



# Investor Presentation FY2014

*Bring Home Health & Happiness*

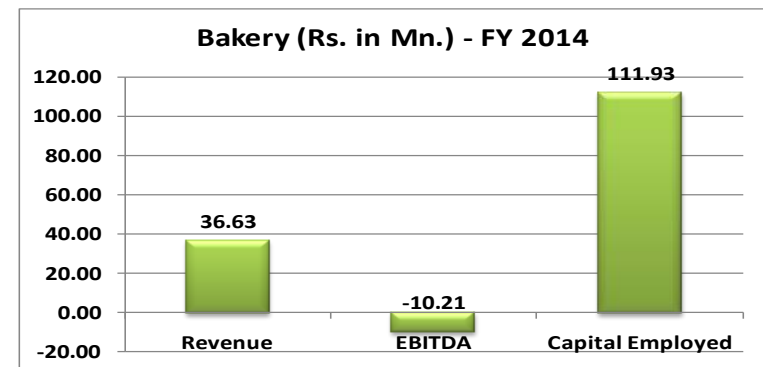
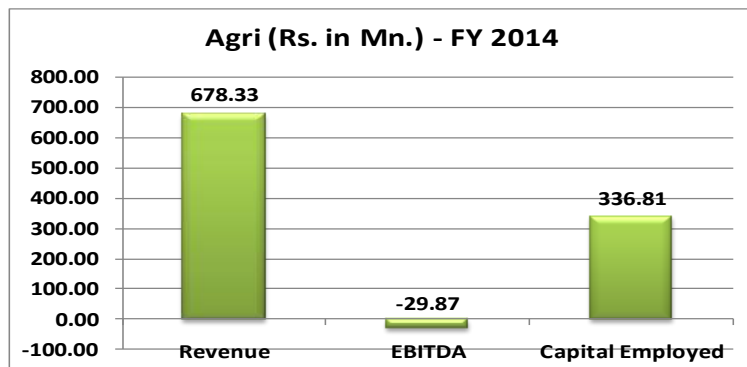
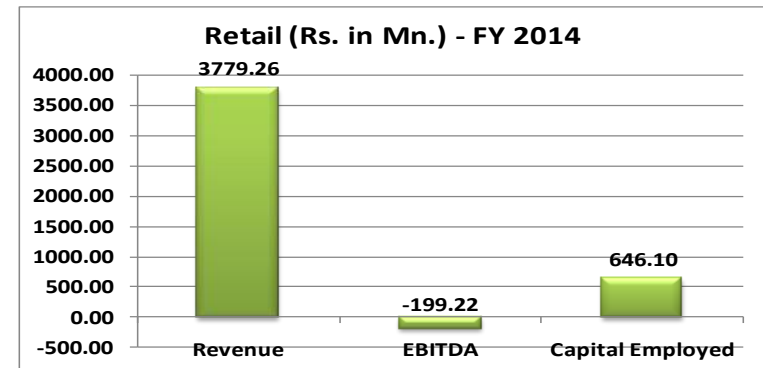
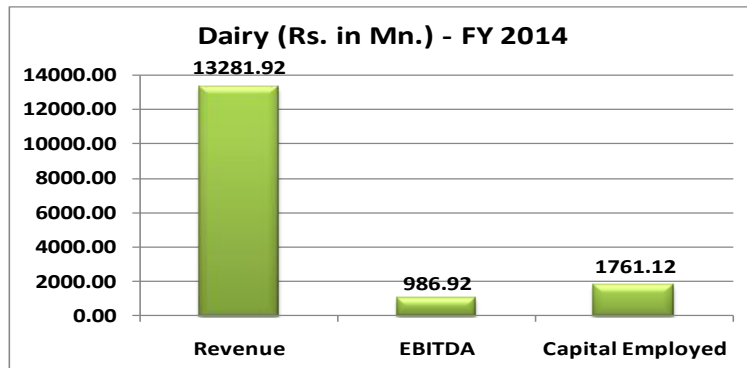


*The release contains forward-looking statements, identified by words like 'plans', 'expects', 'will', 'anticipates', 'believes', 'intends', 'projects', 'estimates' and so on. All statements that address expectations or projections about the future, but not limited to the Company's strategy for growth, product development, market position, expenditures and financial results, are forward-looking statements. Since these are based on certain assumptions and expectations of future events, the Company cannot guarantee that these are accurate or will be realized. Actual results might differ materially from those either expressed or implied in the statement depending on the circumstances. Therefore the investors are requested to make their own independent assessments and judgments by considering all relevant factors before making any investment decision. The Company assumes no responsibility to publicly amend, modify or revise any such statements on the basis of subsequent developments, information or events.*

# Overview of Business Verticals



- Heritage Foods (India) Limited (“Heritage”) is a leading corporate based out of Hyderabad and operates in the high-growth Food and Retail business segments
- Four reporting divisions - Dairy, Retail, Agri, and Bakery



- One of the few private sector companies in India with a true Farm to Fork solution in dairy and retail



- Heritage was founded by Mr. Nara Chandrababu Naidu in 1992 with an objective to assure remunerative prices to milk producers, who needed better marketing opportunities.
- Mr. Nara Chandrababu Naidu is currently the elected Chief Minister of Andhra Pradesh. He holds the record of being the longest served Chief Minister of Andhra Pradesh.

