

Heritage Foods Looks to Milk Ecomm Boom

Company is looking to push for turnaround of retail biz, which has been a drag on profits.

-CR Sukumar, Feb 22 2016

Heritage Foods, the homegrown dairy brand founded by Andhra Pradesh Chief Minister N Chandrababu Naidu, is firming up plans for an aggressive ecommerce foray to accelerate turnaround of its retail business, which has been a drag on profitability.

Eyeing to record positive EBITDA next fiscal with the help of various overhaul measures, the Hyderabad-based firm will look at hiving off the retail business into a separate company to rope in financial or strategic investors, said Executive Director Nara Brahmani, the Stanford educated daughter-in-law of Naidu.

“We will be EBITDA positive by next fiscal and we are proud to say that we will be India's first full grocery retailer to do so,” she told ET in an exclusive interaction. The company, which posted ₹2,073 crore of revenue last fiscal, had reported 30.7% growth in retail business sales at ₹495 crore with store level EBITDA reporting nearly 61% growth at ₹35.4 crore. Based on business revamping advises of consultancy giant KPMG, the retailer has, over the past few years, focussed on relocation, resizing and renegotiating the retail stores to reach growth phase with over 20% annual growth.

Heritage Foods, which has been repeatedly bagging prestigious retail sector awards for improved parameters such as sales productivity, sales per sq ft and average bill value among others, has seen 22% increase in store space and 19% increase in retail business.

The retailer has been focussing on increasing aisle spaces, adding checkout counters and improving assortment at its retail stores.

“We are working on ecommerce initiative, which we feel would work as a fantastic complement to the existing

business, improving convenience for our customers,” said Brahmani, adding that the company was testing technology over the past few months to launch the pilot at the Banjara Hills branch in Hyderabad. Heritage Foods plans to roll out the ecommerce initiative across all its retail stores spread over major cities by the end of the next fiscal year.

“Our idea is to scale it up to the extent that the final consumer gets benefit out of it. Prima facie, we are looking at 10% of revenues from ecommerce and it can be more than that,” Brahmani said.

“We are now looking at adding at least 1 lakh sq ft of retail space every year for the next three years, doubling the overall

retail space to over 6 lakh sq ft from around 3.6 lakh sq ft now,” she said.

Turning EBITDA positive is the right time to look at roping in strategic partner or financial partner for the growth of the retail business, she said.

“Our idea is to hive off the retail business once we are profitable at EBITDA and the business can be self sustaining. It could happen in FY17.”

With interests in retail, dairy, bakery, agriculture and energy, the firm has drawn up strategies with the help of KPMG to emerge as a \$1 billion (₹6,872 crore) company by 2020.

While nearly 75% of the current business comes from dairy vertical, around 23% is contributed by retail and agriculture and bakery divisions account for around 2% of revenues.

“The proportion of contribution of various business verticals will remain more or less the same over the next few years and nearly 50% of the business comes from our own sourcing, whether dairy or retail,” said Brahmani.



NARA BRAHMANI
Executive Director, Heritage Foods

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