



# The Waterbase Limited



**Corporate Presentation – June, 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

407 TONS

Shrimp Exports in FY17

258

Employees

26.3%

Revenue  
CAGR  
FY12>17

~5,000 CR

Estimated size of  
Domestic Shrimp feed Industry

332 CR

Revenues  
in  
FY17

0.2

Debt – Equity  
As of  
Mar 2017

173

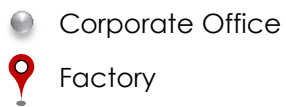
#Dealers  
Pan India Presence

7%

Mkt. share  
(Domestic)



# Locations



## 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 ~ 0.6x
- Demonstrated financial discipline through good and bad years for industry

# Product Portfolio



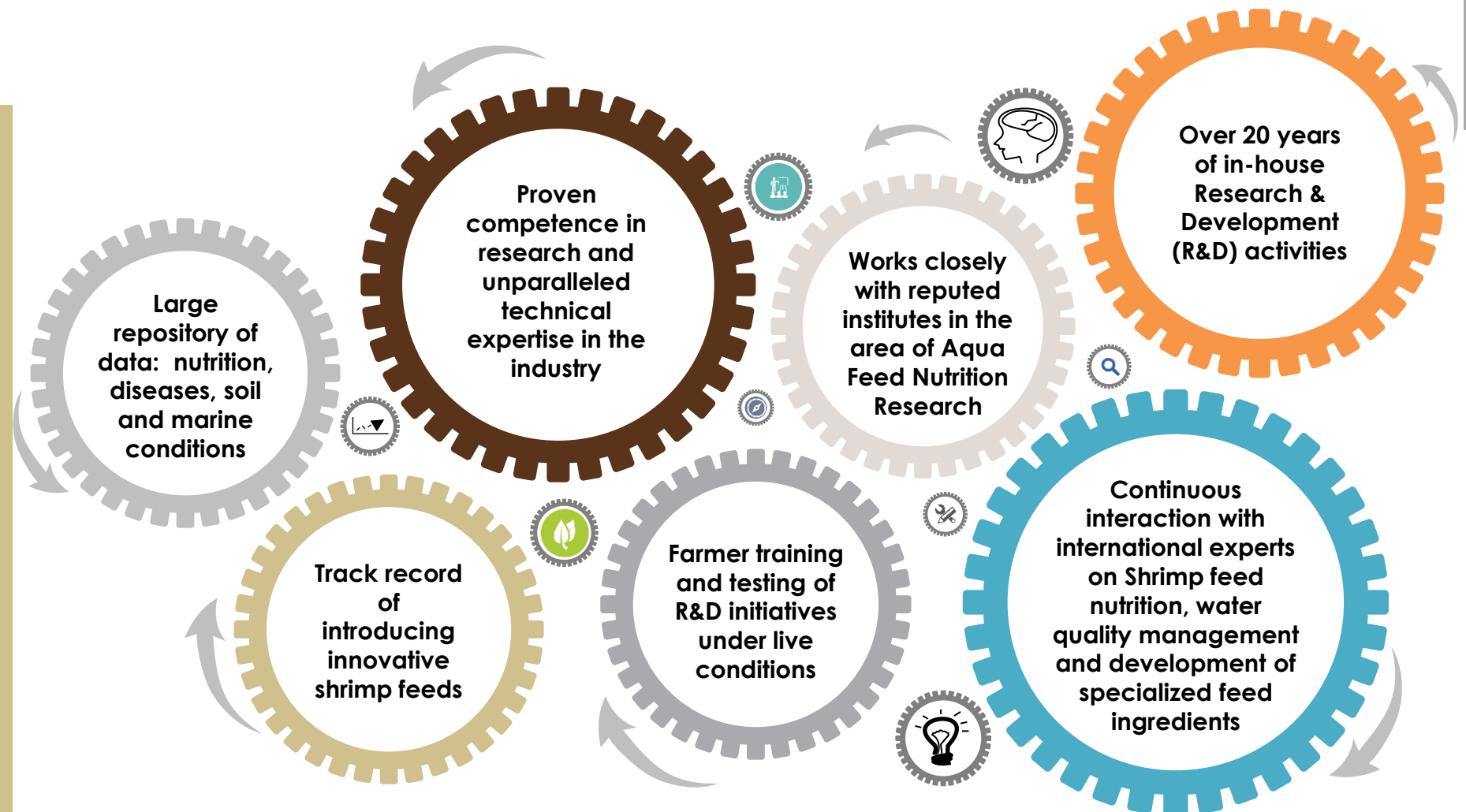
## Shrimp Feed



## Processed Shrimp



# R&D Strengths





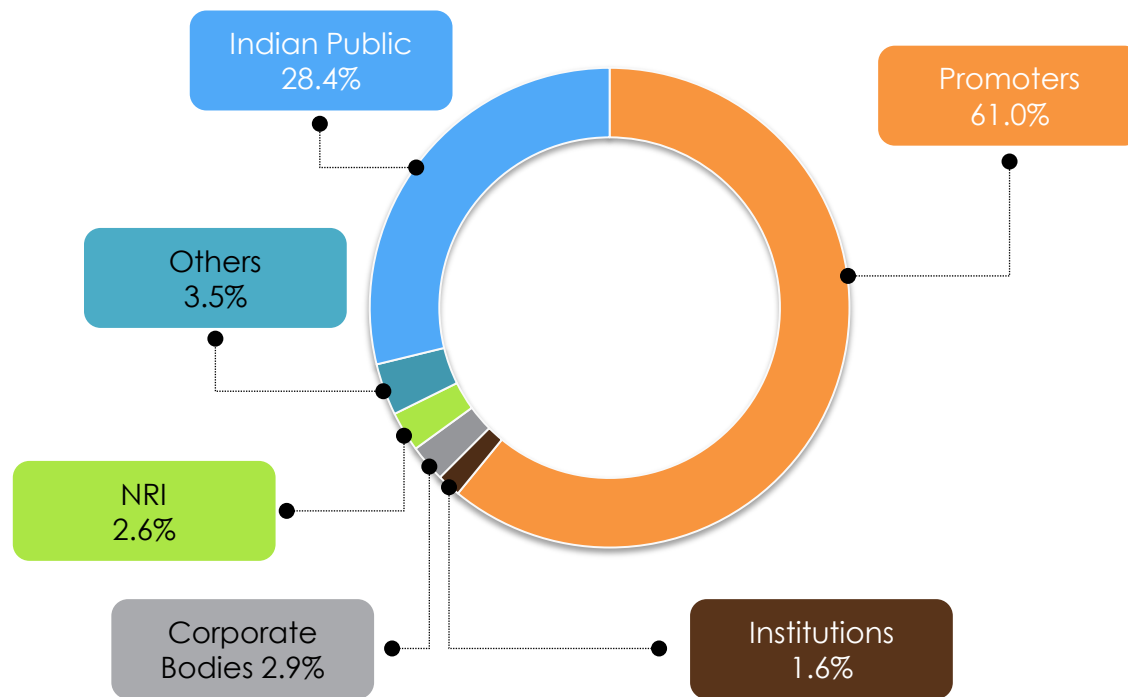
# Awards & Accolades



- 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> March 2017*

# Restructuring of Promoter Holdings



- Four entities forming part of the promoter group of TWL, transferred their holding amounting to 1.59% of the share capital inter-se to Karam Chand Thapar and Bros (Coal Sales) Limited
  - The Punjab Business & Supply Company Private Limited,
  - The Doaba Industrial & Trading Company Private Limited,
  - Karam Chand Thapar and Bros (Jammu & Kashmir) Private Limited
  - Indian City Properties Limited
- Thereafter, all the Shares held by Karam Chand Thapar and Bros (Coal Sales) Limited amounting to 56.83% of the share capital has been transferred to Nav Srijit Shakti Telangana Private Limited which is controlled by the same set of shareholders as Karam Chand Thapar and Bros (Coal Sales) Limited and is the part of Promoter Group of the Company
- Overall shareholding of Promoters & Promoter Group prior to the above transactions and pursuant to these transactions shall remain unchanged; 61.01% of the share capital of TWL
- Transactions part of the ongoing restructuring and consolidation which envisages the creation of a Trust which will ultimately hold all the shares of TWL currently held by the Promoter and Promoter Group in TWL



