



# The Waterbase Limited



**Corporate Presentation - December, 2016**

# Contents



Company Overview	3
Growth Strategy	12
Scheme of Amalgamation - Transaction Highlights	20
Industry Overview	24
Financial Overview	34
Q2 & H1 FY17 – Updates	38
Industry Trends	41

## 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



# Company Overview



**20+**

Yrs. In  
the Industry

**1,10,000** MT

Feed Capacity post  
Amalgamation of PFL

**300** TONS

Shrimp Exports in FY17  
(YTD)

**262**

Employees

**32.7%**

Revenue  
CAGR  
FY12>16

**~5,000** CR

Estimated size of  
Domestic Shrimp feed Industry

**319** CR

Revenues  
in  
FY16

**0.5**

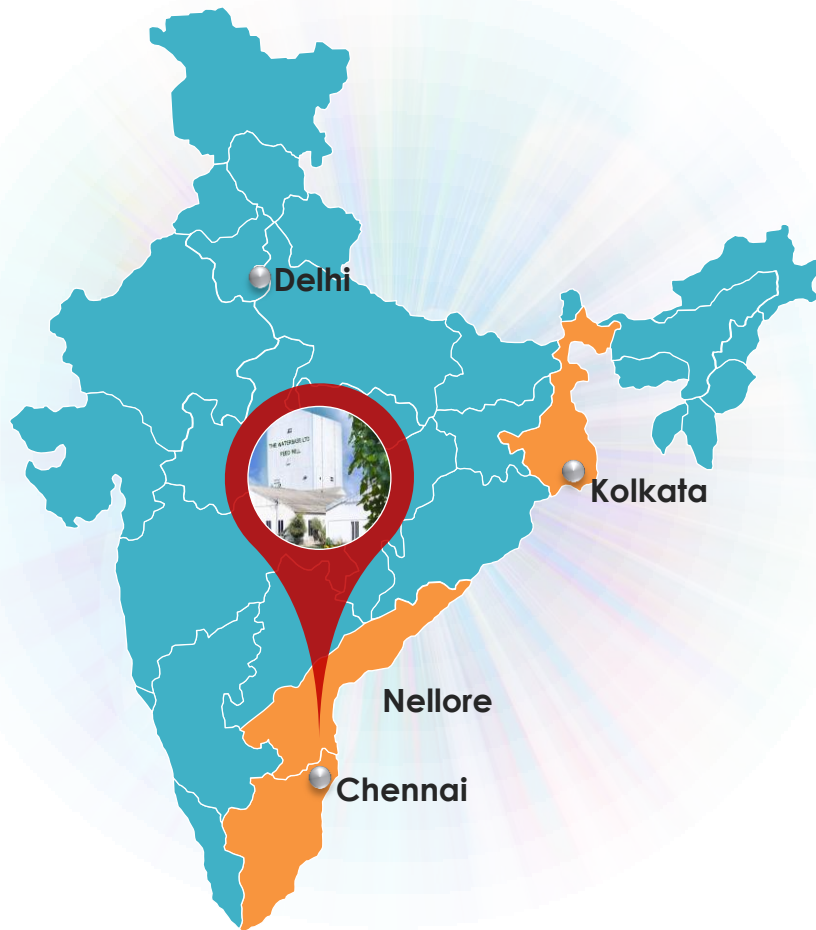
Debt – Equity  
As of  
Sep 2016

**135**

#Dealers  
Pan India Presence

**7%**

Mkt. share  
(Domestic)



- Corporate Office
- Factory

### Registered office and factory

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

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### Corporate Office

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

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### 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 0.5 and Net Debt / EBITDA of ~2x
- Demonstrated financial discipline through good and bad years for industry