## Mission

- Bringing prosperity into rural families through Co-operative efforts and providing customers with hygienic, affordable and convenient supply of “Fresh and Healthy” food products

## Vision

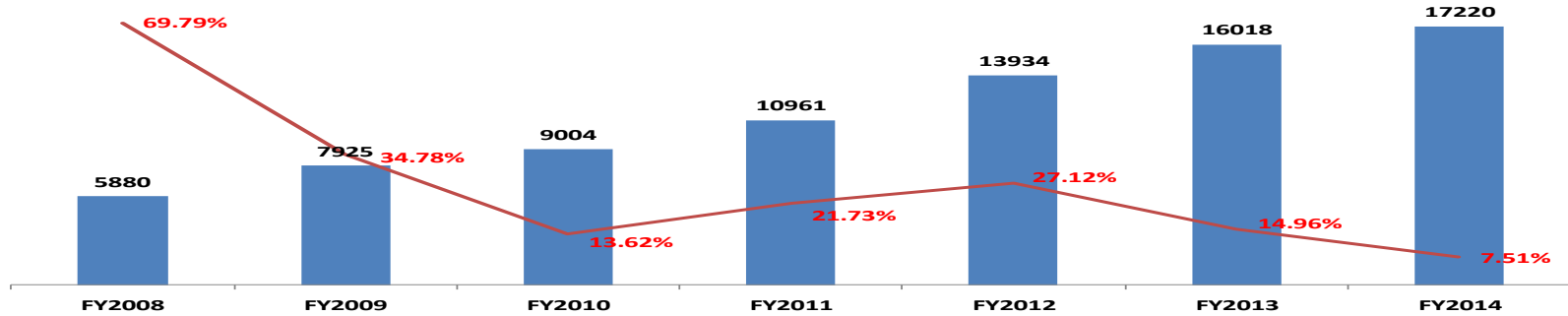
- To achieve this by delighting customers with “Fresh and Healthy” food products, that are a benchmark for quality in the industry
- We are committed to enhanced prosperity and the empowerment of the farming community through our unique “Relationship Farming” model
- To be a preferred employer by nurturing entrepreneurship, managing career aspirations and providing innovative avenues for enhanced employee prosperity