## Growth Strategy





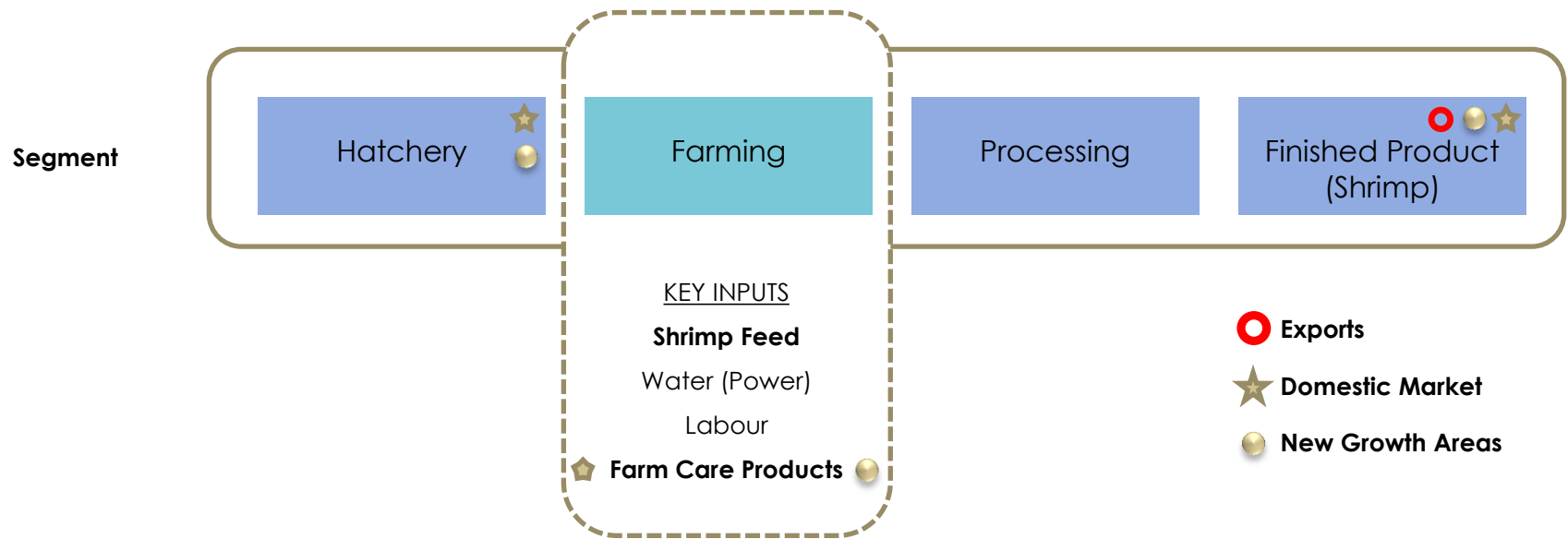
- TWL Installed capacity at 35,000 MTPA. Including PFL, combined capacity is at 1,10,000 MTPA
- Plan to increase market share and grow volumes by leveraging on strength of highly skilled technical manpower, brand salience, wider product portfolio, improved distribution network and value-added services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

- Wider distribution infrastructure has enhanced pan-India presence – have entered West Bengal, Gujarat and 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 to 173 dealers.
- Also working on identifying and developing new markets for shrimp farming

- Processed Shrimp exports 407 MT tonnes of shrimp in FY17
- Launched range of farm care products under the brand name "Baylife" – aim is to promote sustainable agricultural practices in the industry in India
- Launched frozen sea food products under the brand "Prize Catch". Initially selling to Institutional Customers in the Chennai Market.
- Setting up hatcheries to supply good quality seeds for shrimp farming – Phase I Construction of the hatchery will be completed by end Q1 FY18
- Diversified revenue streams, wider market presence, new products and integrated model will elevate business profile



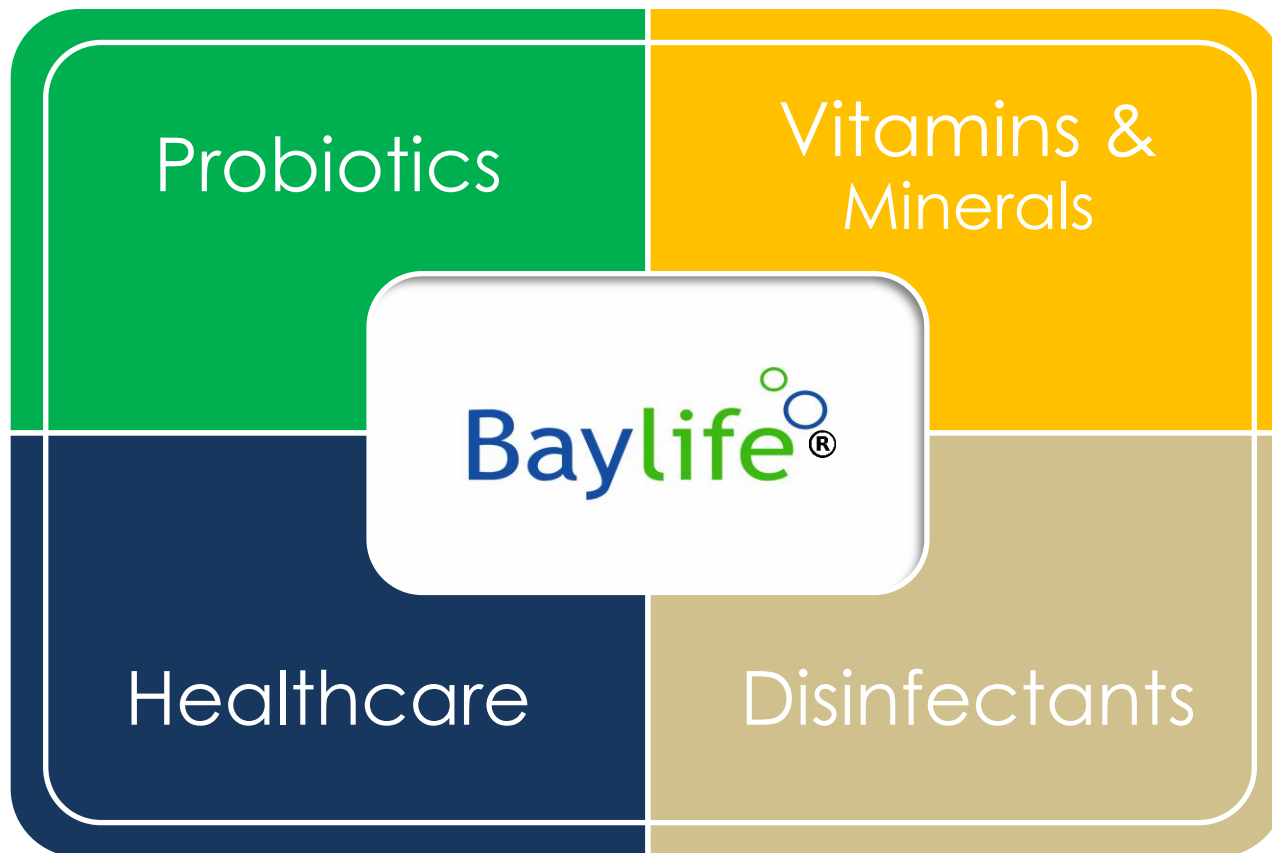
# Vertical & Horizontal Integration



Estimated Current Size of Industry FY 17	500 (No. of hatcheries in India)	125,000 Ha under Farming	400 Processing Plants for shrimp	4,00,000 MT
Estimated Industry Requirement / Potential for FY 18	40 Billion of Post Larvae (PL)	Requires 8,00,000 MT of Shrimp Feed	1,00,000 MT (Current Capacity)	4,40,000 MT
<b>TWL Capacity</b>	<b>Hatchery / 500 Mn PL</b>	<b>1,10,000 MT<sup>1</sup></b>	<b>4,000 MT</b>	<b>407 MT</b>

