



# The Waterbase Limited



**Corporate Presentation - February, 2017**

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## Safe Harbour Statement:

Certain statements in this presentation concerning our future plans and strategies growth prospects, etc. are forward looking statements, which involve a number of risks and uncertainties that could cause actual results to differ materially from those indicated in such forward-looking statements. The risks and uncertainties relating to these statements include, but are not limited to, fluctuations in earnings, our ability to manage growth, competitive intensity in our industry of operations including those factors which may affect our cost advantage, wage increases, our ability to attract and retain highly skilled professionals, sufficient availability of raw materials, our ability to successfully complete and integrate potential acquisitions, liability for damages on our contracts to supply products, the success of the companies in which TWL has made strategic investments, withdrawal of governmental fiscal incentives, political instability, legal restrictions on raising capital or acquiring companies outside India, and unauthorized use of our intellectual property and general economic conditions affecting our industry. TWL may, from time to time, make additional written and oral forward-looking statements, including those in our reports to shareholders. The Company does not undertake to update any forward-looking statement that may be made from time to time by or on behalf of the company



## Company Overview



# TWL – At a Glance



20+

Yrs. In  
the Industry

1,10,000 MT

Feed Capacity post  
Amalgamation of PFL

360 TONS

Shrimp Exports in FY17  
(YTD)

262

Employees

32.6%

Revenue  
CAGR  
FY12>16

~5,000 CR

Estimated size of  
Domestic Shrimp feed Industry

319 CR

Revenues  
in  
FY16

0.2

Debt – Equity  
As of  
Dec 2016

135

#Dealers  
Pan India Presence

7%

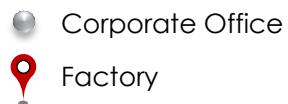
Mkt. share  
(Domestic)



# Locations



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## Registered office and factory

- Ananthapuram Village, T.P. Gudur Mandal, Nellore – 524 344, Andhra Pradesh.

## Corporate Office

- No. 37, Thapar House, Montieth Road, Egmore,
- Chennai – 600 008

## Group Corporate Office

- Delhi
- Kolkata

# Key Strengths



## Strong Brands



- Several popular brands which are favoured by shrimp farmers
- Enjoy high recall and are seen to be synonymous with quality and value

## Rich Legacy



- Over two decades of expertise in the business-strong connect with suppliers and farmers
- Backed by the KCT Group – has inculcated ethical business practices with long-term vision in mind

## Technical Expertise



- TWL enjoys unparalleled technical expertise in the industry as the Pioneer
- Staffed by well-qualified personnel with rich industry experience
- Products, processes, practices are viewed as gold standard by industry

## Quality Control



- Robust manufacturing processes and step by step quality control system
- Processing facilities are FDA and BAP approved, EU listed and HACCP certified
- Global best practices implemented

## R&D Focused



- Working with renowned research institutions in India and abroad for the benefit of industry
- R&D initiatives have been meaningfully converted into new products
- Have driven improvements in feed manufacturing, farm practices, waste management, shrimp processing

## Financial Position



- Comfortable debt levels with a debt equity ratio of 0.2 and Net Debt / EBITDA of ~0.4x
- Demonstrated financial discipline through good and bad years for industry

# Product Portfolio

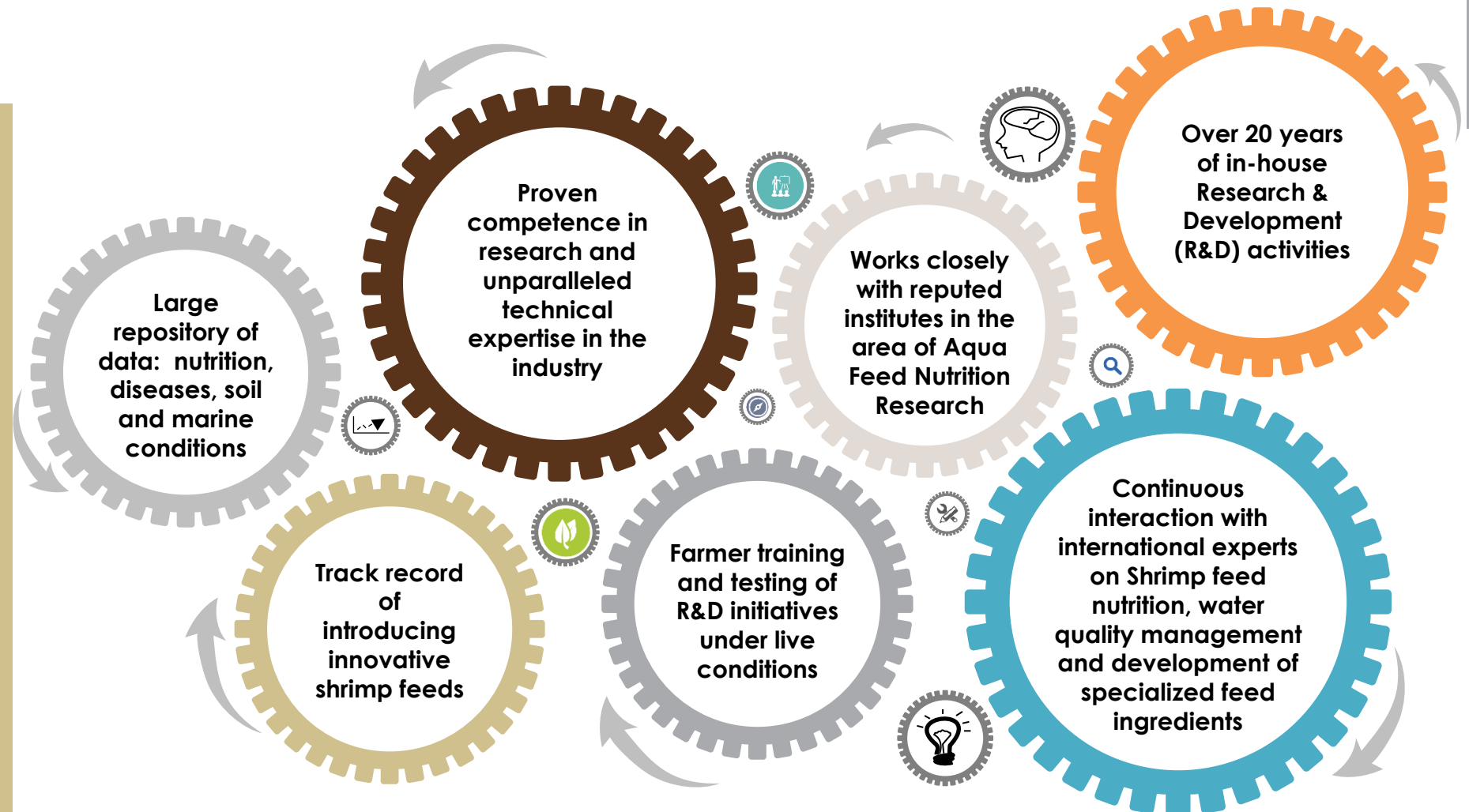


## Shrimp Feed



## Processed Shrimp







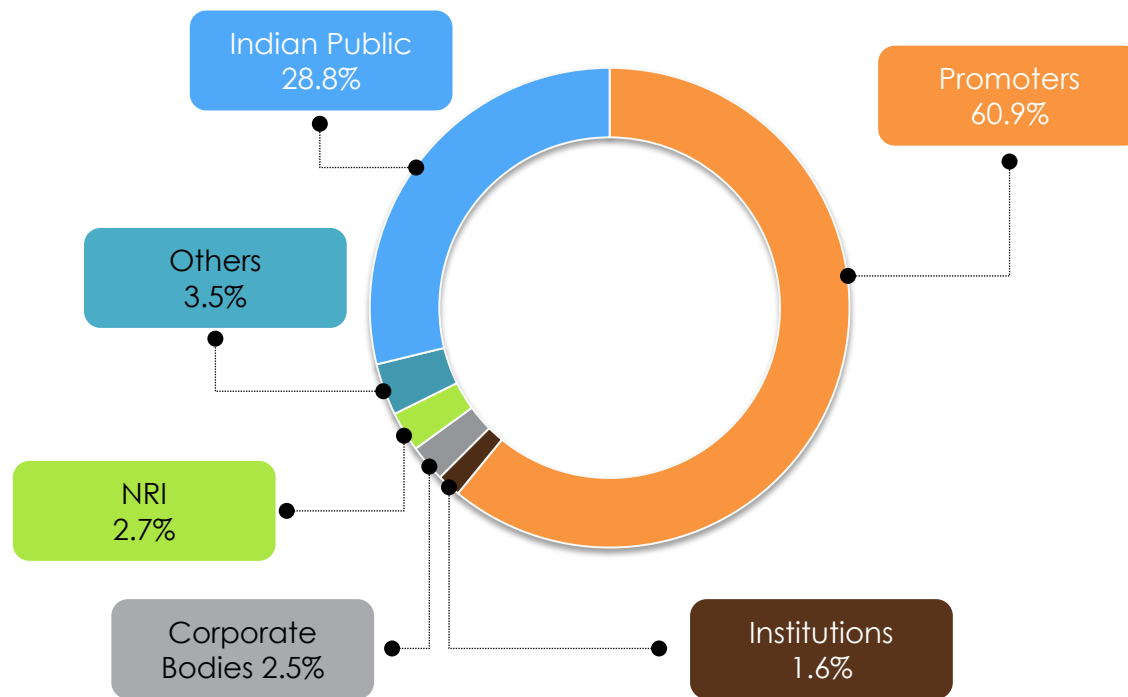
# Awards & Accolades



- Bagged **“2016 India Shrimp Feed Industry New Product Innovation Leadership Award”** by Frost & Sullivan a leading global strategy consulting company
- Frost & Sullivan's, 2016 New Product Innovation Leadership Awards identified companies that demonstrated measured excellence in new, innovative products or product lines within their industry
- The award was judged on the basis of several parameters, which involved in-depth primary interviews with various industry participants and secondary research conducted by Frost & Sullivan analysts