# Product Portfolio



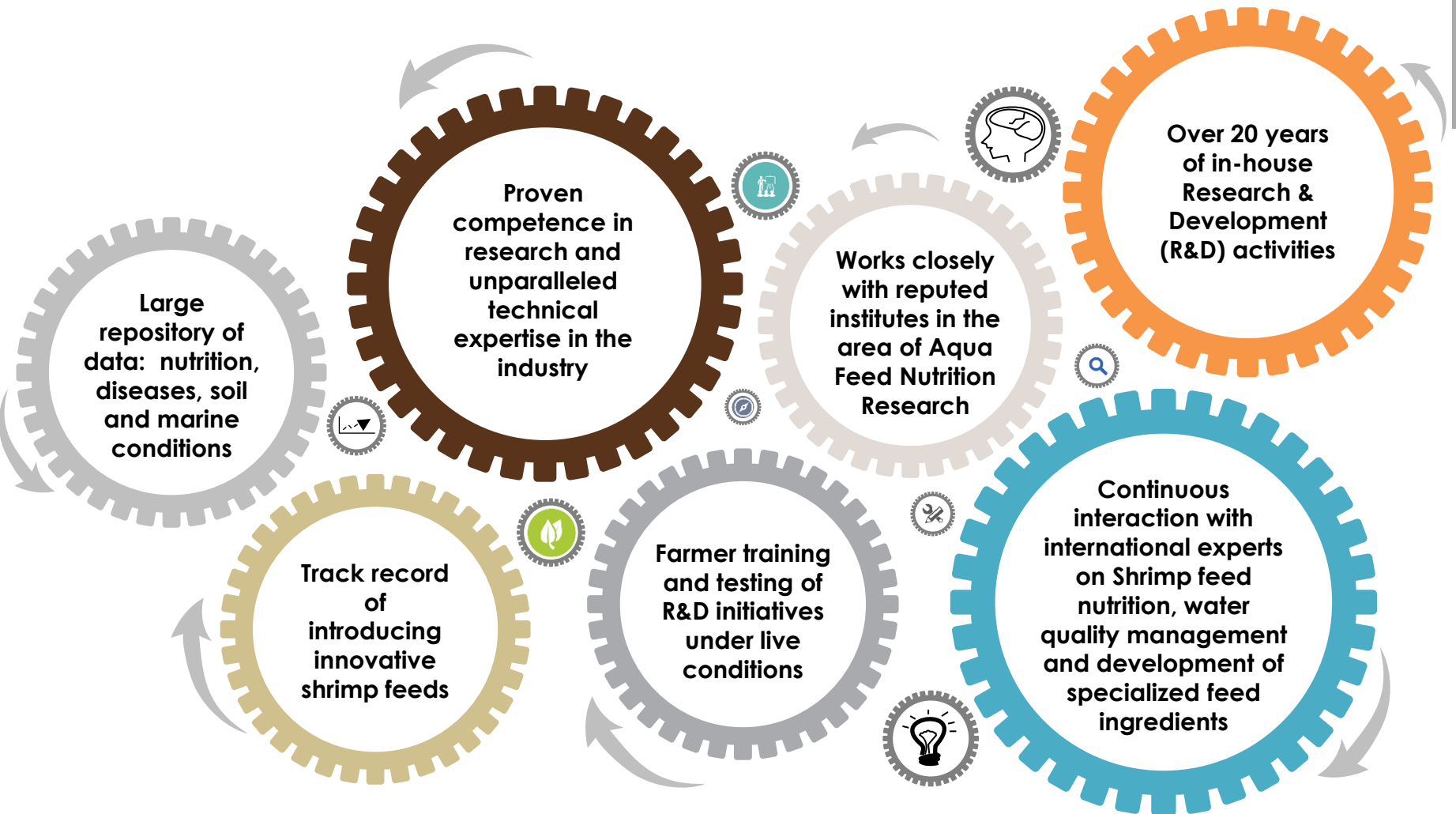
## Shrimp Feed



## Processed Shrimp



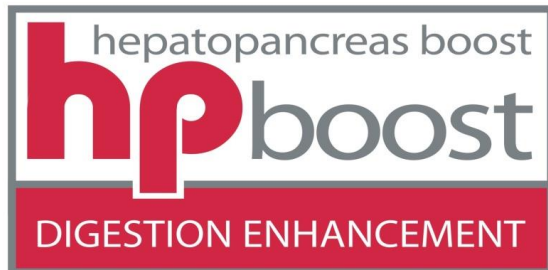
# R&D Strengths



Promoting gut health & a stable gut microflora: Natural antibacterial action



Boosting energy reserves (nutritional status hepatopancreas)



BAY WHITE Enriched		
USP	Feature 1	Feature 2
Improved hepatopancreas function and stabilized gut microflora through natural bacteriostatic action	Natural antibacterial action	Enhanced hepatopancreas function
Starters	Healthy GUT	HP Boost
Growers	Healthy GUT	HP Boost
Action points	Stabilization of the gut microflora using natural bacteriostatic action	Enhanced energy availability and digestive capacity for fats, improved lipid nutrition