1. Capacity of TWL post amalgamation of Pinnae Feeds Ltd.

# 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 Processed 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

The Scheme of Amalgamation of Pinnae Feeds Ltd. with the Company has reached the final stage and at the hearing held on 15<sup>th</sup> March 2017 the National Company Law Tribunal (NCLT) had posted the matter for orders. Subsequently on 5<sup>th</sup> June 17 the NCLT has sought certain clarifications / documents and has given 2 weeks time to furnish the same.

## 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 (expected):** Q2 FY18
- **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

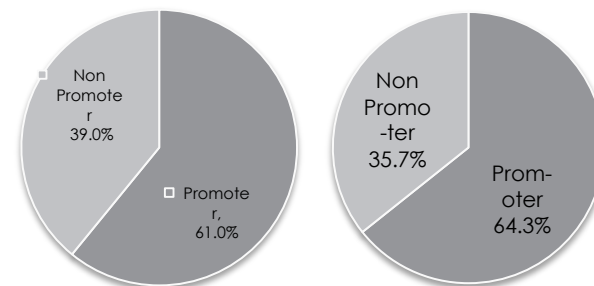
- **Scheme Consultant:** KPMG
- **Fairness Opinion:** Saffron Capital Advisors Pvt Ltd.- Category I Merchant Bankers
- **Valuation Report:** SSPA & Co., Chartered Accountants

## Benefits to Minority Shareholders

- Tripling of capacity without cash outgo / additional investment
- TWL was operating at full capacity – PFL was setup to create capacity at competitive cost – streamlining to offer synergies 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	<b>3.86</b> cr shares <b>TWL</b>
	<b>1.12</b> cr shares <b>PFL</b>

Number of shares of TWL to be issued for shares of PFL **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., belongs to the same promoter 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 the lenders

## Financials :

- Revenues of Rs. 129 crore in FY17 from supply of feed to TWL
- Gross Block - Rs. 48.9 crore
- As of March 31, 2017 - Debt: Rs. 44.1 crore (including term loans as well as working capital)

## Location :

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

## Producer of shrimp feeds :

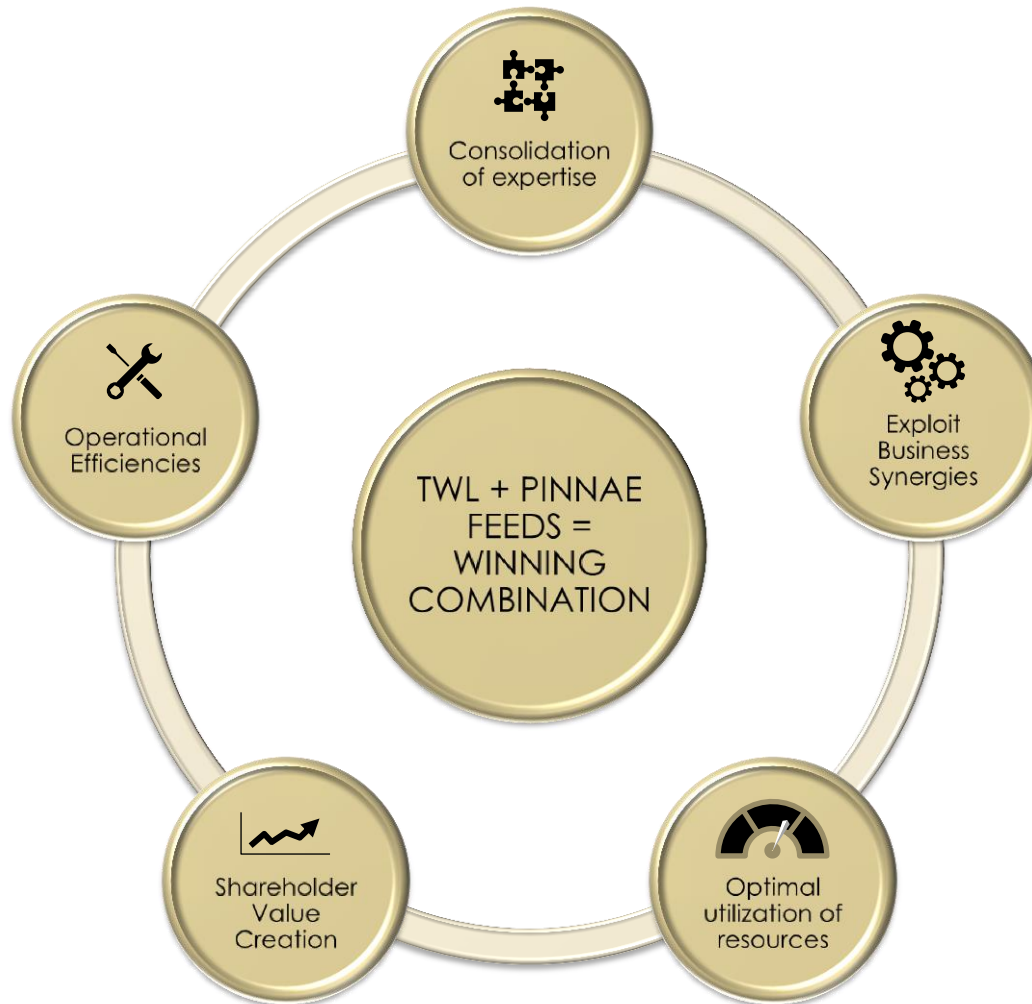
- Expansion undertaken in 2 phases; Phase I completed in FY15 capacity of 40,000 MTPA and Phase II which was completed in FY16 comprised the balance capacity of 35,000 MTPA
- Commenced commercial operation in H2FY15
- Post completion of Phase II - Capacity of 75,000 MTPA is now fully operational