# Shareholding Pattern



*Data as on 31<sup>st</sup> December 2016*



## Growth Strategy



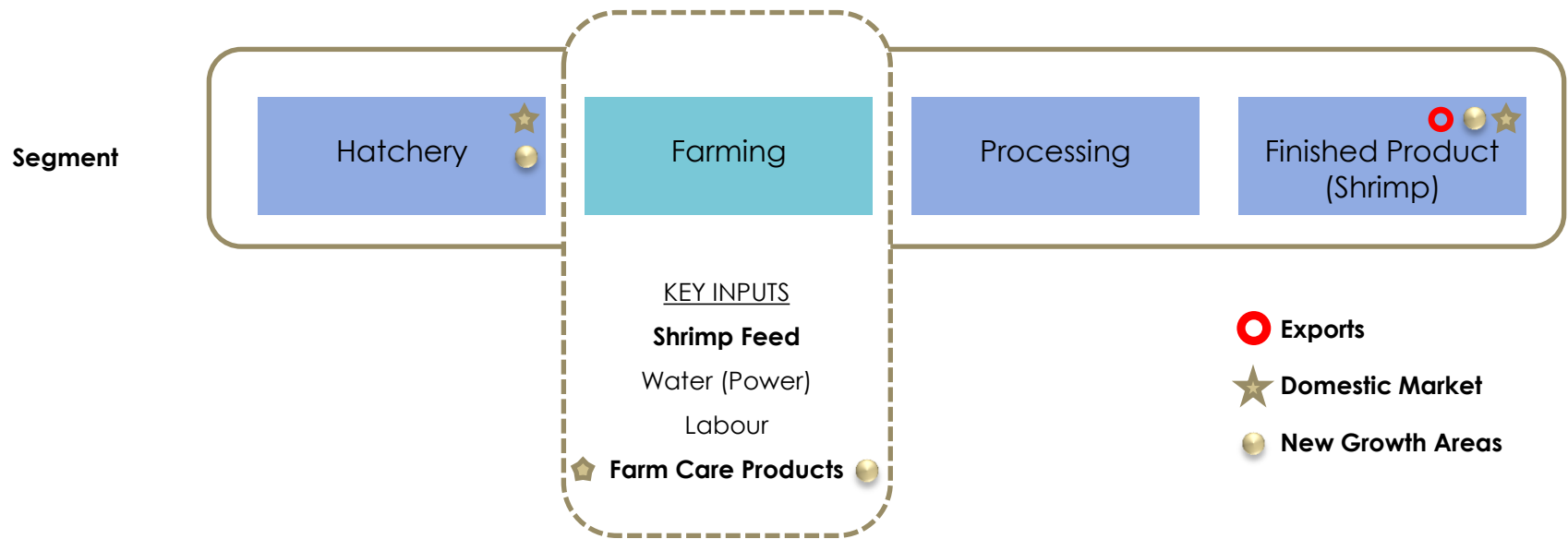


- Installed capacity at 35,000 MTPA. Post merger of PFL, combined capacity of 1,10,000 MTPA will be higher by ~300%
- Plan to increase market share and grow volumes by leveraging on strength of highly skilled technical manpower, brand salience, wider product portfolio, improved distribution network and value-added services
- Capacity constraints are no longer a hindrance – will enter new geographies and aggressively pursue customer categories to increase offtake
- Increase in scale expected to be margin accretive – incremental revenues to enhance return ratios

- Widening distribution infrastructure to enhance pan-India presence – have entered West Bengal and Gujarat and set to enter Odisha
- Simultaneously scaling up presence and reach in current strongholds of Tamil Nadu & Andhra Pradesh
- Deepening distribution network by adding new depots, better stocking at distributor level, addition of SKUs and enhanced after-sales service. Dealership network has increased by 35% in FY16 to 135+ dealers. Further channel expansion is in progress in the current financial year
- Also working on identifying and developing new markets for shrimp farming

- Entering more verticals within the value chain – set to emerge as an integrated player from farm to fork
- Have commenced setting up of hatcheries to supply good quality seeds for shrimp farming - location and design finalised; expected to be commissioned in end Q1 FY18
- Restarted direct exports - despatched 300 tonnes of shrimp in FY17 YTD to customers in Europe & USA
- TWL is all set to launch a range of farm care products under the brand name "Baylife" which will enhance sustainable agricultural practices in the industry in India
- Diversified revenue streams, wider market presence, new products and integrated model will elevate business profile

# Vertical & Horizontal Integration



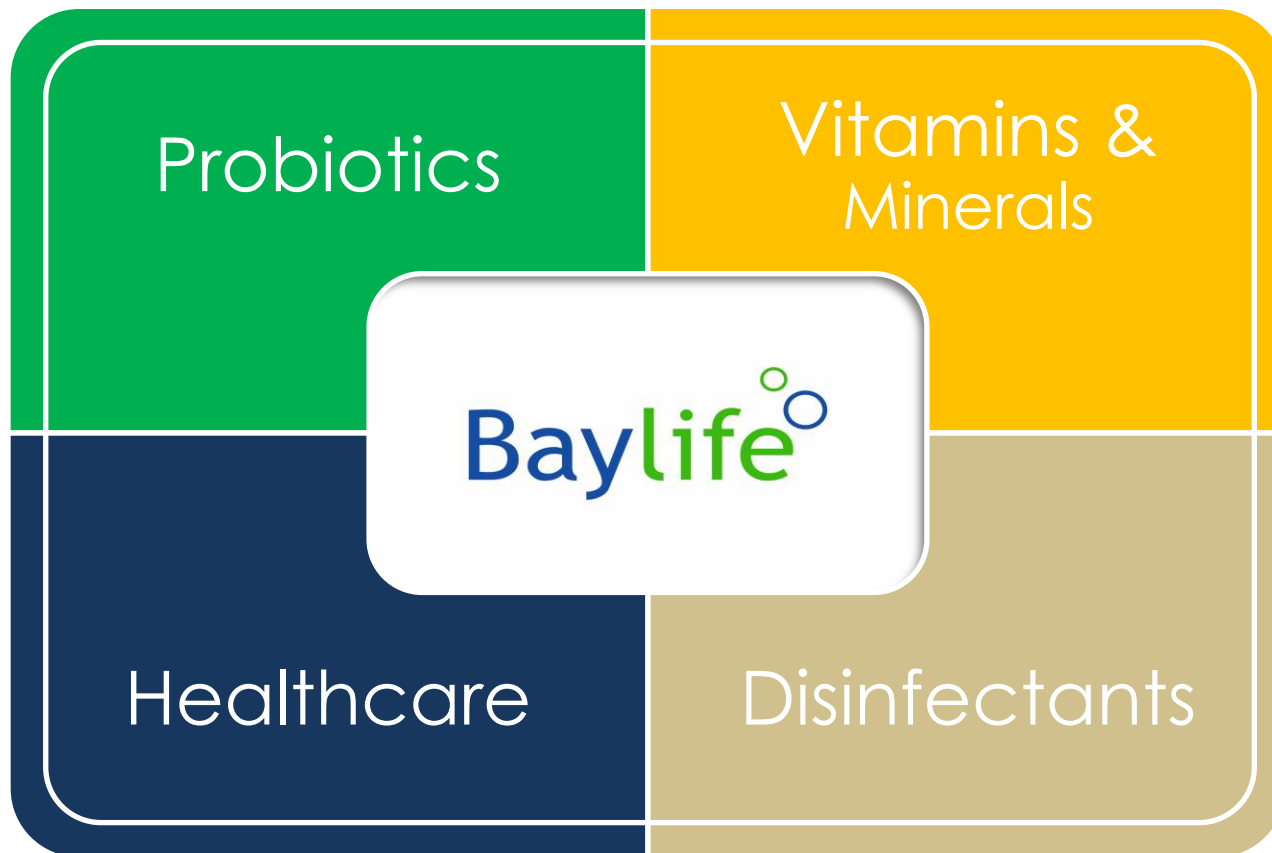
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Current Size of Industry	500 (No. of hatcheries in India)	125,000 Ha under Farming	400+ Processing Plants for shrimp	3,73,866 MT <sup>1</sup>
Industry Requirement / Potential	40 Billion of Post Larvae (PL)	Requires 8,00,000 MT of Shrimp Feed	1,00,000 MT (Current Capacity)	4,00,000 MT
<b>TWL Capacity</b>	<b>1 Hatchery<sup>2</sup> / 500 Mn PL</b>	<b>1,10,000 MT<sup>3</sup></b>	<b>4,000 MT</b>	<b>360 MT<sup>4</sup></b>