# 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

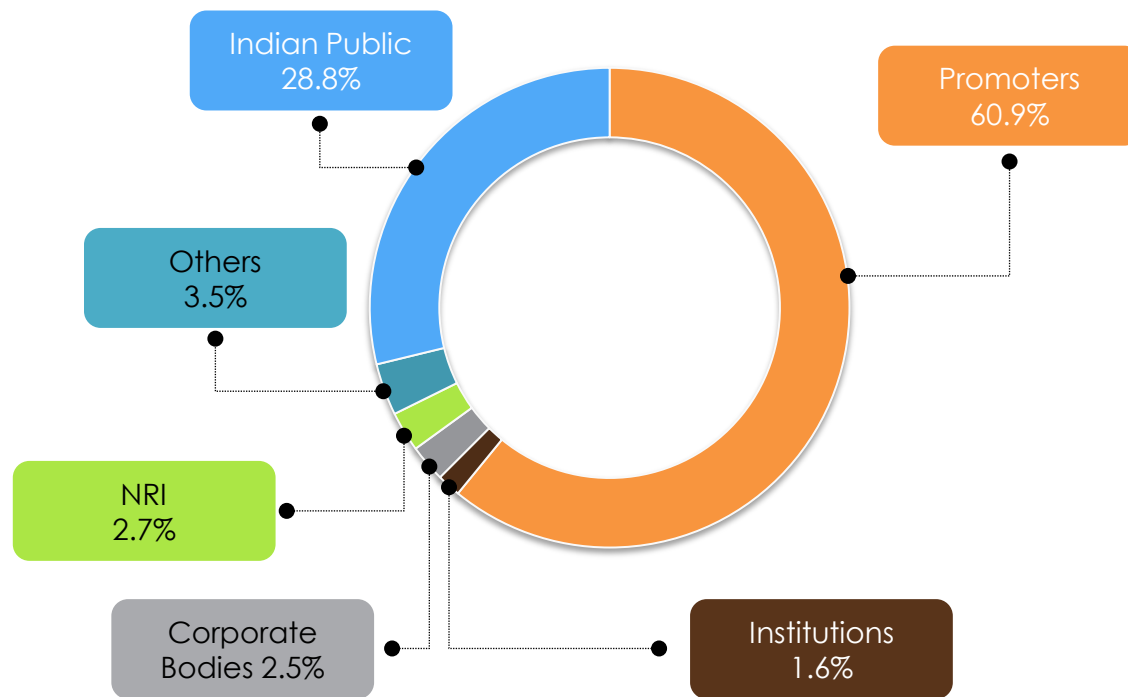


FROST & SULLIVAN

**BEST**  
**2016** **PRACTICES**  
**AWARD**

**INDIA SHRIMP FEED INDUSTRY NEW PRODUCT  
INNOVATION LEADERSHIP AWARD**

# Shareholding Pattern



**Data as on 30th September 2016**



## Growth Strategy





Increase scale for wider market penetration

Diversify market presence

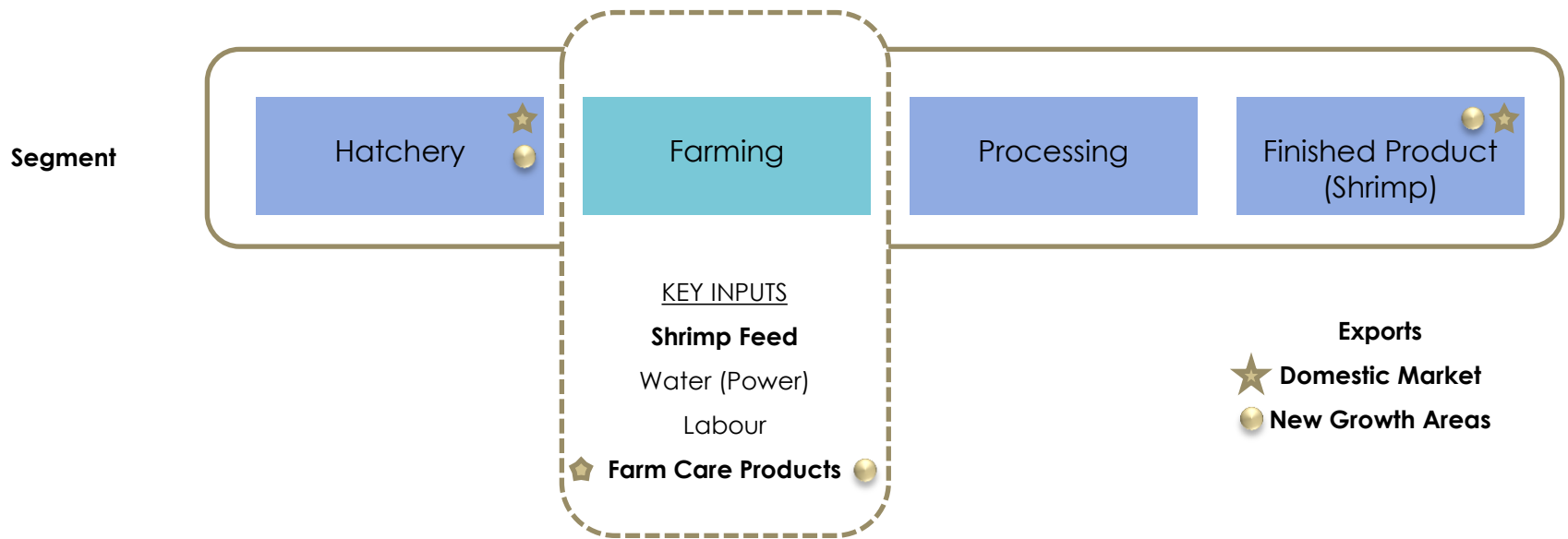
Diversify Revenue Streams

- 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 completion in Q4 FY17
- 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