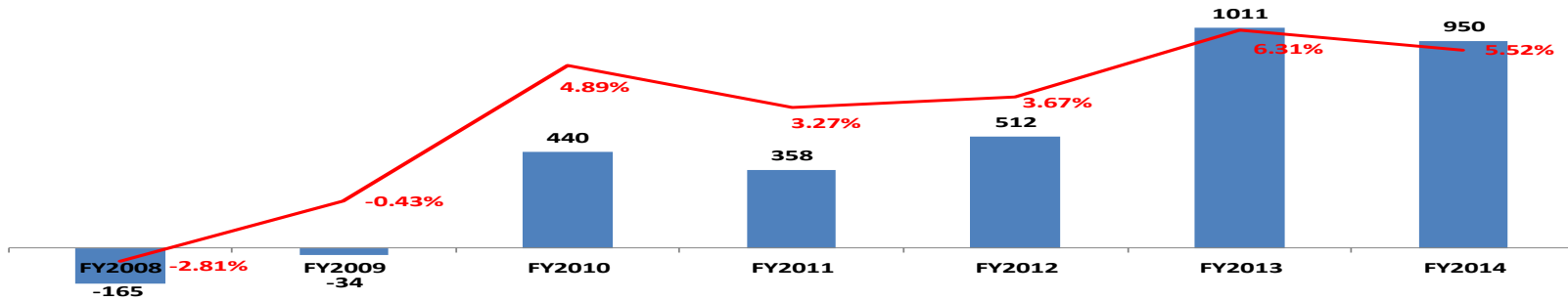
# Consolidated Financial Overview



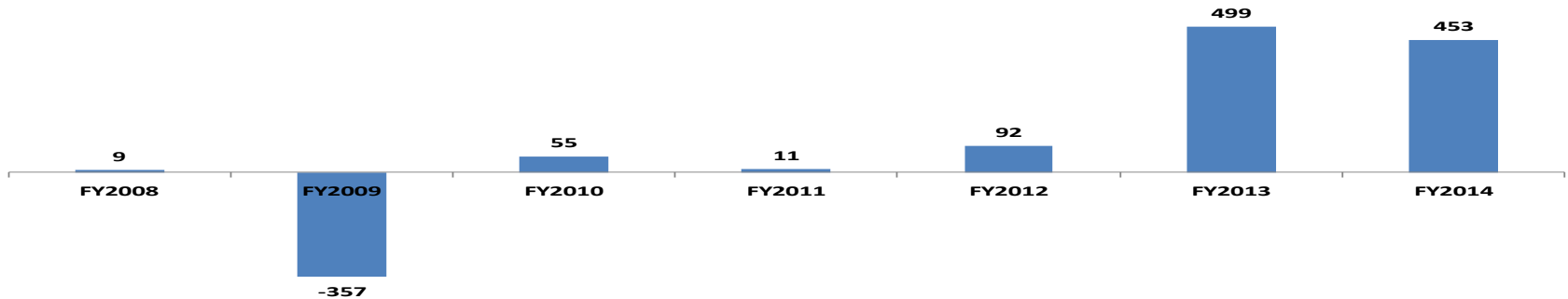
**Net Sales (Rs. in Mn.) & Growth %**



**EBITDA (Rs. in Mn.) & EBITDA %**



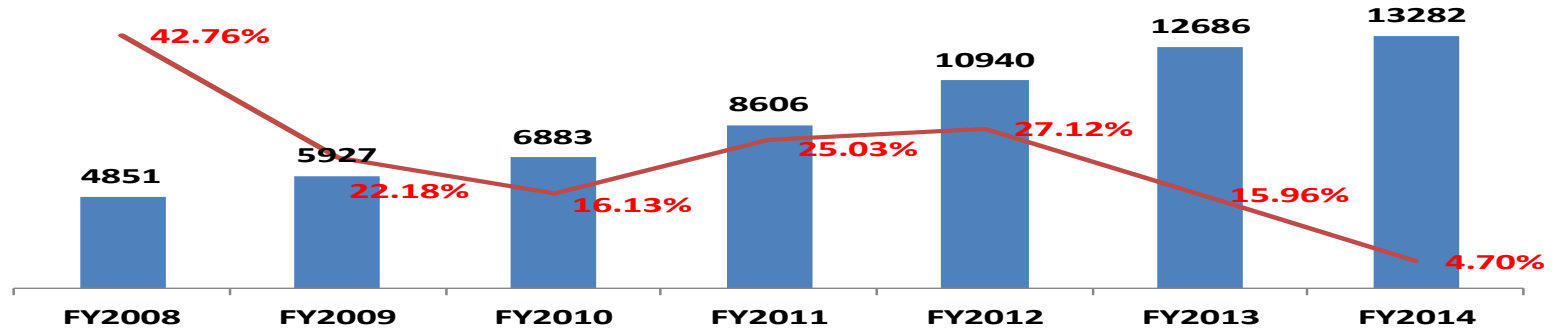
**PAT (Rs. in Mn.)**



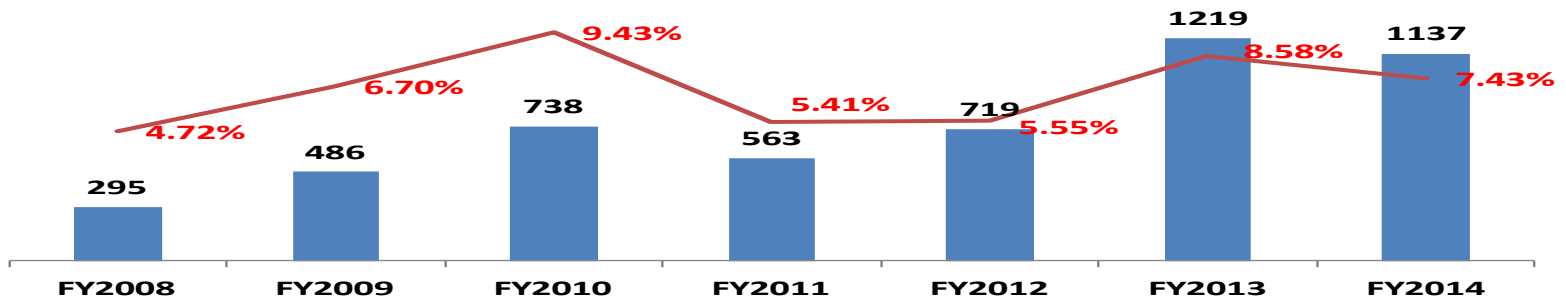
# Dairy Business Vertical



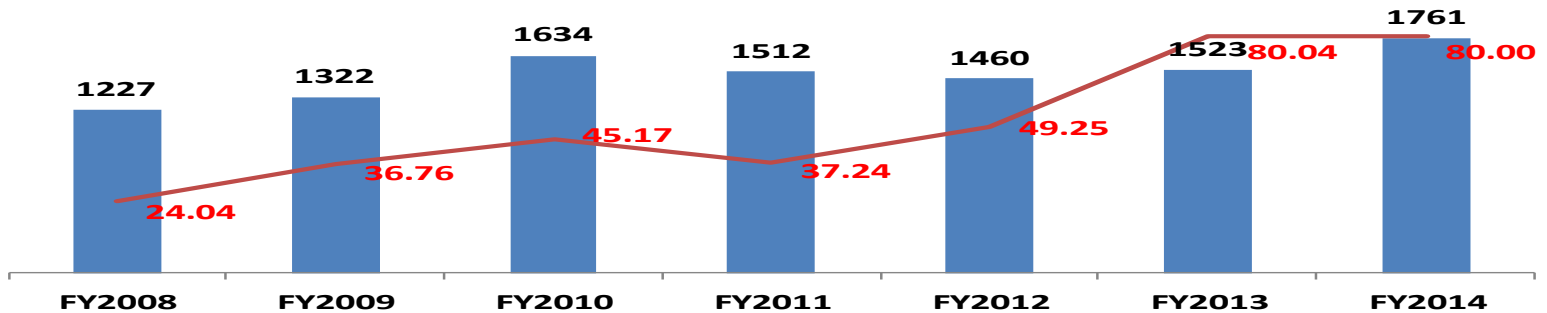
### Net Sales (Rs. in Mn.) & Growth %



### EBITDA (Rs. in Mn.) & EBITDA %



### Capital Employed (Rs. in Mn.) & ROCE %



# Dairy : Liquid Milk



- In 1997 - 20,000 liters per day was milk collection.
- In 2014 – 8,33,000 liters per day is milk collection.
- Average procurement cost is at Rs. 27.42 per liter
- Average selling price is at Rs. 32.31 per liter

Particulars	Liquid Milk Sales LPD
Andhra Pradesh	445,410
Tamil Nadu	182,415
Karnataka	108,909
Maharashtra	40,467
Delhi	10,150
Kerela	11,080
Odisha	6,497
Total	804,928

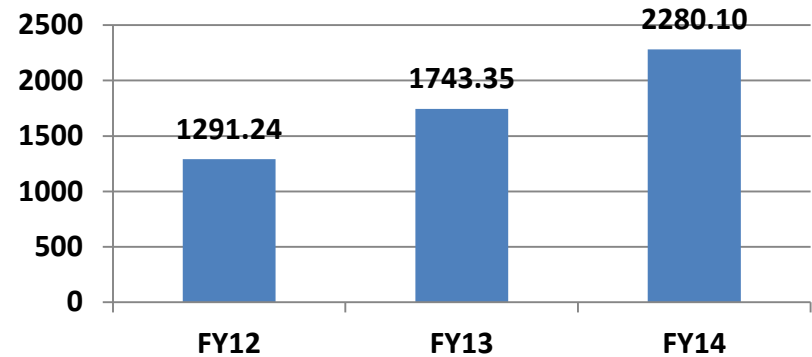


# Dairy : Branded Value Added Products

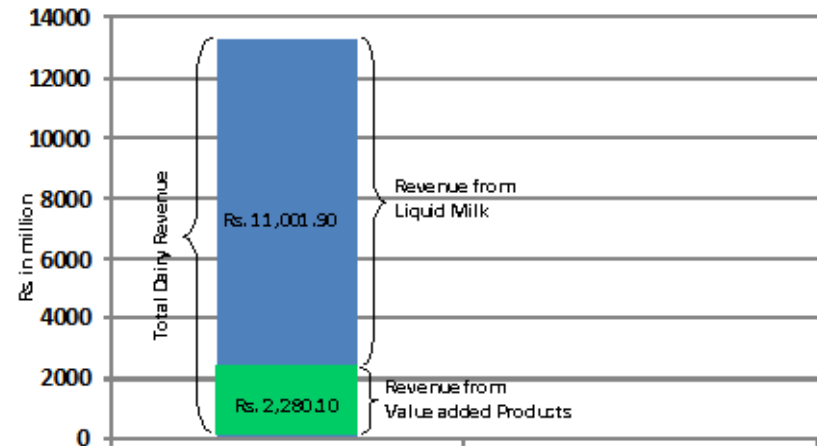


- Forayed into value added products in 2007
- Turnover for FY12-Rs. 1291.24 mn, FY13-Rs. 1743.35 mn, FY14-Rs. 2280.10 mn

Turnover (Rs. in Mn.)