1. Volume of Shrimp Exports from India in FY2015-16. Source – [www.mpeda.in](http://www.mpeda.in)
2. First Hatchery is under construction and expected to be completed in Q4FY17
3. Capacity of TWL post amalgamation of Pinnae Feeds Ltd.
4. YTD Exports by TWL



# New Initiatives – Farm Care Products



# New Initiatives – Farm Care Products



Category		Name	Function
1	Probiotics	VC-9	Farm Probiotic for Vibrio control
2	Probiotics	NutriPond	Promotes growth of good bacteria
3	Probiotics	NutriFeast	Builds Immunity
4	Healthcare	NutriGut	Protects Gut
5	Ammonia Binder	NutriSorb	Absorbs Ammonia

- **Phase I** – Soft launch in Chennai in Dec 2016 with the brand '**Prize Catch**'
  - Launched Raw Shrimps and Pasteurised Crab meat
- **Phase II** – Plan to scale up launch in other Southern markets
  - Plan to add other products to widen product range
- Aiming for differentiated offering with a focus on quality and freshness – Initially will focus on institutional (HORECA) sales

Prize Catch  
Prize Catch  
Prize Catch  
Prize Catch

# Enhancing Brand Awareness



## Shop Signage



## Instore





# Marketing & Distribution Initiatives



## Dealer Meets



## Farmer Meets







## Scheme of Amalgamation - Transaction Highlights



# Transaction Details



## Current Status

Following the regulations notified by the Ministry of Corporate Affairs, all pending proceedings with the High Courts have been transferred to the benches of the National Company Law Tribunal, as a result, the proceedings for the amalgamation of Pinnae Feeds Ltd. have now been transferred to NCLT and the Company is now hopeful of rapid progress in the matter.

## Transaction Highlights

- **Swap Ratio:** 4:17; TWL to issue 4 fully paid up equity share for every 17 equity shares held by shareholders in PFL
- **Appointed Date of Scheme:** 1st August 2015
- **Completion Date (exp):** Q4 FY17
- **Basis of Valuation:** Net Assets Valuation (NAV) method and Discounted Cash Flow (DCF) methods used to arrive at fair value of assets
- **Weightage of 1:4 for NAV:** DCF - incorporates the value in the books as well as the potential return that can be generated from these assets
- Illiquidity discount applied to PFL and valuation of PFL takes into consideration the various qualitative factors relevant to each company and the business dynamics and growth potentials of the business

## Advisors

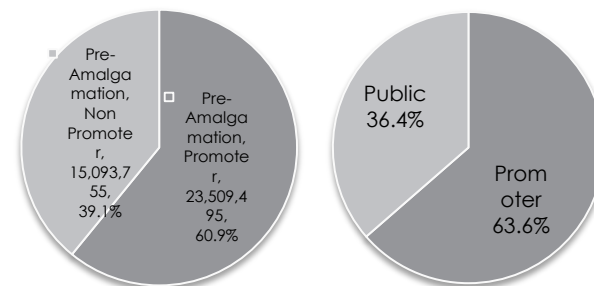
- **Scheme Consultant:** KPMG
- **Fairness Opinion:** Saffron Capital Advisors Pvt Ltd.- Category I Merchant Bankers
- **Valuation Report:** SSPA & Co., Chartered Accountants

## Benefits to Minority Shareholder

- Tripling of capacity without cash outgo / additional investment
- TWL was operating at full capacity – can now pursue opportunities for growth
- Value accretive for all shareholders - minority to witness limited dilution relative to capacity added

## Shareholders – Significant Value Creation

### Pre-Amalgamation Post-Amalgamation



~3.9 Crore Total No. of Shares ~4.1 Crore

Equity Capital Pre - Amalgamation	<div style="font-size: 2em; font-weight: bold;">3.86</div> <div style="font-size: 0.8em;">cr shares TWL</div>
	<div style="font-size: 2em; font-weight: bold;">1.12</div> <div style="font-size: 0.8em;">cr shares PFL</div>

Number of shares of TWL to be issued 28.2 lakh shares of Rs.10 each

TWL's equity Capital post amalgamation 4.14 cr shares

# Background - Pinnae Feeds Limited



- Pinnae Feeds Ltd., wholly owned subsidiary of Karam Chand Thapar & Bros (Coal Sales) Limited (which is the holding company of TWL); the flagship company of the KCT Group
- **Incorporated in:** July, 2012
- **Objective:** To meet capacity expansion plans for the Feed manufacturing business
- Expansion could not be undertaken within TWL due to restrictions placed by one of its bankers

## Location :

- Manufacturing unit located at Nellore, Andhra Pradesh
- ~70 Kms away from TWL's factory in Nellore

## Producer of shrimp feeds :

- Expansion undertaken in 2 phases; Phase I completed in FY15 capacity of 40,000 MTPA and Phase II which was completed in FY16 comprised the balance capacity of 35,000 MTPA
- Commenced commercial operation in H2FY15
- Post completion of Phase II - Capacity of 75,000 MTPA is now fully operational

## Financials :

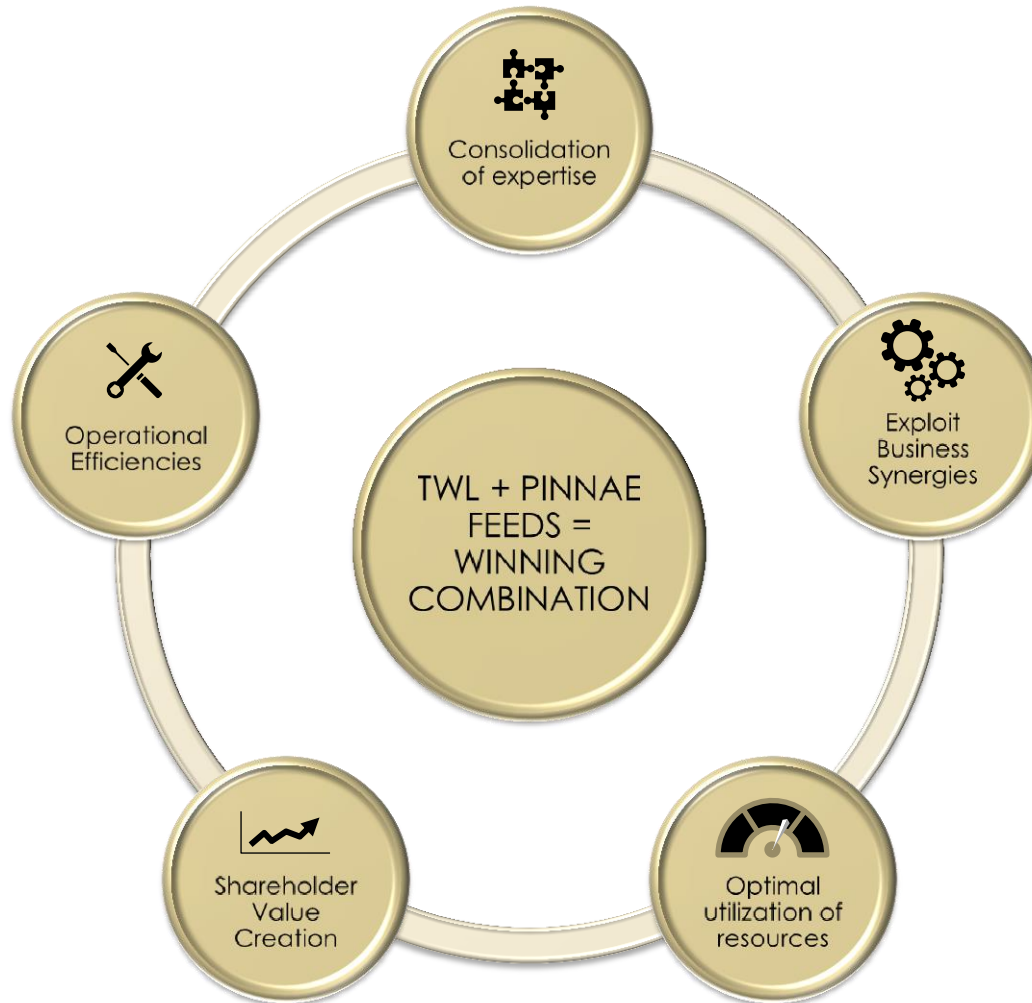
- Revenues of INR 120 crore in FY16 from supply of feed to TWL
- Gross Block - Rs. 46.58 crore
- As of March 31, 2016 - Debt: ~Rs. 42.69 crore (including term loans as well as working capital)