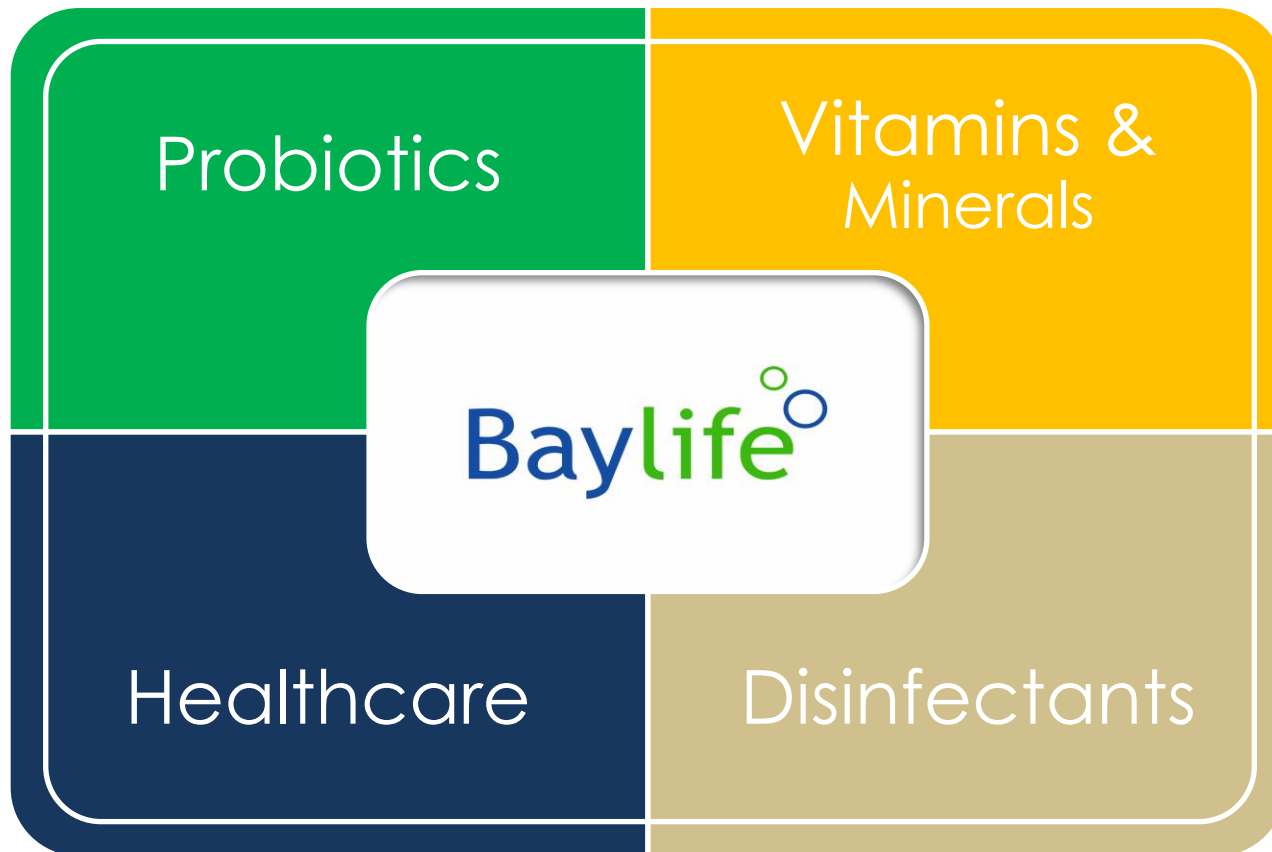
# Vertical & Horizontal Integration



14

Current Size	500 (No. of hatcheries in India)	125,000 Ha under Farming	Over 400 Processing Plants for seafood	3,73,866 MT <sup>1</sup>
Industry Requirement	30 Billion of Post Larvae (PL)	Requires 7,00,000 MT of Shrimp Feed	NA	NA
<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>300 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 Pinnac Feeds Ltd.
4. YTD Exports by TWL



# 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

# New Initiatives – Domestic Market Foray



- Foraying into the domestic market with the brand '**Prize Catch**'