- Products portfolio: Curd (around 60%), rest are in the following order: ice cream, Paneer, Flavored Milk, Sweets.
- Profit margin: Liquid milk 8%, Value added products 16%.
- The Contribution of value added products in the total dairy revenue: 17 % on Rs. 13282 mn which will be Rs. 2280.10 mn in 2013-14).



- The expected growth is the same going forward in the range of 25% to 30%.

## Production Plants :

1. Main Dairy Plant - Gokul  
Kasipentla Village  
Chittoor (Dt) AP-517112

2. Chittoor  
Sundarajapuram VII,  
E.R Palli Post, G.D Nellore Mandal,  
Chittoor Dt- 517125

3. B.Kotha Kota  
Beerangai Village, Sankarapuram (Post)  
B. Kotha Kota Mandal,  
Chittoor Dst-517370

4. Bhattiprolu  
Battiprolu Village & Mandal  
Guntur Dist, AP.- 522256

5. Kalluru  
Korlagudem (V), Kalluru (M),  
Khammam Dist., AP

6. Pamarru  
Yendagandi (Via), Pamarru  
East Godavari Dist, AP

7. Bayyavaram  
Bayyavaram (V), Kasimkota (M),  
Vishakhapatnam Dist, AP

8. Bobbili  
Mettavalasa (V), Bobbili (M),  
Vizianagaram Dist., AP

9. Narketpally  
Cherugattu Village,  
Narketpally, Nalgonda, AP.

10. Uppal  
C-10, Road No: 7, IDA Uppal,  
Hyderabad-500039.

11. Vadamadurai,  
Morepatti Village,  
Dindigul Dist, Tamilnadu-624802

12. Bangalore  
Yadavanhalli Village,  
Bangalore(South),  
Karnataka-562107

13. Sangvi  
Vijayanagar Sangvi,  
Satara District, Maharashtra

14. Rai  
Sonapat, Haryana





- Extending loan for the purchase of cattle through commercial banks;
- Facilitating cattle insurance;
- Conducting health camps for animals through mobile veterinary clinics at frequent intervals;
- Supply of subsidized high quality cattle feed and fodder seeds;
- Sourcing of good productive animals to farmers;
- Supply of milk analyzers at subsidized price.
- Conducting 18 months certificate course in dairying (Heritage Institute of Milk Sciences Certificate program) to the children's of farmers & milk representatives by providing stipend for the said course. And also educating milk producers on clean milk production, good housekeeping, care taking through audio visuals and on entrepreneur skill development.
- And ensuring punctual payment to farmers.

# Parlours As Brand Outlets



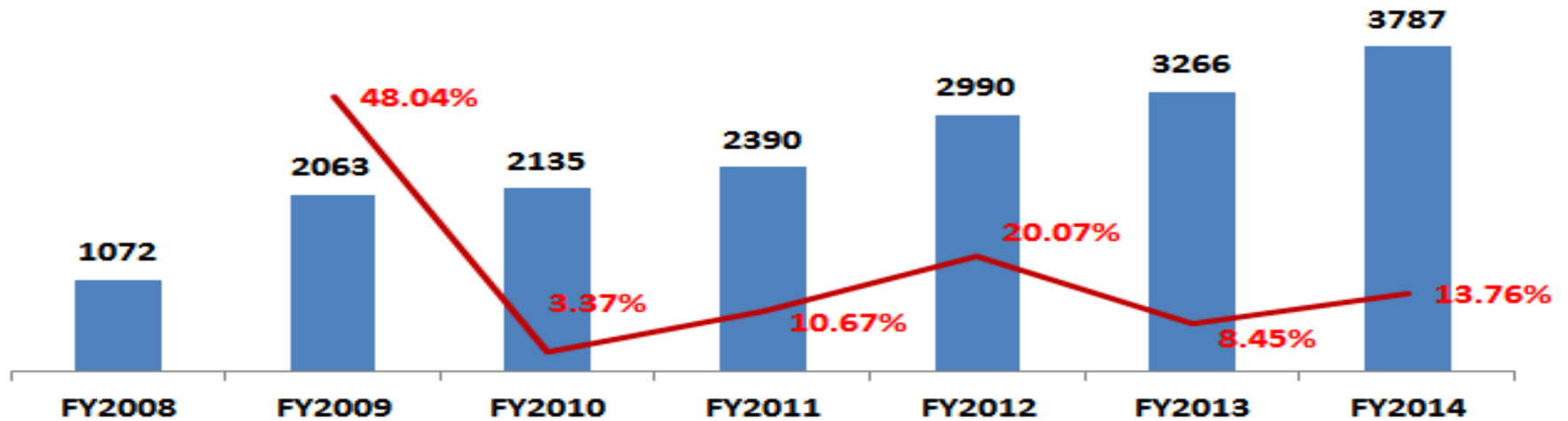
- Heritage Parlor is a Modern “Kirana” incubated and pioneered by Heritage
- Currently there are 1222 parlors with an average shop area of 100 sqft
- Vision is to nurture entrepreneurship and to enhance inclusive growth opportunities-Owned and managed by franchisees
- Selling only Heritage range of products and authorized products/services
- Only organized chain of parlors to be selling non-dairy products also
- Milk & Milk Products, Ice Cream, Bread, Baked Products, FMCG Products, Staples, Fruits & Vegetables, Eggs, Public Telephone, and Mobile recharge coupons