# Rationale for Amalgamation



***TWL's production capacity will increase from 35,000 MTPA to 1,10,000 MTPA***







## Industry Overview

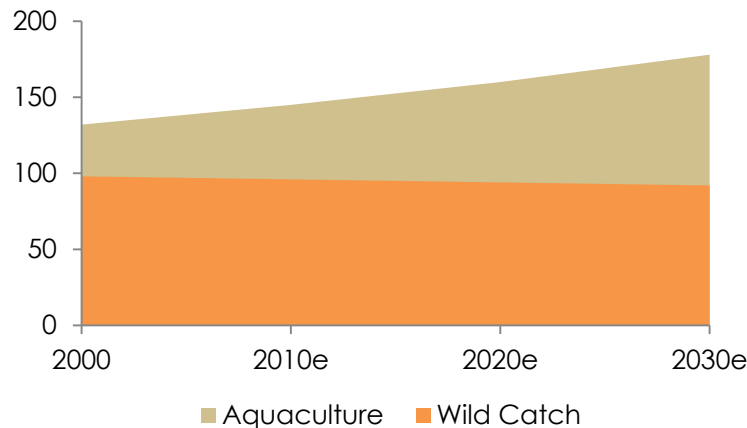




# Demand for seafood is rising globally



**Total seafood production  
in million tonnes**



Source: <http://www.fao.org/docrep/009/A0699e/A0699E09.htm>

- Seafood production is expected to increase from 130mn tonnes in 2,000 to ~170mn tonnes in 2030
- Within this, the share of wild catch is expected to remain stable and incremental volumes are expected largely from aquaculture (farmed production)
- Growth in aquaculture projected at 134% over 2000-2030 by the Food & Agriculture Organisation (FAO) of the United Nations

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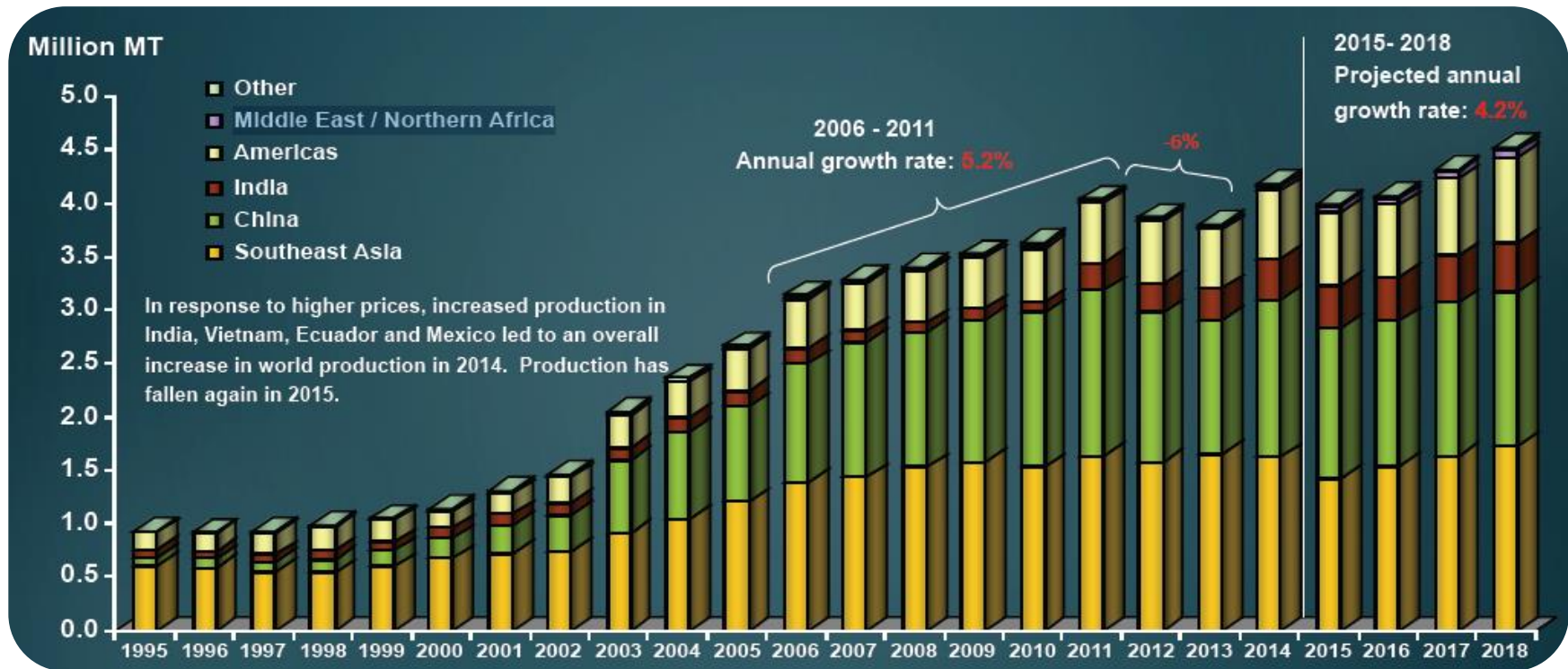
Shrimp is **the largest** single seafood commodity in value terms

Shrimp production **is growing at over 5% annually** and production volumes are estimated at **4.5 mn tonnes** annually

Sought after for **nutritional properties** and high quality of proteins

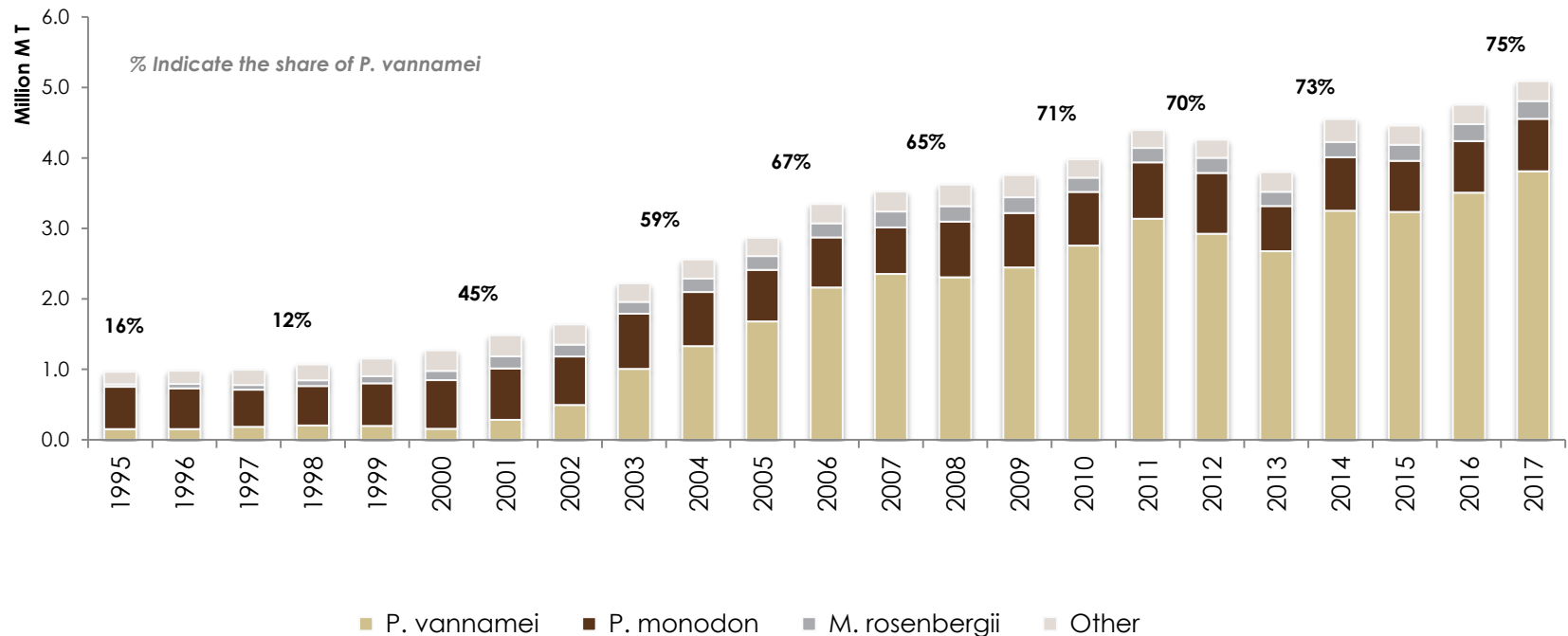
Farmed shrimp contributes **more than half** of total annual production ~55% since the mid – 2000s