# Rationale for Amalgamation



***Production capacity within TWL will increase from 35,000 MTPA to 1,10,000 MTPA***







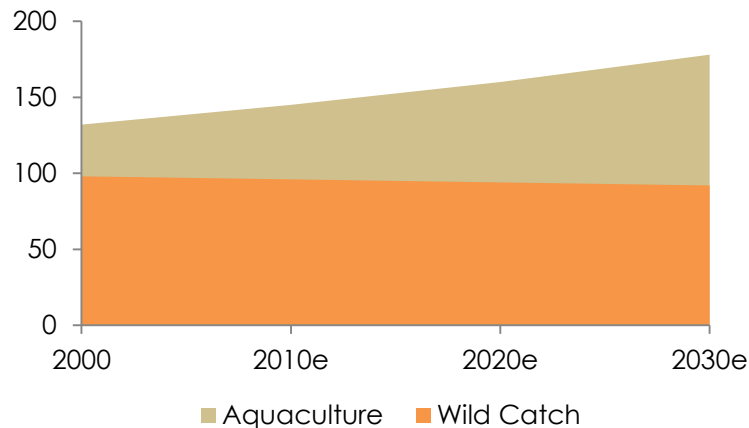
## Industry Overview



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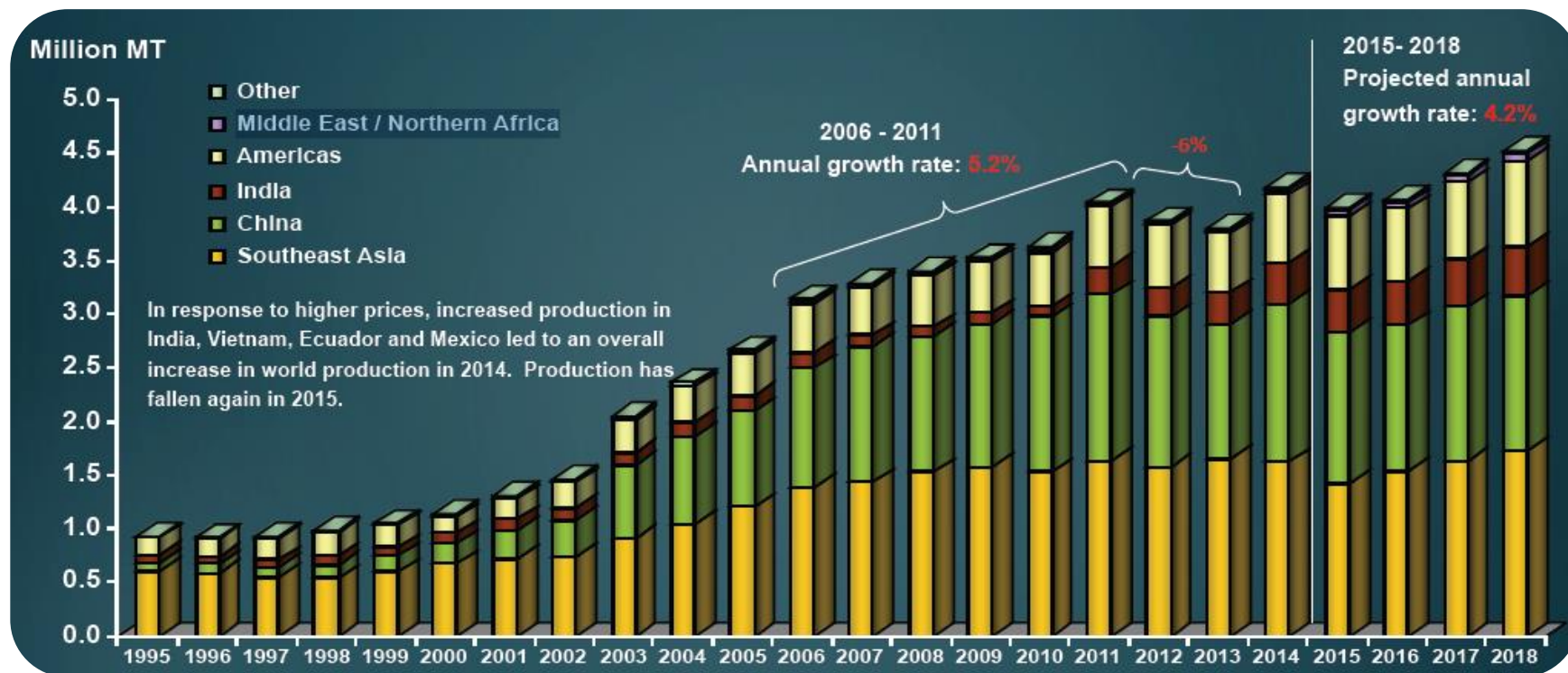
Shrimp is **the largest** single seafood commodity in value terms

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

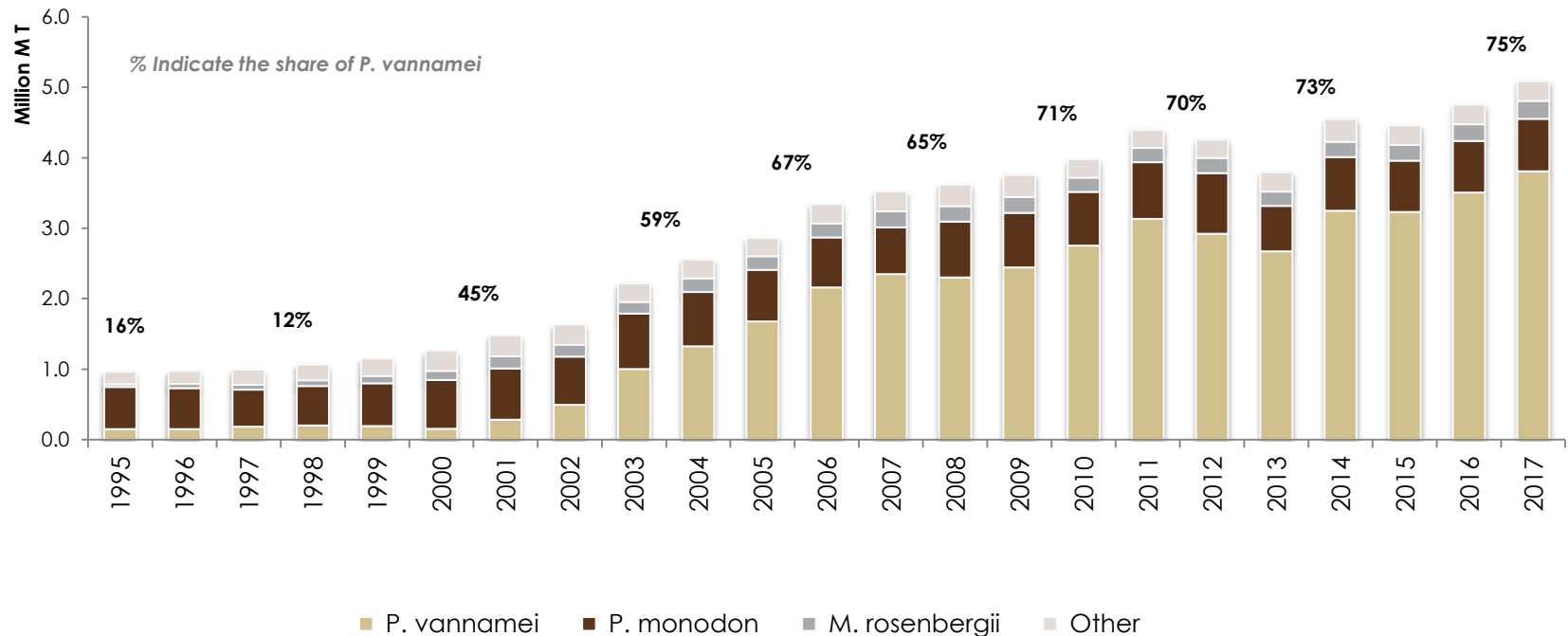
Farmed shrimp contributes **more than half** of total annual production ~55% since the mid – 2000s