- Introducing Raw Shrimps and Pasteurised Crab meat in the first phase
- Adding soft shell crabs along with Squid rings in the second phase
- Aiming for differentiated offering with a focus on quality and freshness – Initially will focus on institutional (HORECA) sales

17

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



- **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

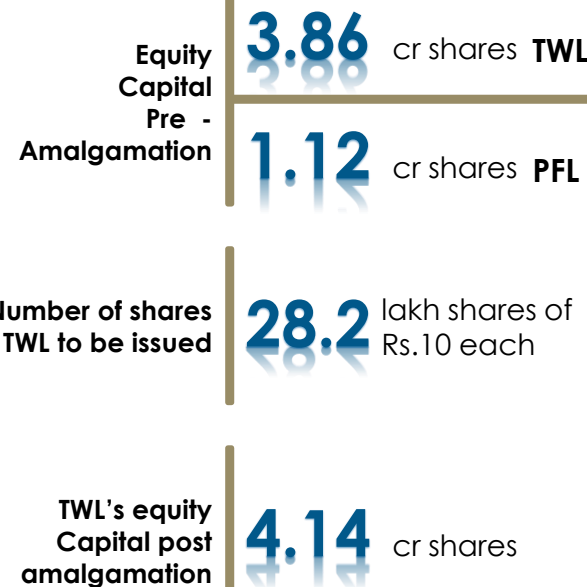
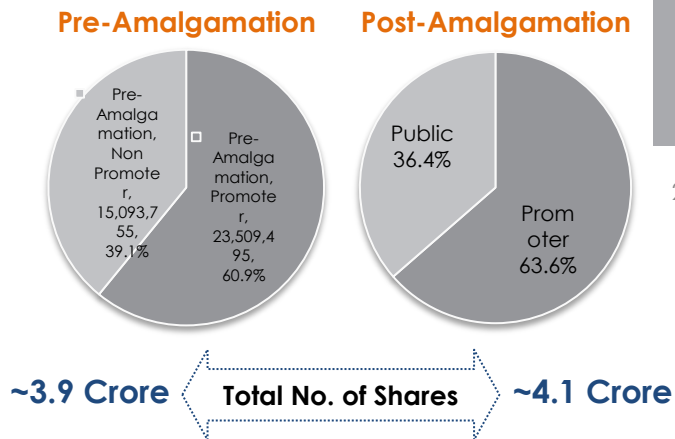
## Advisors