# Shrimp Aquaculture Production by World Region



**Sources:** FAO (2016) for 1995-2011; FAO (2016) and GOAL (2014) for 2012-2014; GOAL (2016) for 2014-2018.

## World Shrimp Aquaculture by Species:



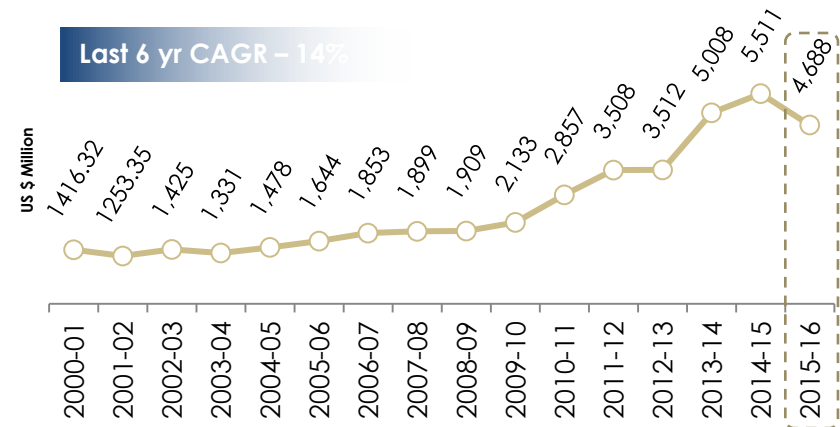
- Aquaculture volumes have grown 4.5x over the last 20 years to 4.5mn tonnes in 2016 from 1.0mn tonnes in 1995
- Share of *P. Vannamei* has increased to 75% in 2016 from <10% in 1995

# Robust Track Record of Industry Growth



- In FY16, Marine product exports from India were at USD \$4.7 billion.
  - MPEDA's stated target for the year 2016-17 is US \$5.6 billion
- USA remains the largest market for Indian seafood products with a share of 28.46% in terms of USD followed by South East Asia (24.59%), European Union (20.71%) & Japan (8.61%)
- Exports to USA had registered a growth of 16.94% in quantity and 13.39% in USD realization and are mainly attributed to the export of Frozen Shrimp
- Shrimp remained most valuable consignment of marine exports with a share of 66% of total exports in value terms

**Export Performance Since 2002-03 (US \$ Million)**



Export Details	2014-15	2015-16	Growth (%)
Quantity Tonnes	10,51,243	9,45,892	(10.2)
Value Rs. crore	33,441.61	30,420.83	(9.03)
Value US \$ Billion	5.5	4.7	(14.55)

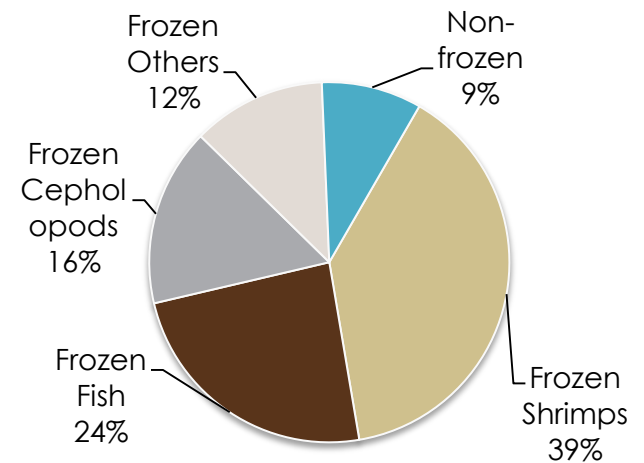
**Source:** www.mpeda.com

# Driven by strong growth in Shrimp Exports

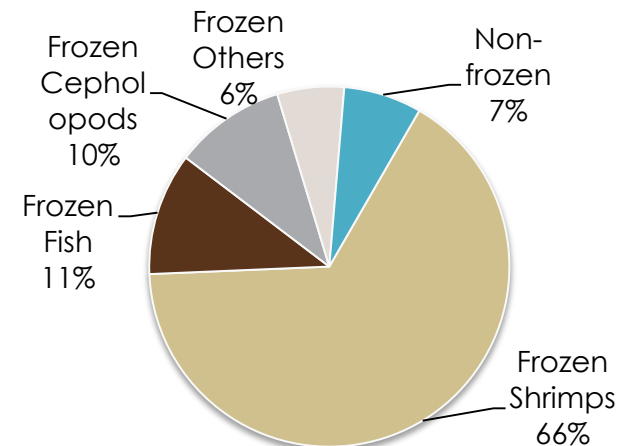


- Shrimp exports continue to report tremendous growth with a CAGR of ~18% in volume terms and 27% in value terms in the last 3 years
- Frozen shrimp continued to be the largest item in the export basket in terms of quantity and registered growth of 4.6% y-on-y in FY2015-16 – lone bright spot despite a fall in overall marine exports
- The overall export of shrimp during 2015-16 stood at 3,73,866 MT valued at Rs, 20,046 crore (\$3.1 billion)
- The export of Vannamei stood at 2,56,699 MT recording a growth of ~16% in volumes on a y-on-y basis
- Due to the declining levels of wild shrimp and preference for vannamei, as indicated in charged mix in exports, the focus is increasing on farmed products