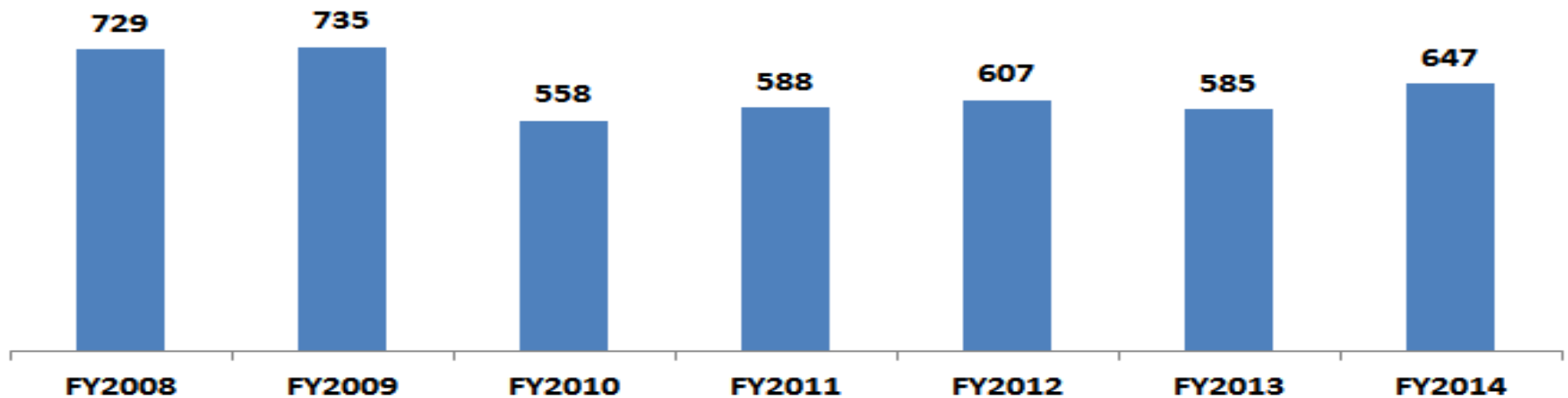


- Focus on own brand value added products
  - Curd
  - Butter milk
  - Frozen Dessert/Ice cream
- Consolidation in existing markets
- Expansion to new markets
  - o Maharashtra
  - o Delhi
  - o Bhubaneswar

## Net Sales (Rs. in Mn.) & Growth %



## Capital Employed (Rs. in Mn.)



# Retail : Highlights



- SSS (considering 74 comparable stores) stood at 14% in FY2014.
- Number of Branches have grown by 7% and Average Bill Value is increased by 7%
- 8% productivity growth in FY2014 on account of 0.44 lakhs increase total area.
- Store Gross margin decreased by 59 bps to 21.11% and overall gross margin decreased by 32 bps.
- Store fixed cost increased at Rs 6/sq ft to Rs 179 in FY2014.
- Store level EBIDTA increased by 5.80% to Rs 220 mn from Rs 180 mn largely due to sale and margin improvement.
- Regional and Corporate overheads decreased by Rs 10/sq ft.
- Three stores were closed during the year and Nine new stores of larger size were opened last year .



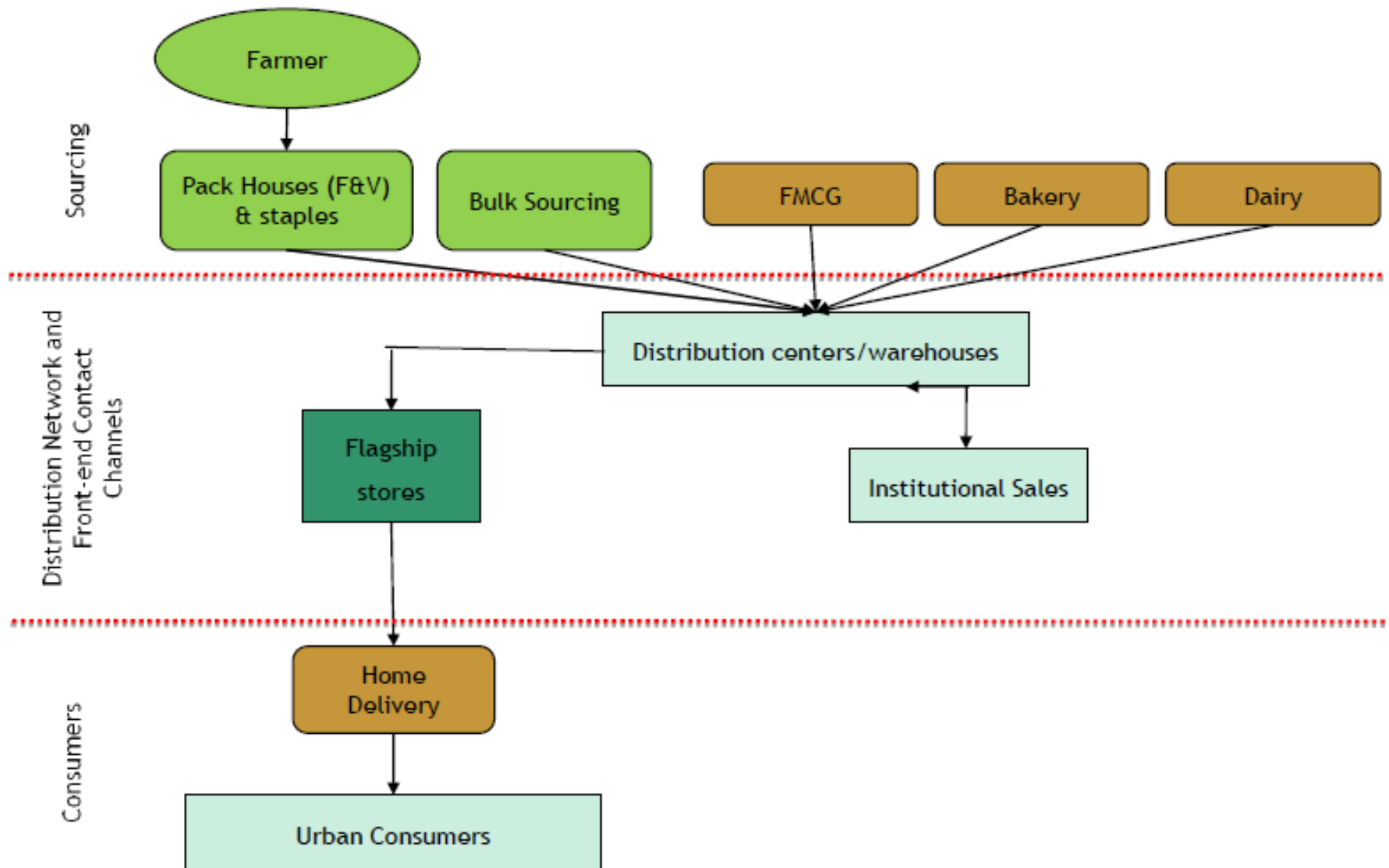
# Retail : Operational & Financial Metrics