- **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



# 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 :

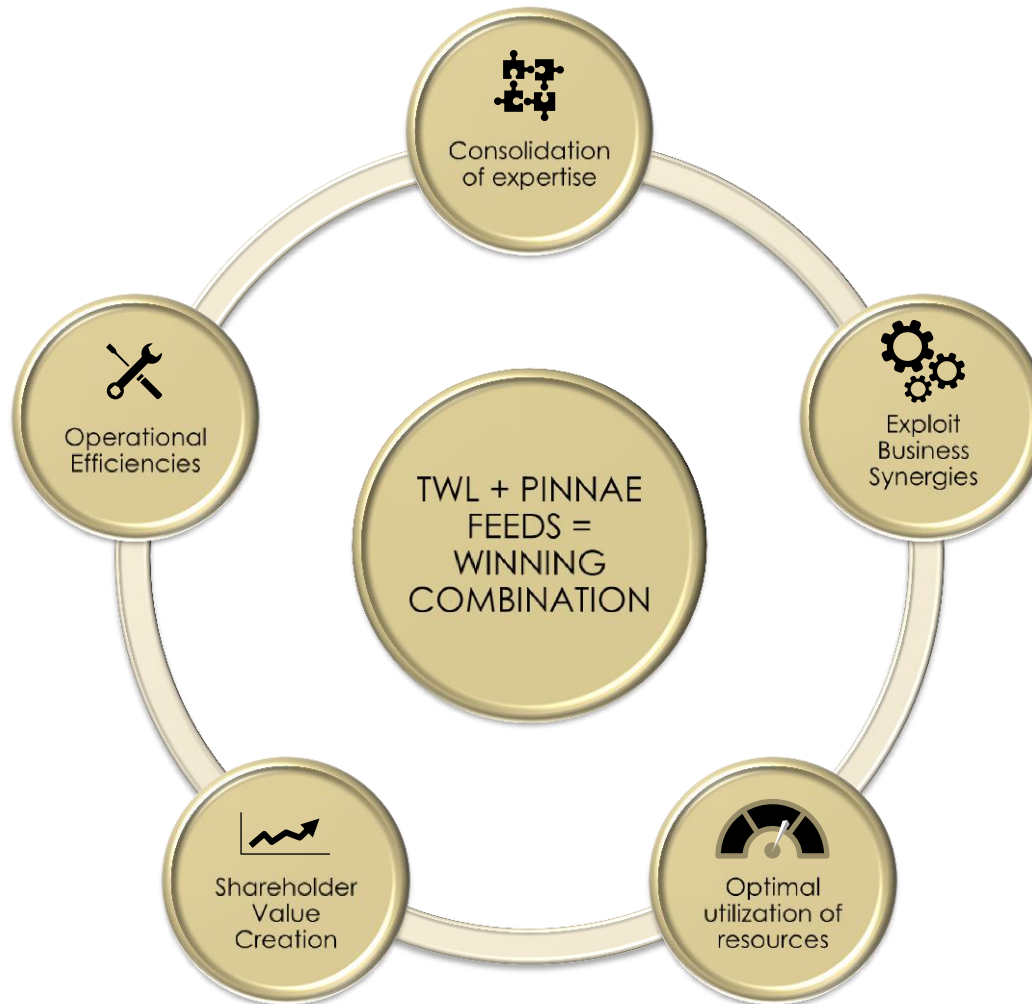
- Revenues of INR 120 crore in FY16 from supply of feed to TWL
- Gross Block - Rs. 46.58 crore
- As of March 31, 2016 - Debt: ~Rs. 42.69 crore (including term loans as well as working capital)