## Volume Contribution

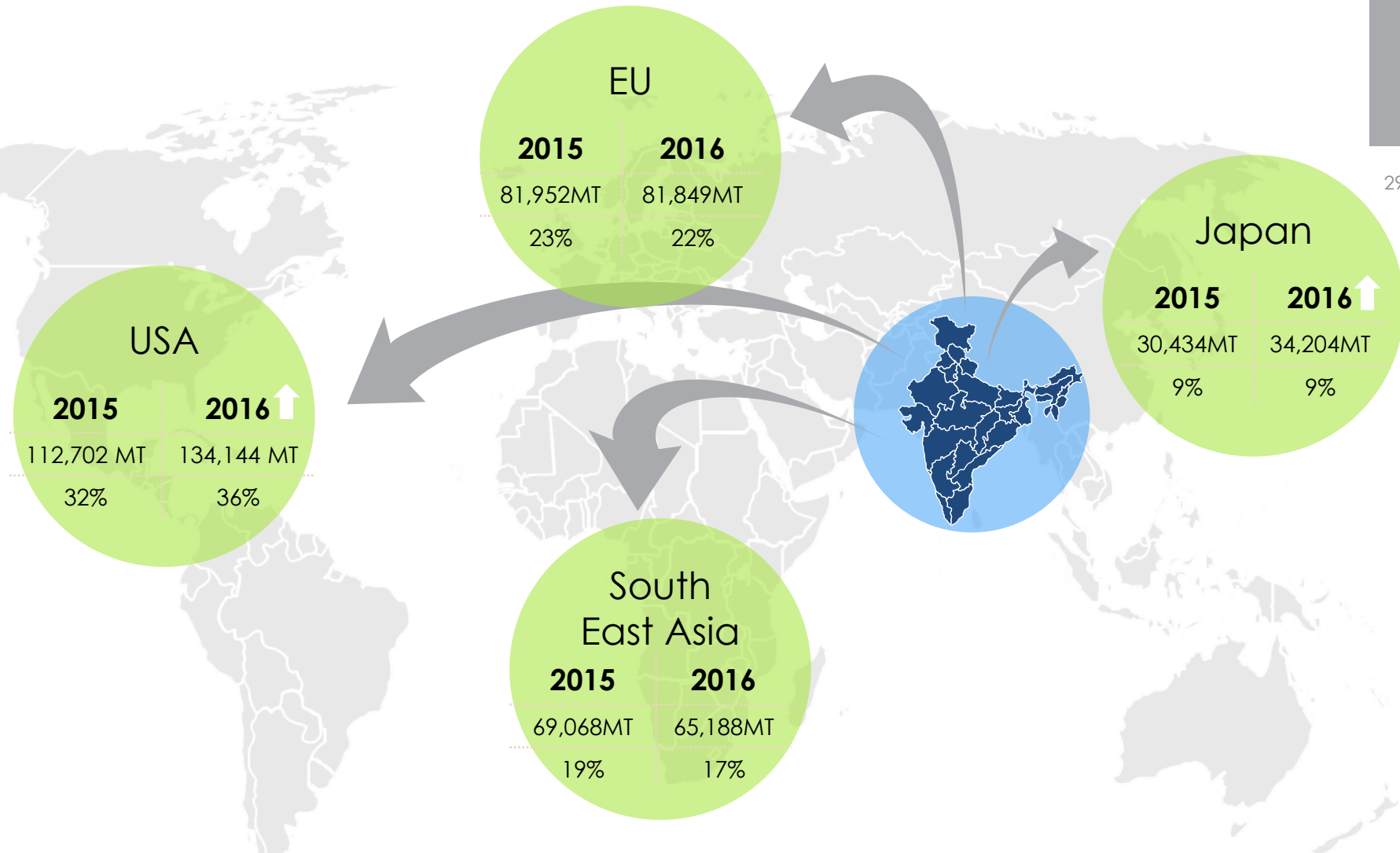


## Value Contribution

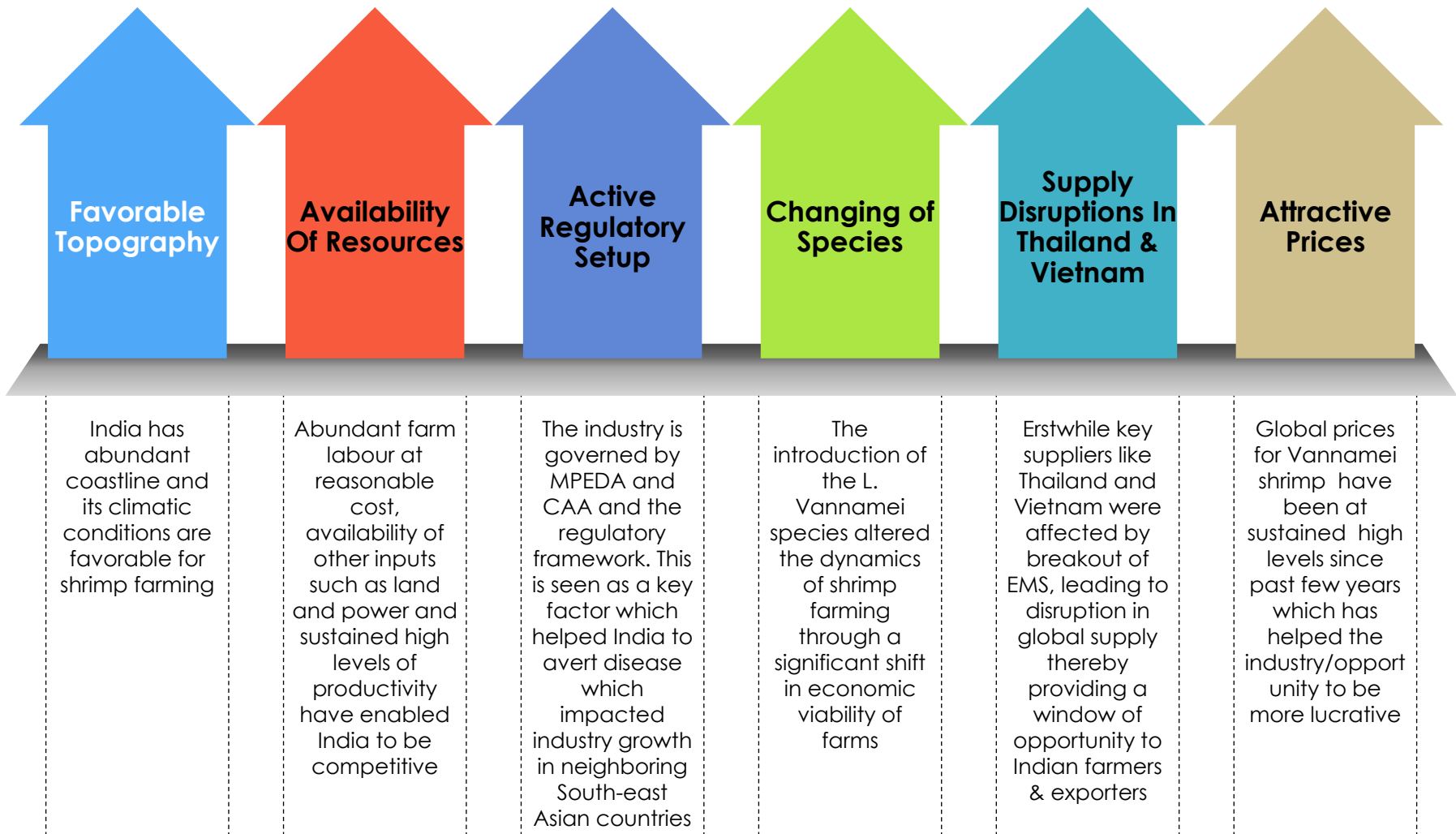




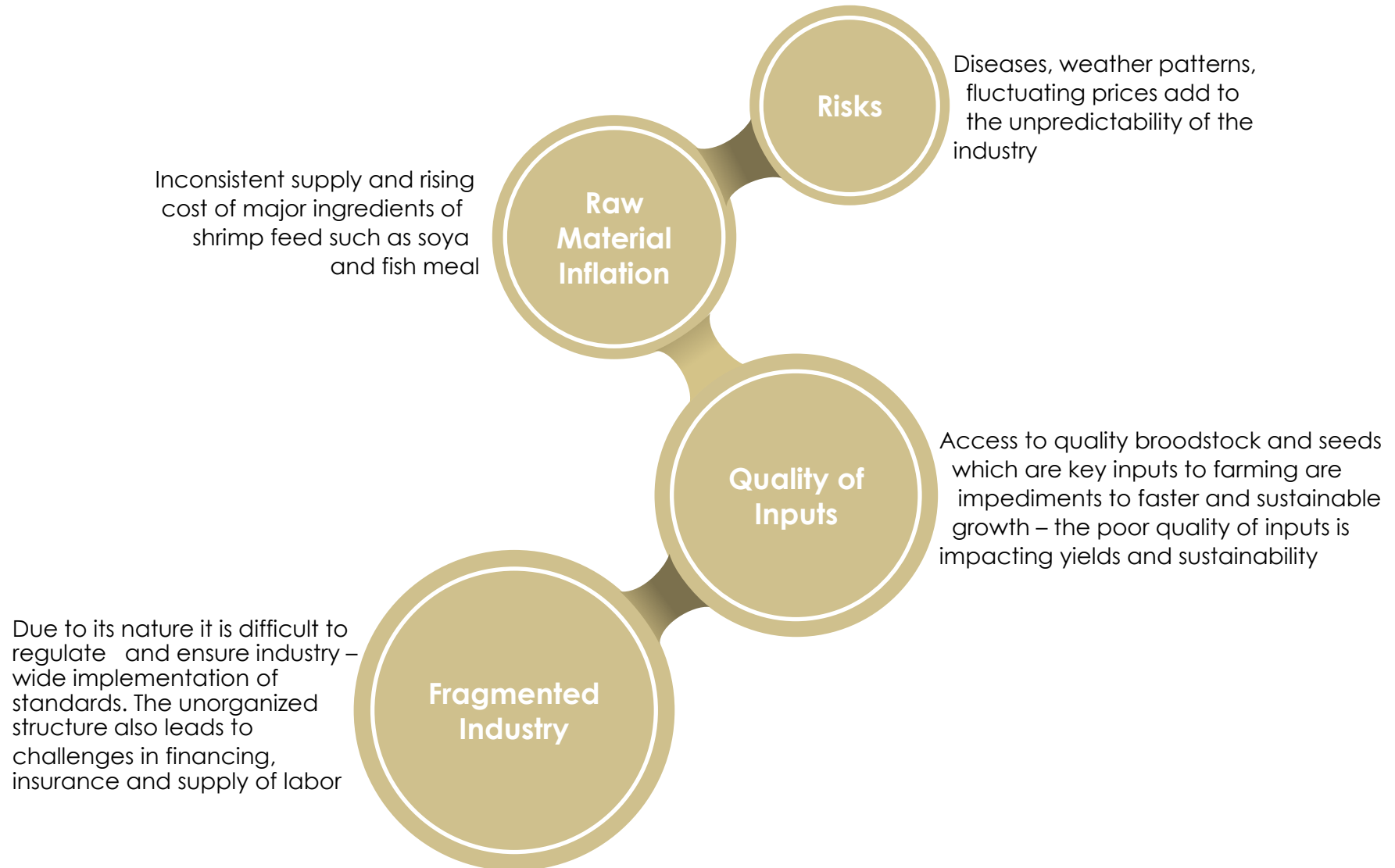
# Shrimp Exports



# Factors behind Success of Shrimp Farming in India



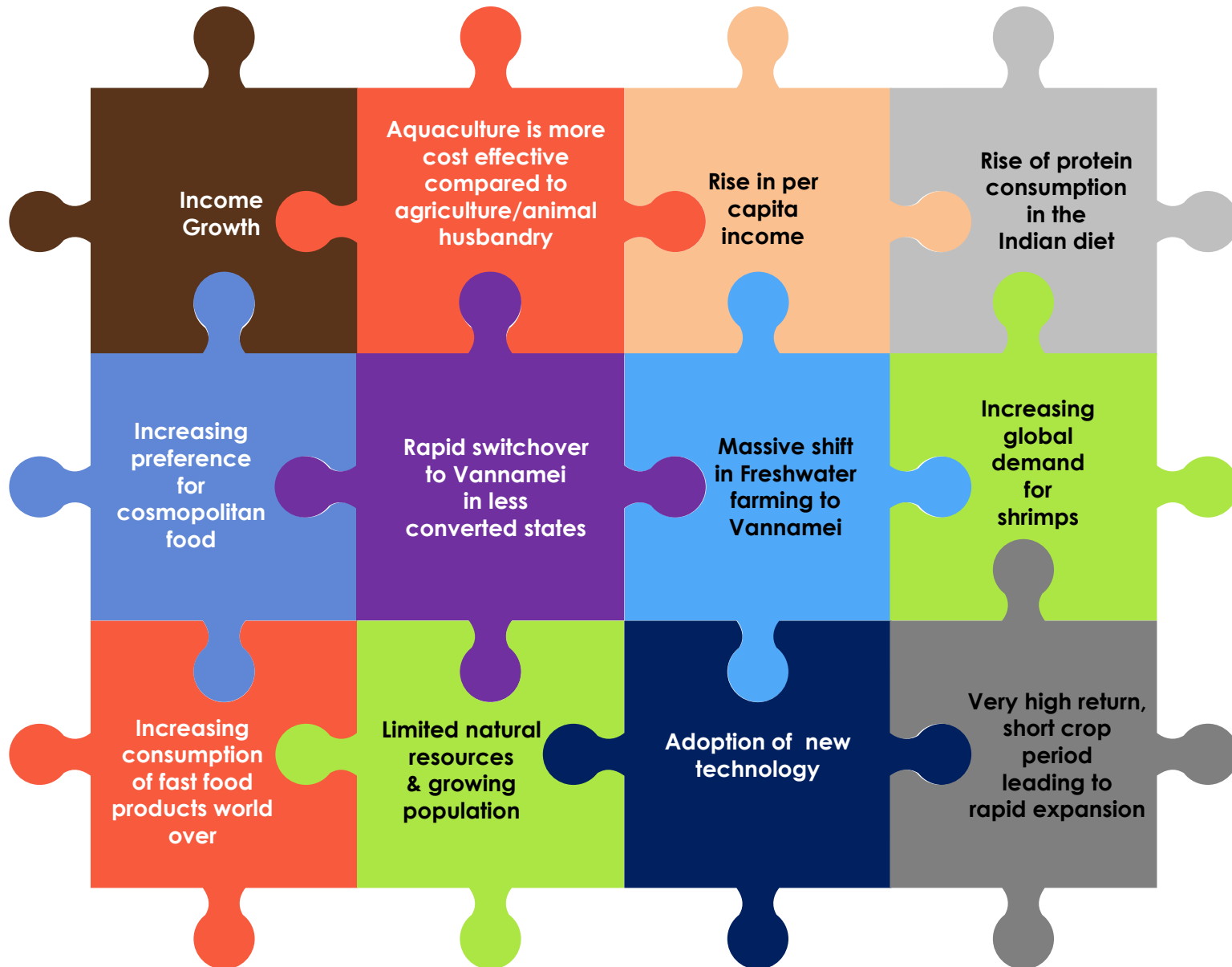
# Key Challenges



# Growth Drivers



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## Financial Overview

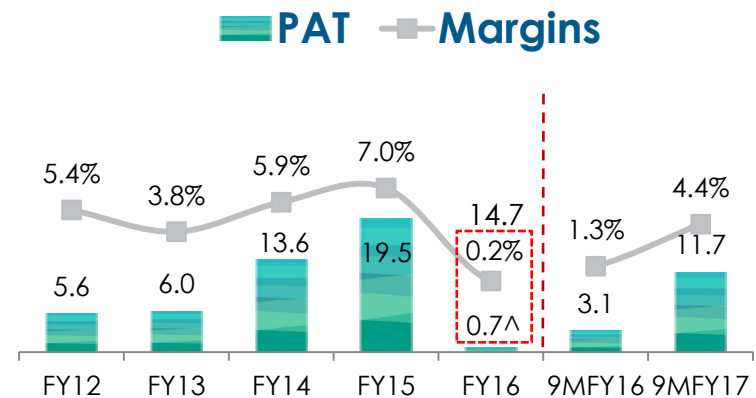
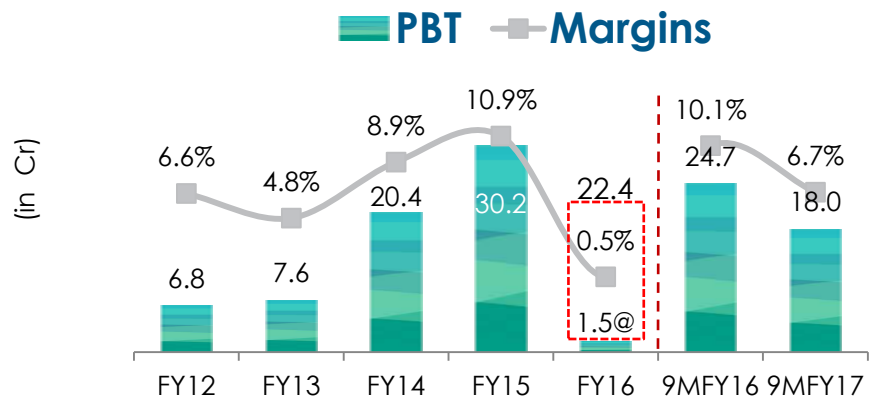
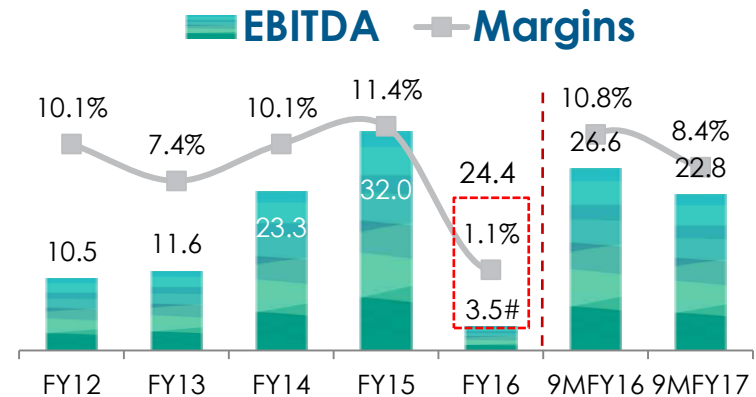
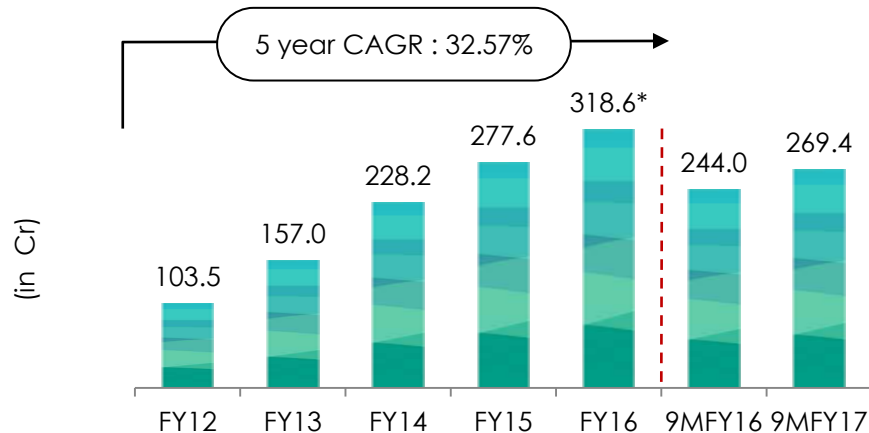




# Financial Performance



## Revenues



\* Flooding of the factory premises and surrounding areas in Nov/Dec 2015 impacted revenue performance due to destruction of stock-in-hand as well as loss of potential revenue in season