Particulars	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014
No of stores	15	70	75	75	75	73	67	74
Total carpet area ('000 sq ft)	43	149	159	158	166	217	212	256
effective carpet area ('000 sq ft)	8	90	158	158	160	200	205	223
<b>Avg stores sales (Rs/sq ft/month)</b>	<b>731</b>	<b>943</b>	<b>974</b>	<b>968</b>	<b>1113</b>	<b>1040</b>	<b>1101</b>	<b>1195</b>
YOY %		29%	3%	-1%	15%	-6.50%	6.00%	8.00%
Heritage Fresh Stores	67	1012	1849	1836	2145	2503	2708	3198
Instituional, General Trade & Others		59	215	155	146	329	350	320
Other Operating Income		17	30	77	129	172	222	269
<b>Total Revenue</b>	<b>67</b>	<b>1089</b>	<b>2093</b>	<b>2068</b>	<b>2420</b>	<b>3004</b>	<b>3280</b>	<b>3787</b>
Growth (%)		1527%	92%	-1%	15%	24%	9%	15%
<b>Total Gross Profit</b>		<b>185</b>	<b>286</b>	<b>330</b>	<b>462</b>	<b>585</b>	<b>650</b>	<b>739</b>
Gross Margin (%)		17.00%	13.60%	15.90%	19.10%	19.50%	19.90%	19.50%
Gross Margin Heritage Fresh (%)					19.25 %	20.5%	21.72%	21.11%
<b>EBITDA at store level (Rs mn)</b>		<b>-77</b>	<b>-97</b>	<b>-24</b>	<b>90</b>	<b>118</b>	<b>180</b>	<b>220</b>
EBITDA margin (%)					3.10%	3.93%	5.48%	5.80%
Regional & Corporate Overheads		369	371	251	261	287	353	358
<b>EBITDA (Rs mn)</b>		<b>-445</b>	<b>-468</b>	<b>-275</b>	<b>-171</b>	<b>-169</b>	<b>-173</b>	<b>-138</b>