# Rationale for Amalgamation



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





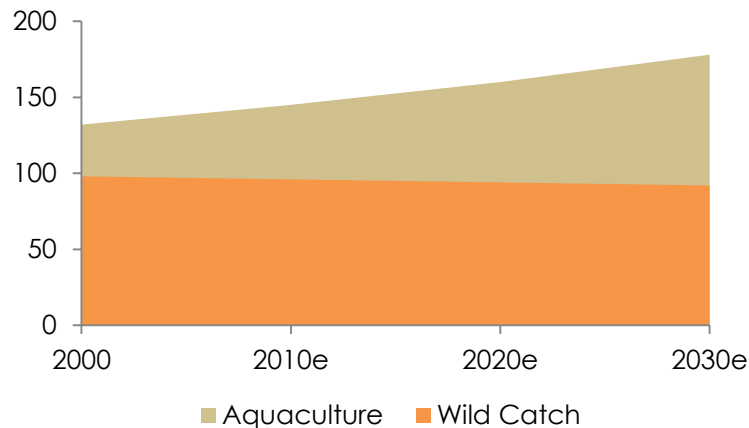
## Industry Overview



# 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

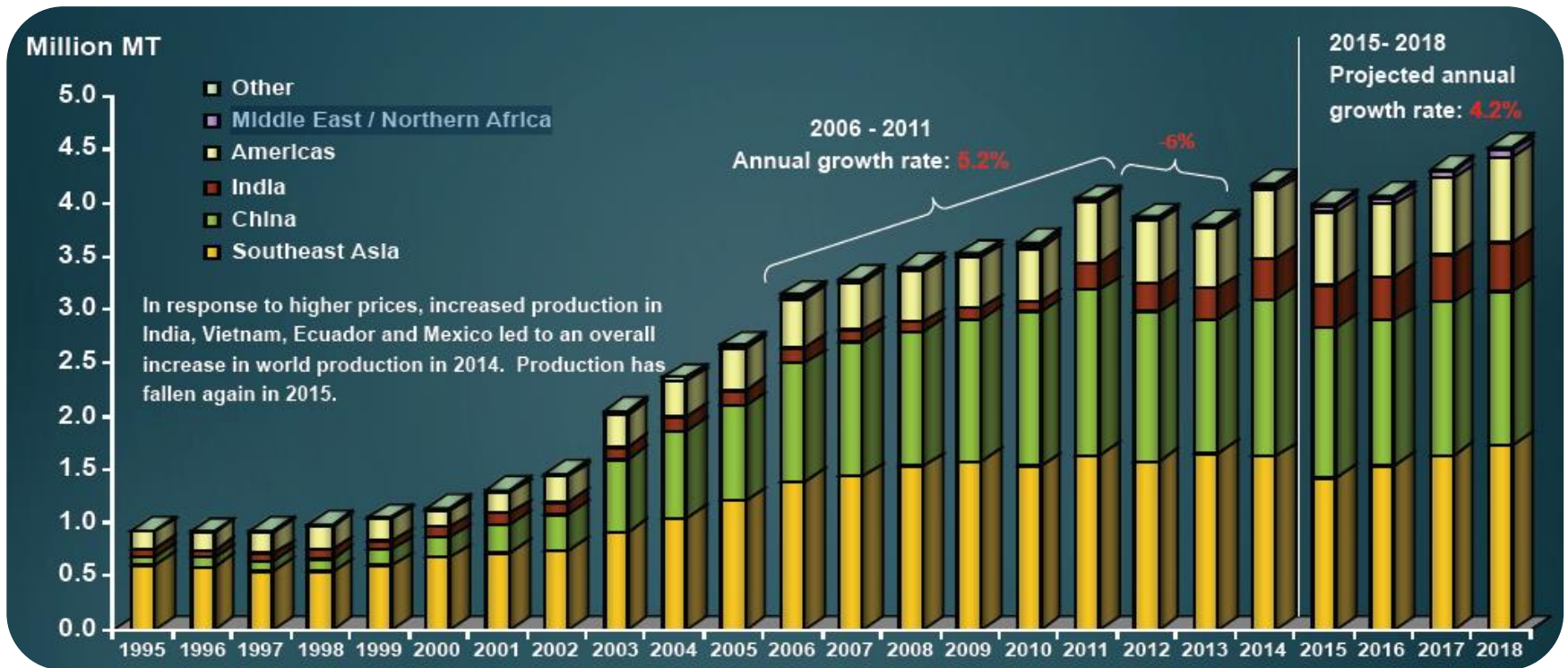
Shrimp is **the largest** single seafood commodity in value terms