# EBITDA performance was impacted due to higher input costs, unexpected expenses on account of flooding and disruption in operations. Adjusting for this EBITDA would have been Rs. 24.4 Cr

@ PBT was further impacted by exceptional items of Rs. 3.5 crore being one-time settlement cost with one of the company's bankers. Adjusting for this PBT would have been Rs. 22.4 Cr

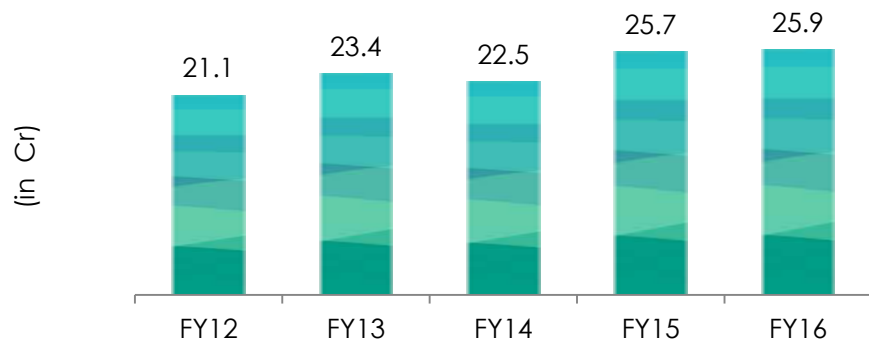
^ PAT (FY16) adjusted for exceptional item of 3.5 crore being one-time settlement cost with one of the company's bankers and prior to extra-ordinary item of Rs. 17.5 crore being one-time loss on account of write off of stock-in-hand and damage to factory premises due to flooding of the factory premises was Rs. 14.7 Cr. 9M FY16 PAT is without the aforementioned adjustments