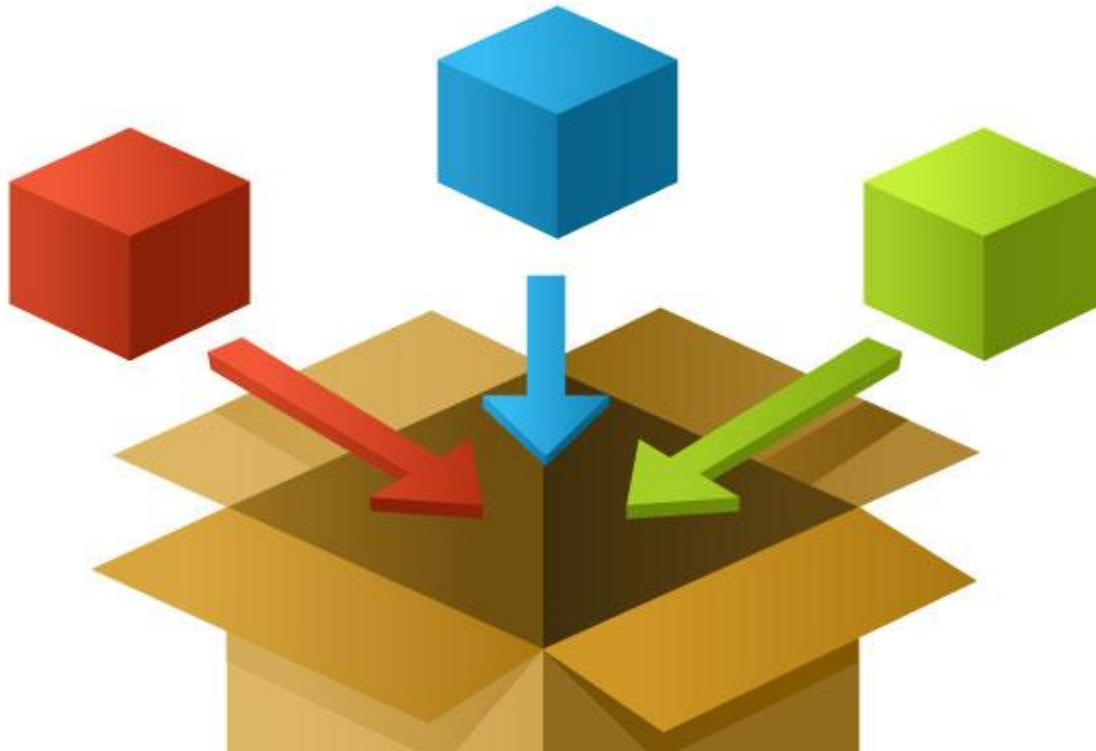
# Retail : Business Integration



# Retail : Consolidation

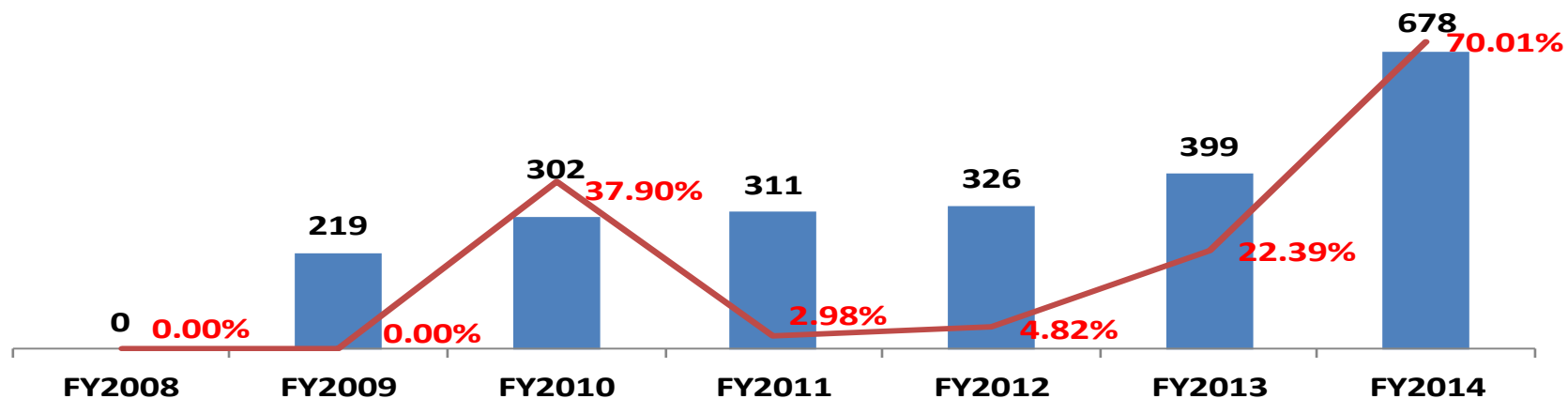


- o 74 stores in Hyderabad, Chennai, and Bangalore
- o Total square feet size 2.50 lakh
- o Expected to breakeven at 4 lakh square feet size
- o To earn profits from FY16 onwards

