tanker monitoring, procurement representative feedback, weekly status reports and other related activities.

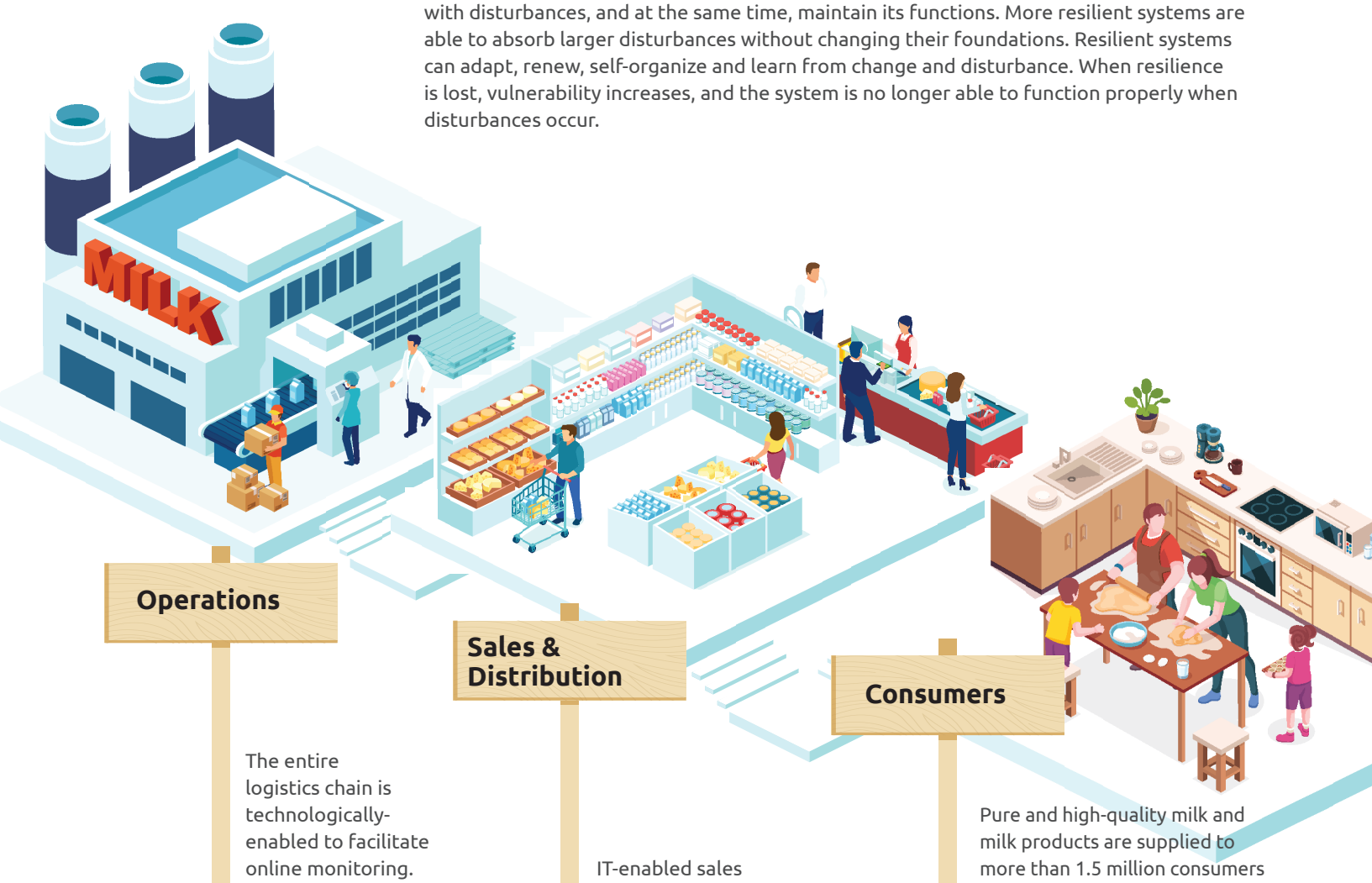
Materials Management

There is a digitally-enabled approval process from Purchase Requisition to Purchase Order release. Processes are also in place for physical invoice submission tracking and communication of capex material status.

'Robustness' and 'Resilience'

At Heritage, we are focusing on animal welfare and productivity, addressing topics that affect the robustness and resilience of dairy production in a very wide scope – from large and intensive farms to small and grass-based farms. The competitive atmosphere resulting from price volatility and uncertainty created by some of these new challenges often leads dairy farmers to focus on productivity, rather than animal welfare.

Resilience not only applies to individual animals, but also to higher organizational levels such as the farm or the system. In the latter, resilience is the capacity of the system to cope with disturbances, and at the same time, maintain its functions. More resilient systems are able to absorb larger disturbances without changing their foundations. Resilient systems can adapt, renew, self-organize and learn from change and disturbance. When resilience is lost, vulnerability increases, and the system is no longer able to function properly when disturbances occur.



Operations

The entire logistics chain is technologically-enabled to facilitate online monitoring. Digitally-enabled operations handle dispatch (through GPS), product shelf-life and merchandising.

Sales & Distribution

IT-enabled sales automation sends periodic analysis of sales and inventory to channel partners through SMS alerts.

Consumers

Pure and high-quality milk and milk products are supplied to more than 1.5 million consumers through innovative channels such as general trade retailers, modern trade, exclusive parlours, distribution centers and e-commerce platforms.

Our Three-Decade Evolution

1992
Company incorporated on June 5, 1992

1993
Commenced commercial production on April 26, 1993

1994
Initial Public Offering, which was over-subscribed 54 times

2002
Buyback of shares

2006
Started Retail division – Heritage Fresh Stores

2007
- Launched value-added products like curd, lassi, buttermilk, paneer, flavored milk and frozen dessert
- Launched first exclusive franchisee parlour

2008
- Commenced Agri division

2013
- Set up first solar energy plant
- 1:1 bonus equity shares to shareholders
- VC & MD, Mrs. N. Bhuvaneswari named among the 50 Most Powerful Business Women in India by Fortune India

2014
Entered into India's prestigious list of ET Top 500 Companies

2016
- Commissioned the first wind power plant
- Received the Golden Peacock Award in Corporate Governance
- Demerger of retail undertaking

2017
- Revamped the Heritage brand in Silver Jubilee Year
- Launched Polypropylene (PP) flavored milk
- Received Golden Peacock Award for Excellence in Corporate Governance

2018
- Launched Alpenvie Ice-cream range
- Bagged India Food Safety Summit Award by Confederation of Indian Industry

2019
- Bagged India Food Safety Summit Award
- Won the India Dairy Award

2020
- Bagged the 'Most Integrated Company' at India Dairy Award 2020 organized by Agriculture Today Group, Delhi

2021
- Won all the three Prestigious National Energy Conservation Awards (NECA)