9M FY16 & 9M FY17 are based on Ind-AS. All other numbers are based on Ind - GAAP

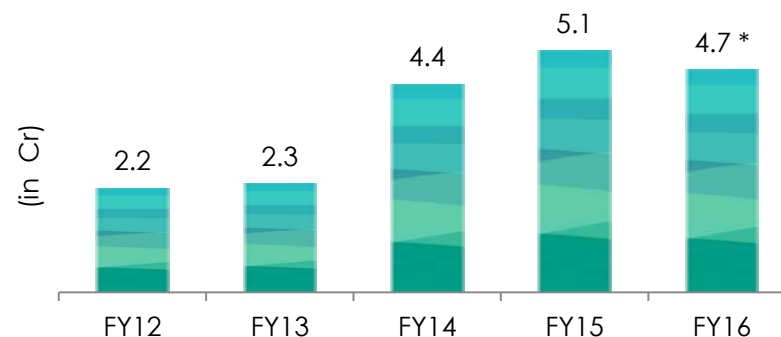
# Key Financials



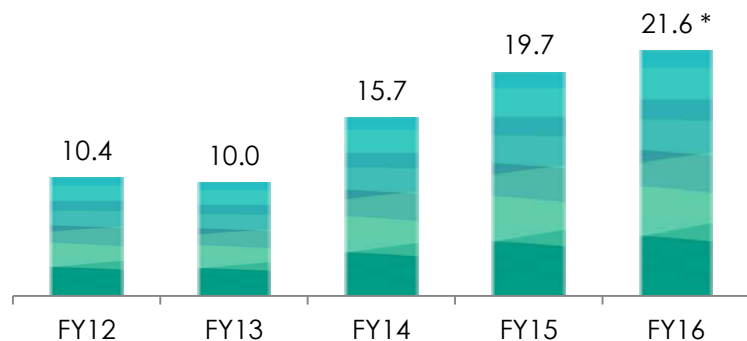
## Book value per share (Rs.)



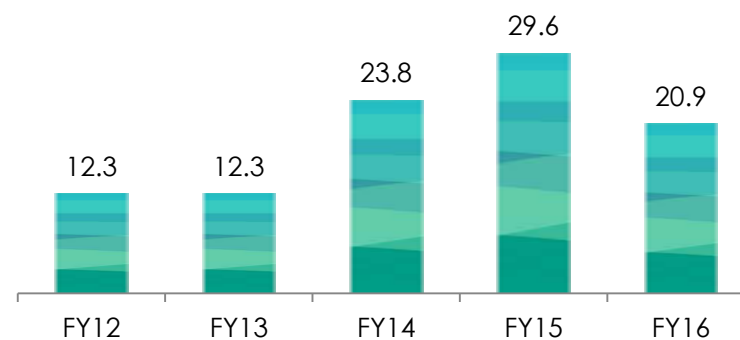
## Earnings Per Share



## Return on net worth (%)



## Return on Capital Employed (%)



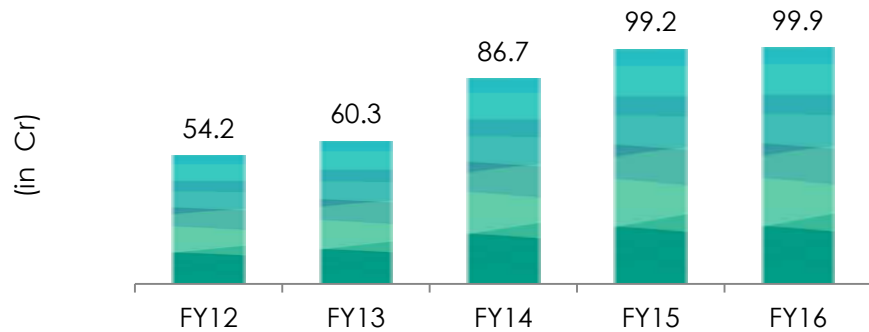
All Return ratios for FY16 were impacted by disruption in business operations and unexpected costs incurred due to flooding of the factory premises and surrounding areas in Nov/Dec 2015

\*EPS & RoE further impacted by exceptional items of Rs. 3.5 crore being one-time settlement cost with one of the company's bankers. EPS & RoE calculated before extraordinary item of Rs. 17.5 crore being one-time loss on account of write off of stock-in-hand and damage to factory premises due to flooding of the factory premises

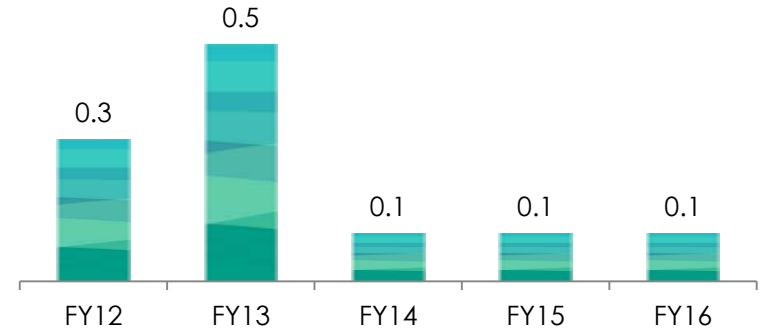
# Key Financials



## Net Worth



## Debt Equity Ratio





## Q3 & 9M FY17 Performance & Updates



# 9M FY17 - Financial Performance



Since July, 2016 revenues were impacted by wide spread outbreak of disease in key markets like AP & Tamil Nadu resulting in premature dip in demand for shrimp feed

INR Cr.

Particulars	Q3 FY17	Q3 FY16	Growth (%)	9M FY17	9M FY16	Growth (%)
Income from Operations	54.1	56.3	(3.9%)	269.4	244.0	10.4%
EBITDA	2.5	4.2	(40.4%)	22.8	26.6	(14.2%)
EBITDA Margin (%)	4.6%	7.3%	(270 bps)	8.4%	10.8%	(242 bps)
PAT	0.2	(11.4)	-	11.7	3.1	276.7%
PAT Margin (%)	0.3%	-	-	4.4%	1.3%	310 bps

Revenue growth for 9MFY17 on account of strong first half with healthy volume growth. Positive response in newer markets like Gujarat, West Bengal & Odisha and firm realisations

One-time expenses for restarting processing, increase in farm gate prices and higher costs of inputs like soya and fish meal in feed manufacturing exerted pressure on operational profitability and margins

PAT for the 9M FY17 stood at Rs. 11.7 crore; introduction of newer products & widening of distribution network to drive growth going forward





## Feed Business

- Healthy volume growth in start of the season – demand could not be sustained in latter part of season due to widespread impact of disease
- Encouraging performance from new markets – expansion of dealer network continues
- Launched Baywhite Enriched in 2015 , helped in gaining share
- Obtained BAP certification for Feed Plant in 2016

## Processing & Exports

- After the floods, Export operations were suspended in Nov 2015 and restarted in June 2016
- Facelift was given to the facility, Repairs and Maintenance were carried out during the shut down - Basic soft and hard infrastructure was put in place
- Exported 360 tonnes to US, EU & Vietnam in FY17 YTD
- Disease has impacted availability of farmed shrimp for processing and exports – farm gate prices continued to increase post contracting of supply orders
- Low Productivity and machine breakdowns forced TWL to outsource processing to expedite execution of pending orders



## Other Revenue Streams

- TWL has forayed into sale of processed seafood in the domestic market in Dec 2016 – currently offers frozen shrimps and Pasteurized Crab Meat under the 'Prize Catch' brand to Institutional Customers
- TWL will launch its range of farm care products to Q4FY17 under the 'Bay Life' brand
- Hatchery Operations set to be launched in end Q1FY18



## Industry Trends & Outlook



- **Contraction in Indian shrimp production** despite bumper first crop owing to wide spread White spot, EHP and White feces diseases – conservative approach for successive crops this season
- Heightened competitive intensity – discounts and extensive credits offered by new players, challenging to hike feed prices despite surge in RM prices
- Inability of the packers to source desired grades and sizes resulting in delayed shipments
- Farm gate processors scrambling for procuring appropriate quantities of farm shrimp availability was compressed due to disease
- Exporters have been impacted by increase in farm gate prices which have exceeded export commitments prices in some cases

## **SIGNIFICANT IMPACT FROM DEMONETISATION**

- Cash crunch impacting Industry's operations; Short term adverse impact is apparent
  - Seed, Labor, harvest, transport and pond preparation expenses are all paid in cash by shrimp farmers
- Large processors pay by cheque to agents and farmers, lot of farmers still don't use bank accounts and prefer to trade in cash
- **Sustained strength in farm gate prices** driving farmer expectations for the next season – farmed area expected to increase

Q3 and Q4 are seasonally weak quarters and the already subdued activity has been further impacted by demonetisation and disease situation. Lower than normal availability of shrimp has kept farm gate prices elevated.

Raw Material price inflation has started to moderate due to improved availability of agri-produce and record soya & wheat output

Farm gate prices being lucrative, farmers will look forward to stocking early. We expect the feed demand to pick up pace from March itself. Area under cultivation also expected to improve

SPF	Specific pathogen free
FCR	Feed conversion ratio
MPEDA	Marine Products Exports Development Authority
CAA	Coastal aquaculture authority
MTPA	Metric tonne per annum
Broodstock	a group of mature individuals used in aquaculture for breeding purposes
P. Monodon	Black Tiger
P. Vannamei	White Shrimp



# Thank You

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