# 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:



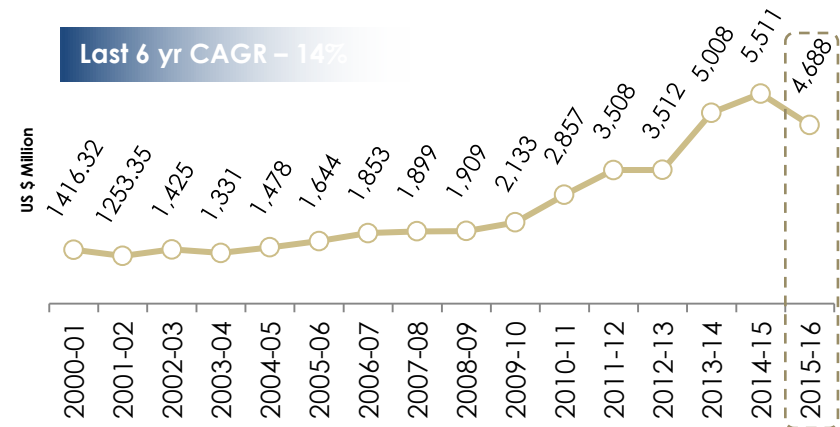
- Aquaculture volumes have grown 4.5x over the last 20 years to 4.5mn tonnes in 2016 from 1.0mn tonnes in 1995
- Share of *P. Vannamei* has increased to 75% in 2016 from <10% in 1995

# 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

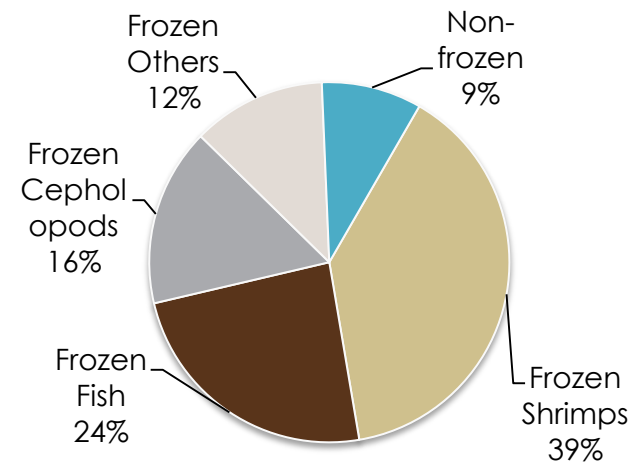


# Driven by strong growth in Shrimp Exports

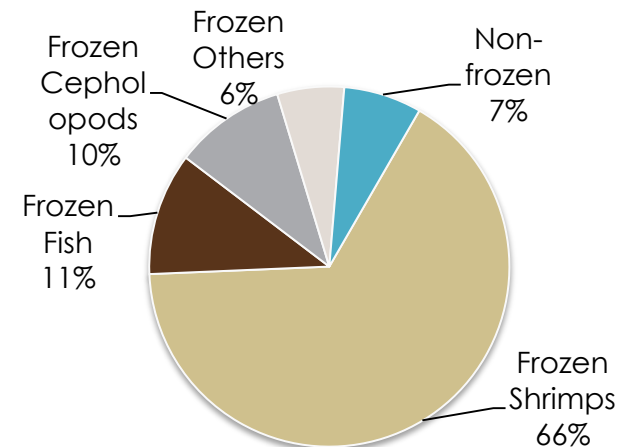


- Shrimp exports continue to report tremendous growth with a CAGR of ~18% in volume terms and 27% in value terms in the last 3 years
- Frozen shrimp continued to be the largest item in the export basket in terms of quantity and registered growth of 4.6% y-on-y in FY2015-16 – lone bright spot despite 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