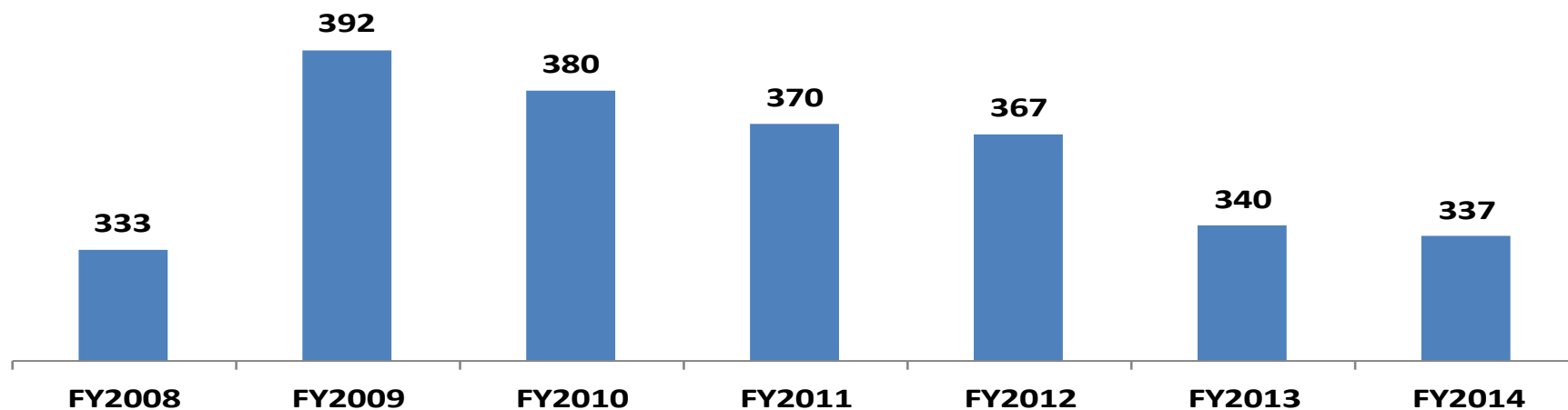




## Net Sales (Rs. in Mn.) & Growth %



## Capital Employed (Rs. in Mn.)



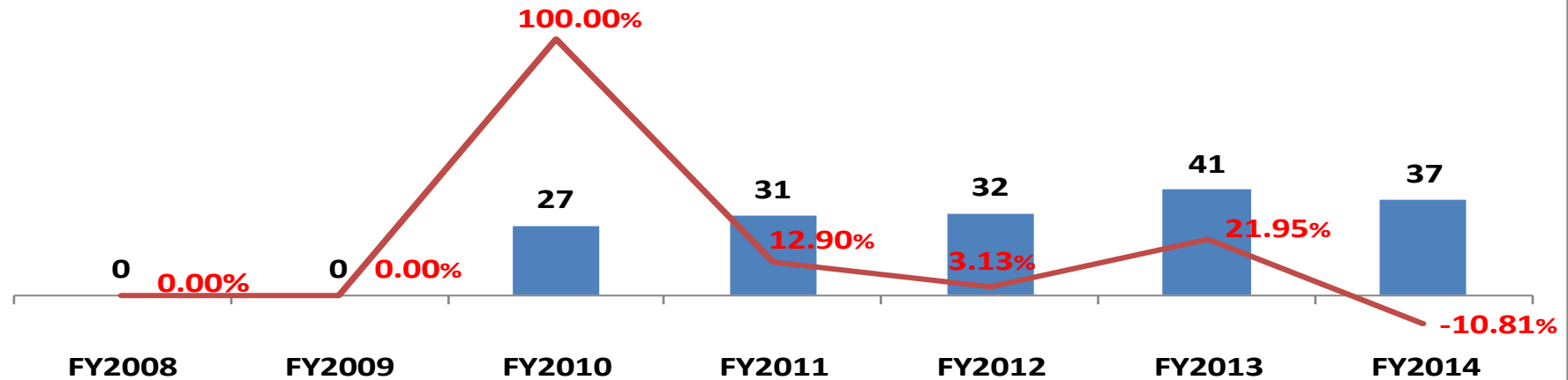
## Agri : Highlights

- Pioneers in — “Custom Farming” in retail industry. Working closely with farmers and providing assistance regarding
  - Good Agricultural Practices
  - Annual crop calendar
  - Integrated Pest management
  - Credit linkage
  - Input supply
  - Pre/post harvest management
- Farmers reduce handling losses by 5% and improve productivity per unit area by 8%
- 50% supplies to Heritage Fresh i.e 20 MT/day
- Commercial sales of 20 MT /day
- Vet Ca sales turnover Rs 316.81 mn
- FY2014 revenue of Rs. 678.33 mn





## Net Sales (Rs. in Mn.) & Growth %



## Capital Employed (Rs. in Mn.)



# Bakery : Highlights



- State-of-the-art bakery production facility
- Provides backend production services for Heritage Fresh and Private Label
- Manufactures a range of breads, puffs, pastries, puddings and custards
- European equipment - spiral mixers, digitally controlled laminated dough lines, breadlines, blast freezers, and other infrastructure.
- Delivers the highest standards of hygiene and food safety
- FY2014 revenue of Rs. 36.62 mn



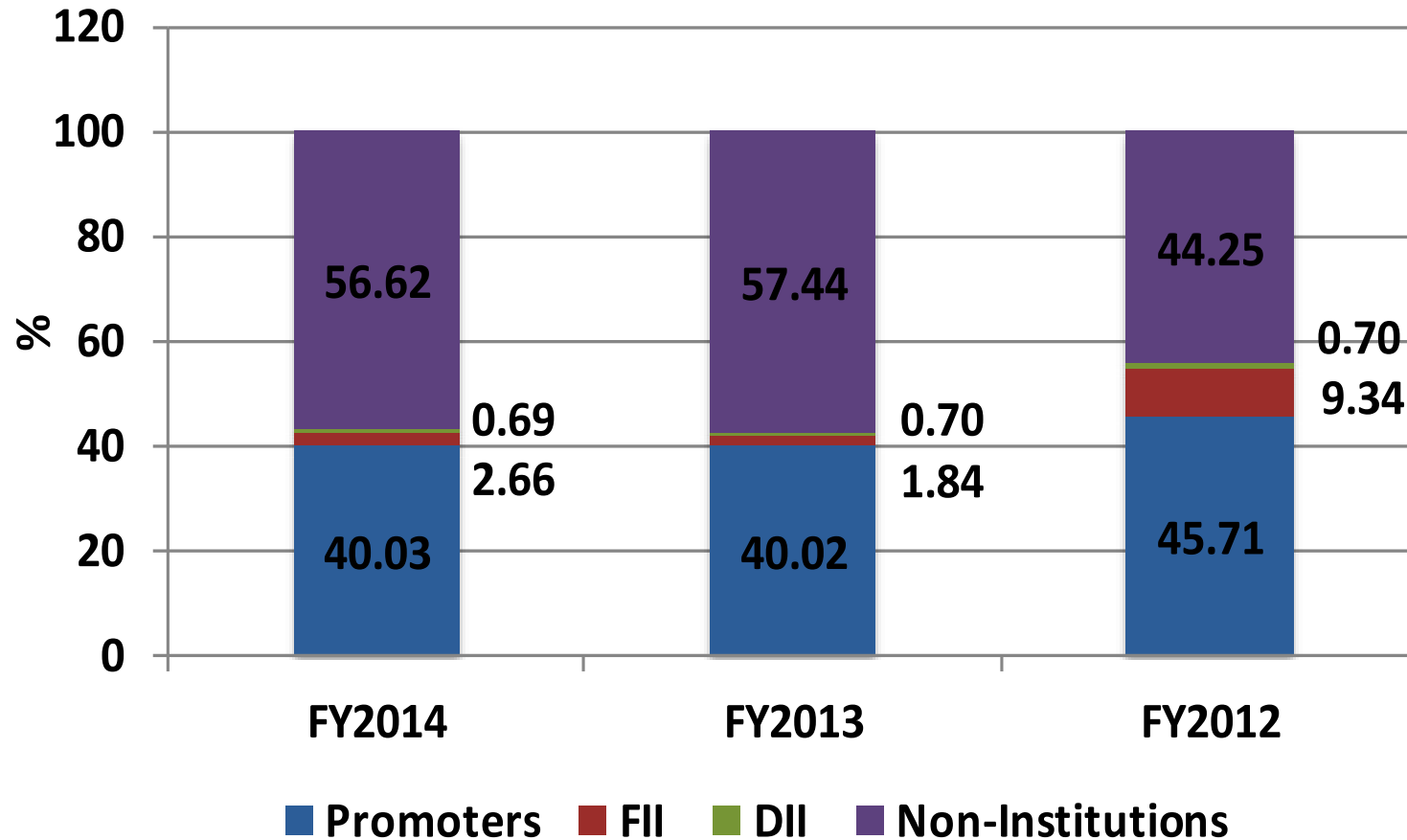
- Heritage Foods Ltd has in association with Mahindra EPC Services Private Limited has commissioned a 2.34 MWP Solar Power Project at IPH, Masjid Adavi Village, Mulugu Mandal, in Medak district near Hyderabad on September 29, 2013, under REC mechanism and to meet for the captive energy requirement.
- Turnover in FY 2014 was Rs. 7.73 mn.
- Capital Employed for Renewable Energy division Rs. 167.50 mn.



# Comparative Shareholding Pattern



Shareholding pattern as on March, 2014; March, 2013 & March, 2012







<b>Division</b>	<b>Regular Jobs</b>
Dairy	1908
Retail	1820
Agri	91
Bakery	39
<b>Total</b>	<b>3858</b>

*Thank you*