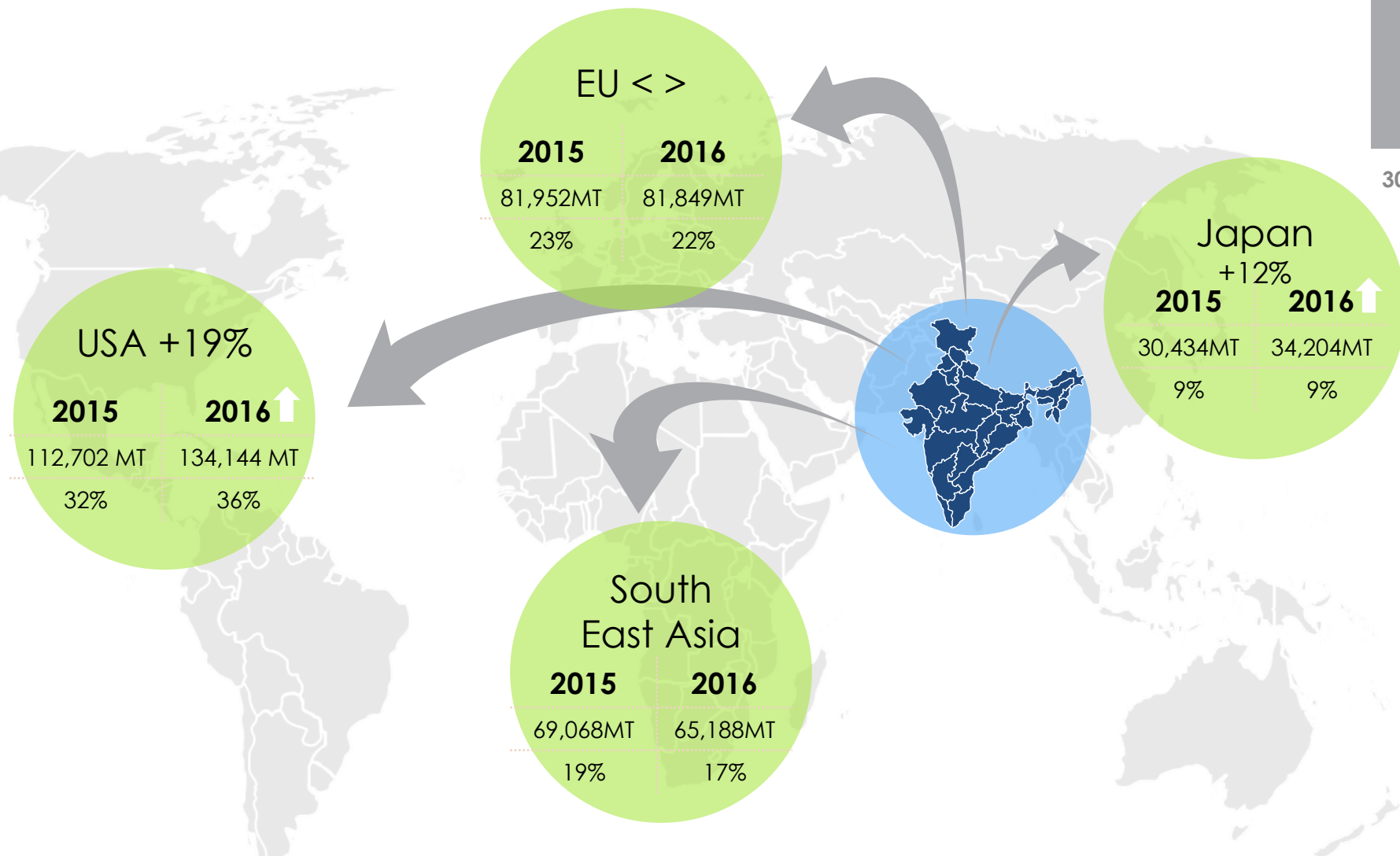
**Volume Contribution**



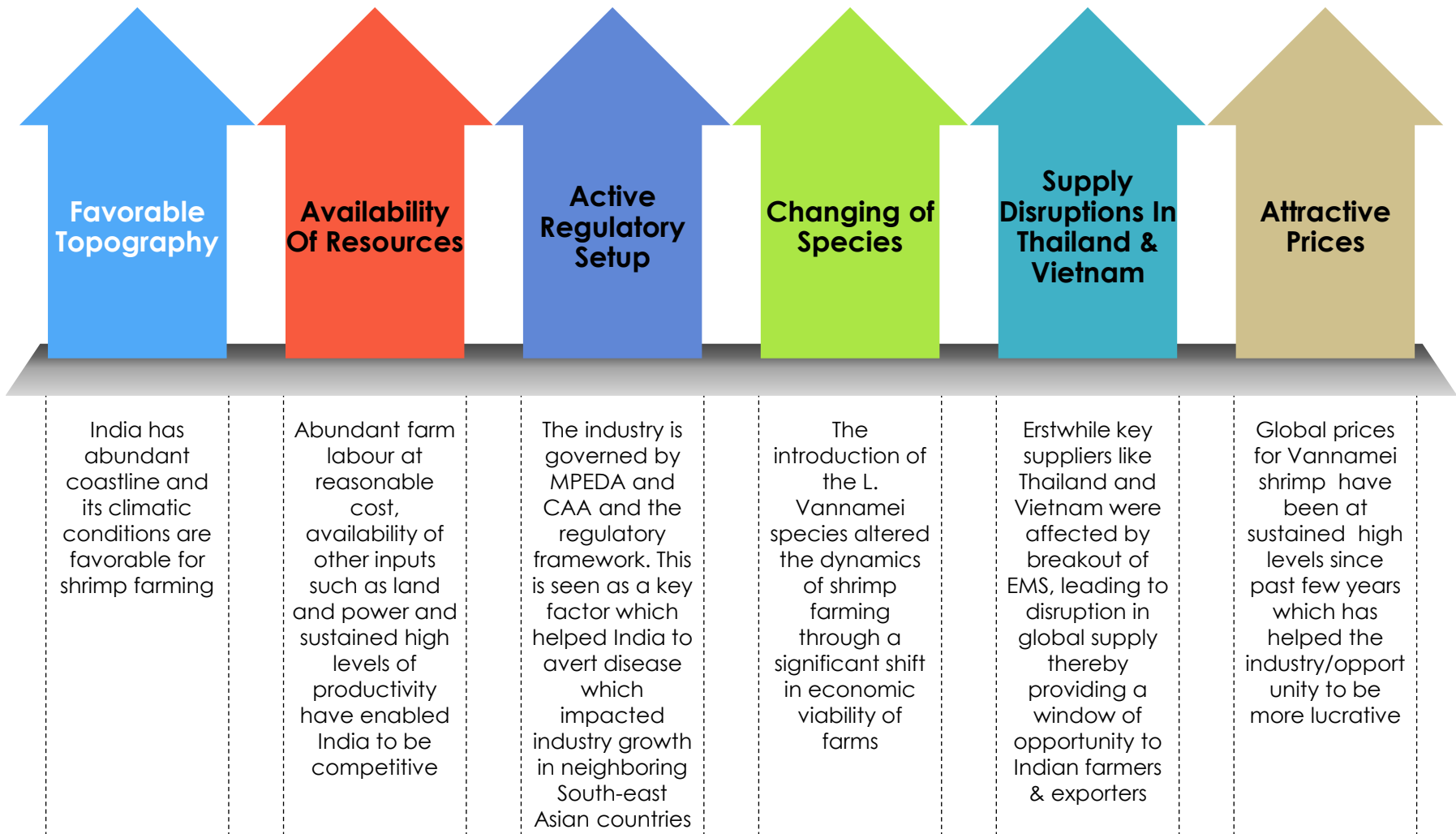
**Value Contribution**



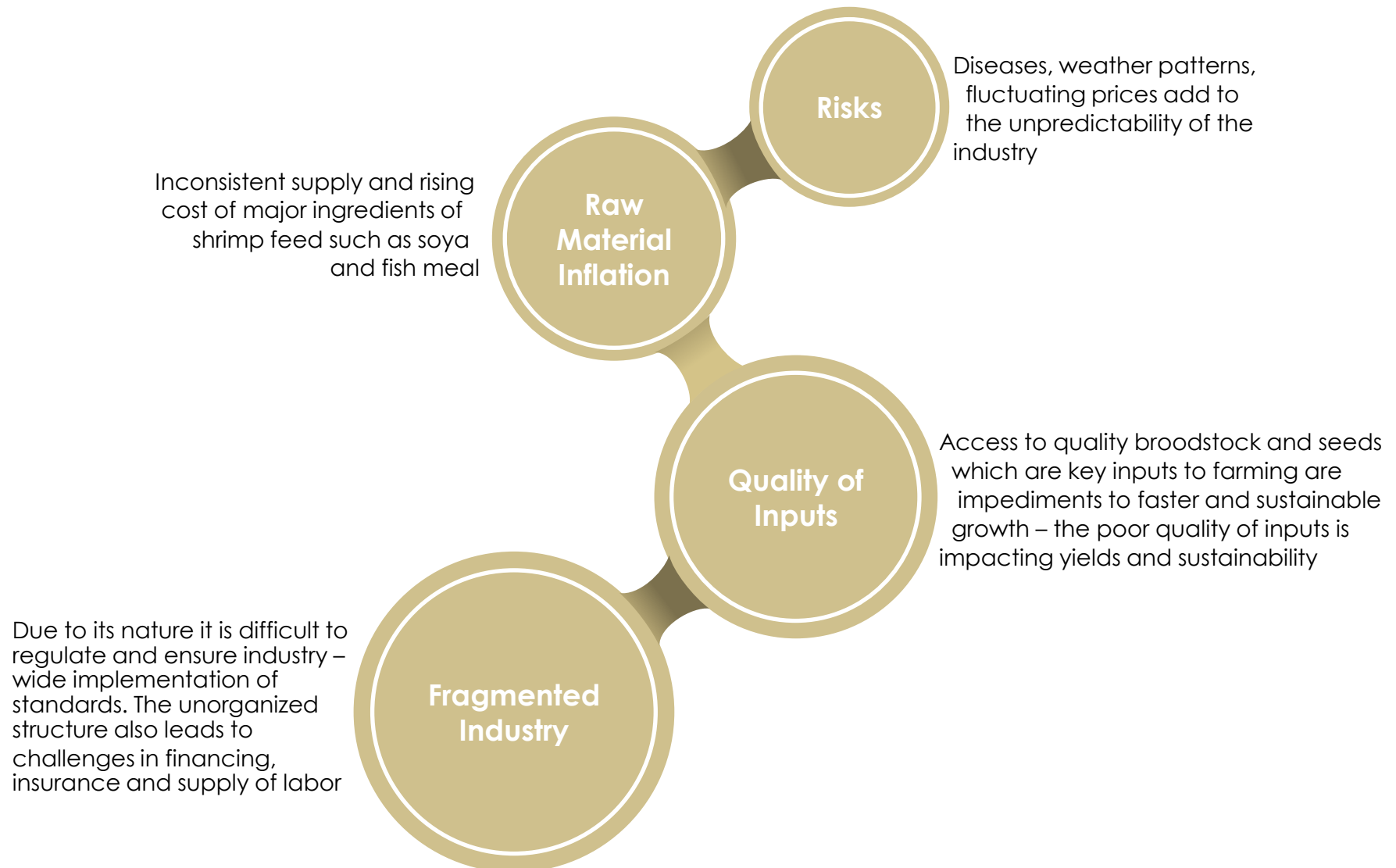
# Shrimp Exports



# Factors behind Success of Shrimp Farming in India



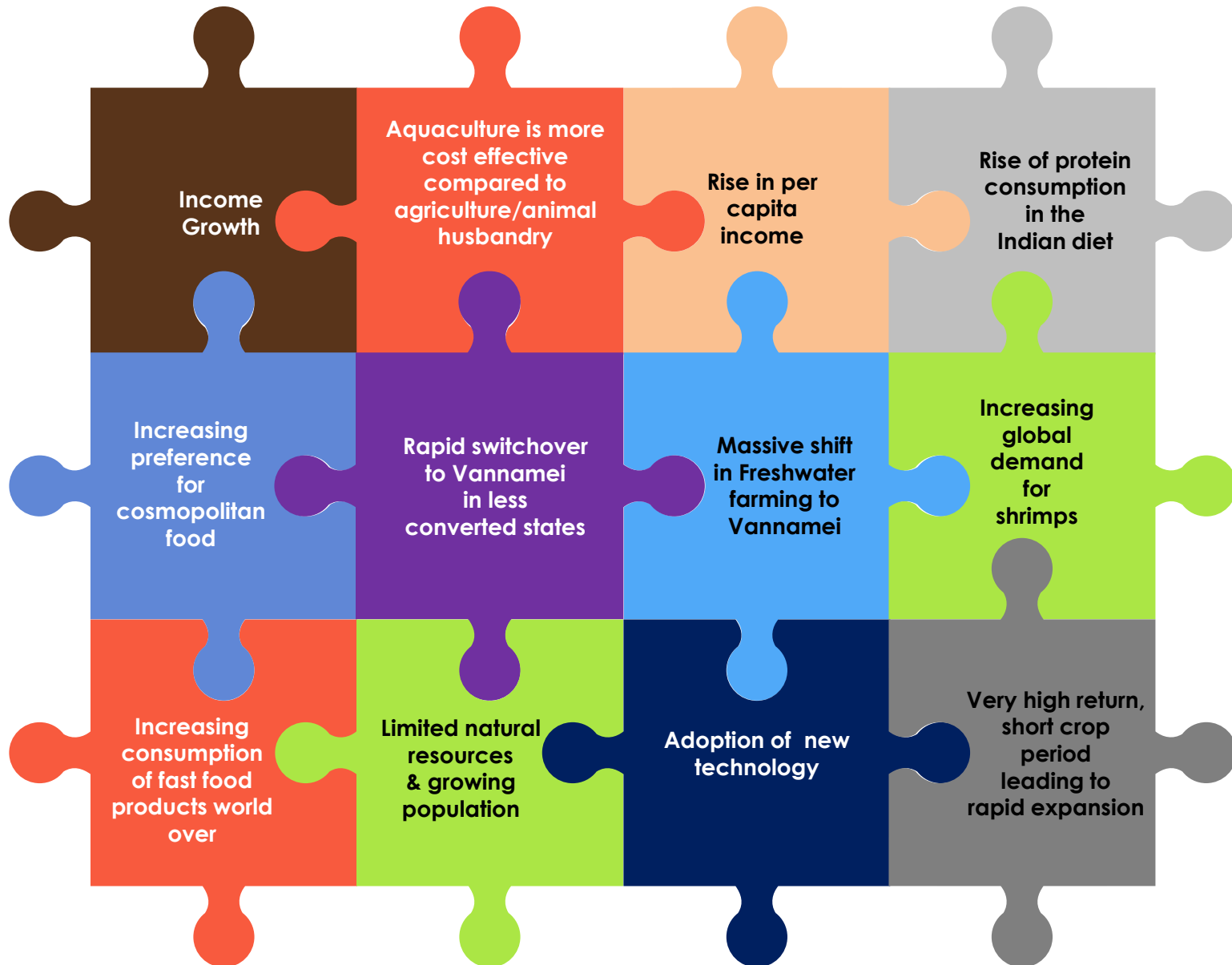
# Key Challenges



# Growth Drivers



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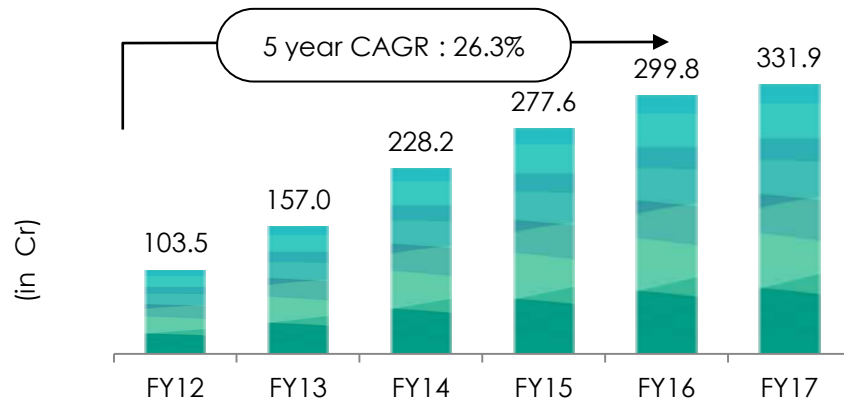
## Financial Overview



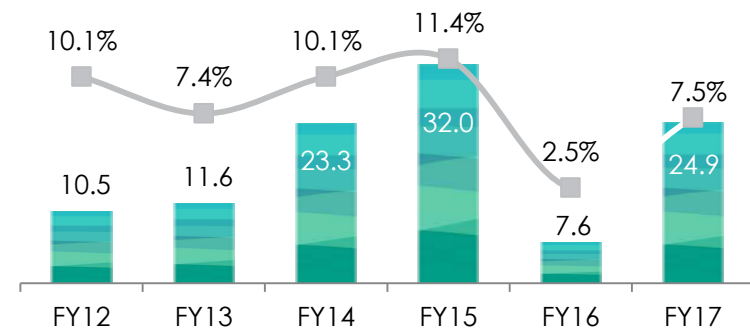
# Financial Performance



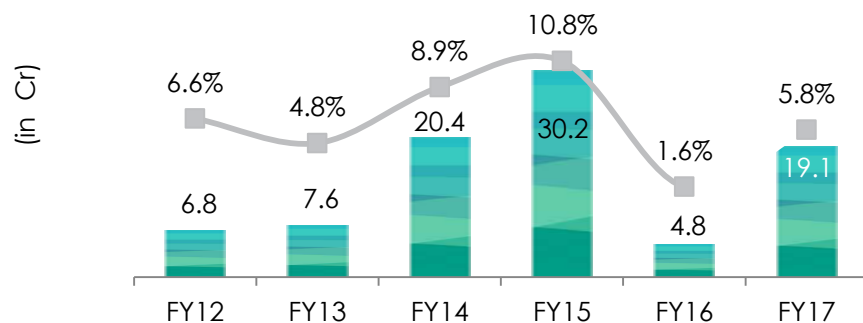
## Revenues



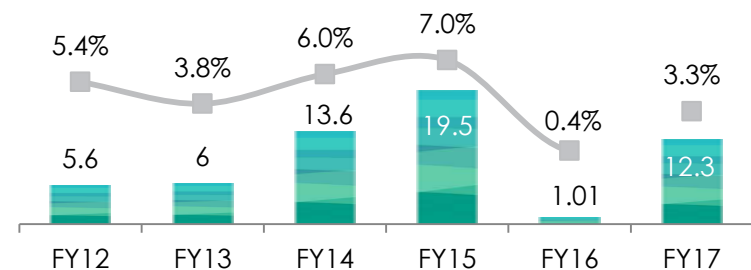
## EBITDA — Margins



## PBT — Margins



## PAT — Margins



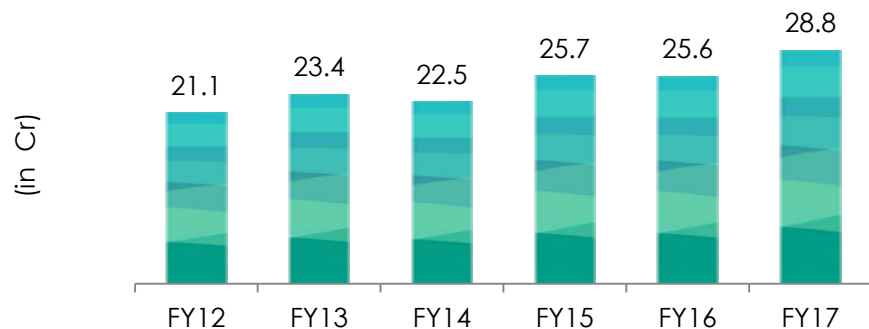
FY 16 financials were impacted due to Flooding and OTS with one of company's banks.

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

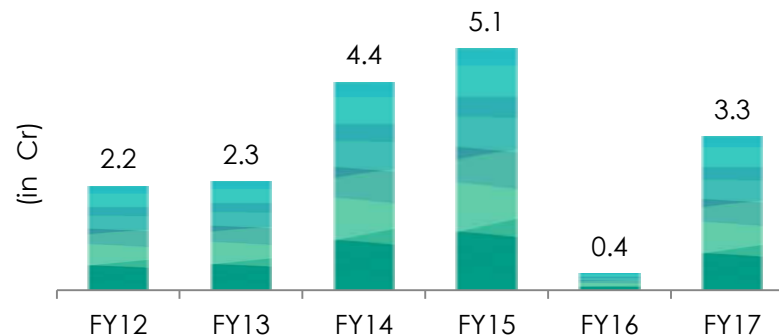
# Key Financials



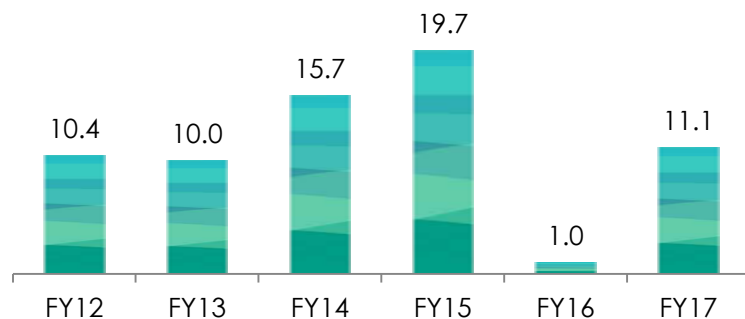
## Book value per share (Rs.)



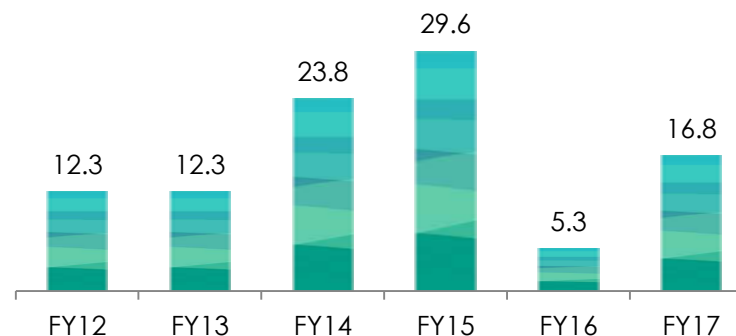
## Earnings Per Share



## Return on net worth (%)



## Return on Capital Employed (%)

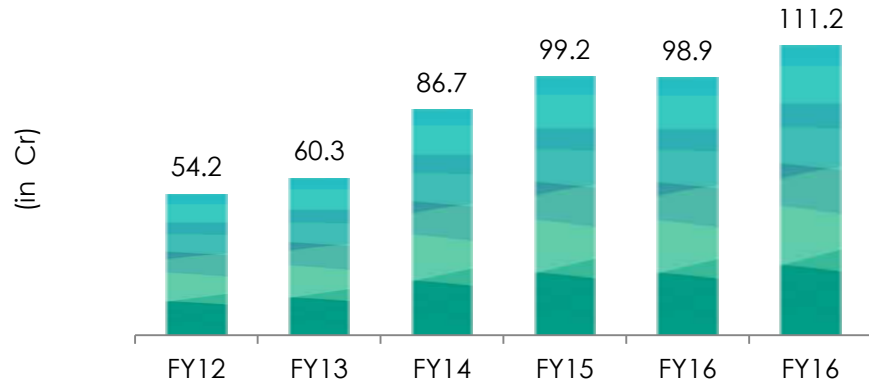


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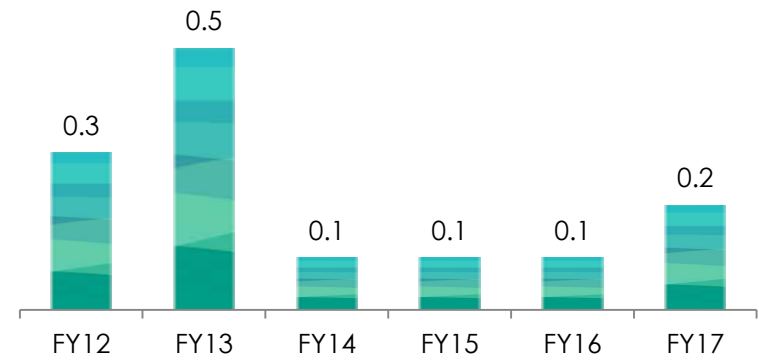
# Key Financials



## Net Worth



## Debt Equity Ratio





## Q4 & FY17 Performance Update





# Q4 & FY17 - Financial Performance



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Volumes for Farming season 2017 have started strongly surpassing the strong start of farming season 2016. Improved presence in new markets as well as existing strongholds supported by marketing efforts and new product lines should sustain the growth momentum

INR Cr.

Particulars	Q4 FY17	Q4 FY16	Growth (%)	FY17	FY16	Growth (%)
Income from Operations	62.5	55.8	12.0%	331.9	299.8	10.7%
EBITDA	2.1	(1.5)	234.4%	24.9	7.60	228.7%
EBITDA Margin (%)	3.3%	-2.7%	+611 bps	7.5%	2.5%	+500 bps
PAT	0.8	(1.9)	142.0%	12.3	1.0	1130.0%
PAT Margin (%)	1.2%	-3.4%	+467 bps	3.7%	0.3%	+337 bps

Revenue growth for FY17 on account of strong first half with healthy volume growth. Positive response in newer markets like Gujarat, West Bengal & Odisha with firm realisations

Operational profitability in FY16 impacted by one-time developments. FY17 has rebounded strongly and could have been even better but for certain one-time expenses as well as high costs of inputs at start of year.

PAT for FY17 has rebounded strongly and could have been even better but for some one-time expenses. Wider distribution network and new products 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 FY 2016 , helped in gaining share
- Obtained BAP certification for Feed Plant in FY 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 407 tonnes to US, EU & Vietnam in FY17
- 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 in the Chennai market – to expand to other cities in South India shortly
- TWL has launched its range of farm care products under the 'Bay Life' brand
- Phase I of the Hatchery Construction will be completed by end of June 2017



## Industry Trends & Outlook



- **Strong start to Farming season 2017** – Weather conditions have been favorable and lot of new areas have been brought under shrimp farming.
- **Feed Raw material prices have corrected significantly** - Bumper soya crop of last year and lower export have resulted in reduction in the prices. Fish meal prices too have softened in the past few months.
- **Heightened competitive intensity sustains** – Discounts and extensive credit being offered by new players who are attempting to challenge established names
- **Farm gate prices on a slide** - The farm gate prices, which were steady for the whole of last year, started sliding down from end of April 2017. it is to be seen whether prices will further slide in the coming months, as the harvest season begins.

## Outlook

Q1 and Q2 are seasonally strong quarters – the pre-season has started well and indications are that activity levels will rise significantly as farmers shake off the subdued previous season which was impacted by drought, disease and demonetization.

# Thank You



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