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

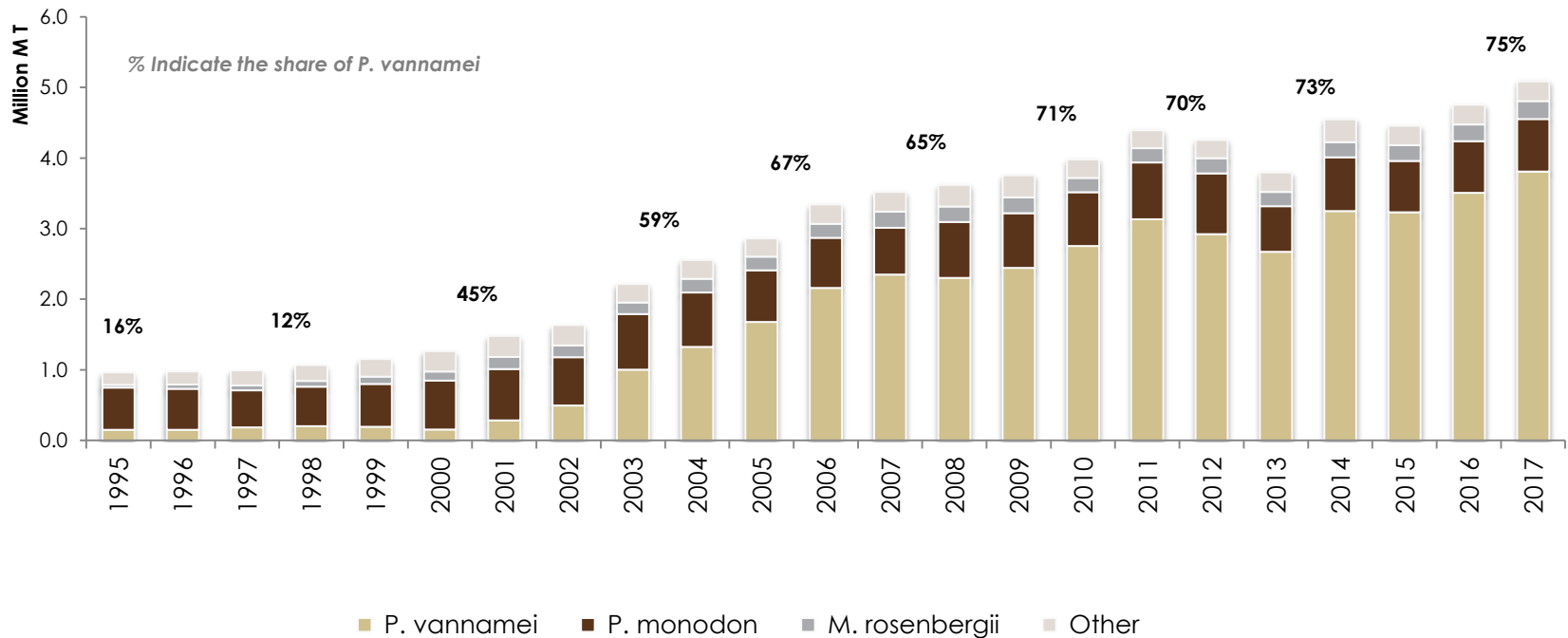
Farmed shrimp contributes **more than half** of total annual production ~55% since the mid – 2000s

# 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:



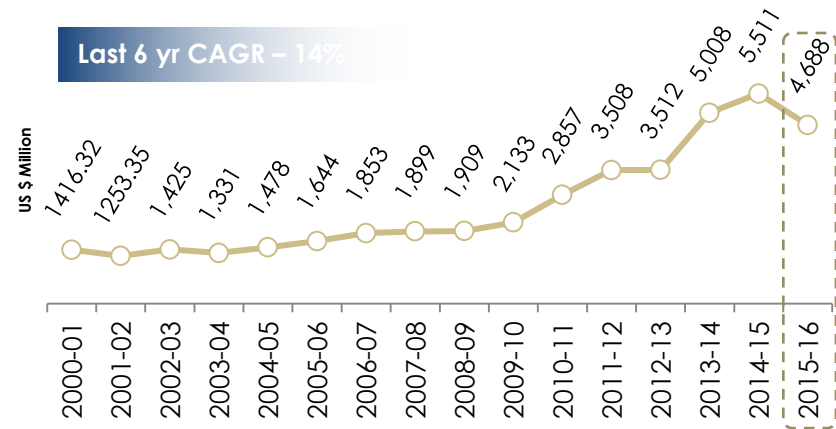
- Aquaculture volumes have grown 4.5x over the last 20 years to 4.5mn tonnes in 2016 from 1.0mn tonnes in 1995
- Share of P. Vannamei has increased to 75% in 2016 from <10% in 1995

# 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)

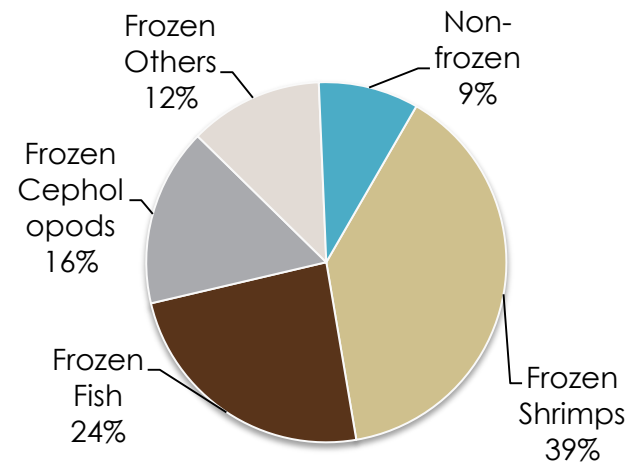
**Source:** www.mpeda.com

# Driven by strong growth in Shrimp Exports

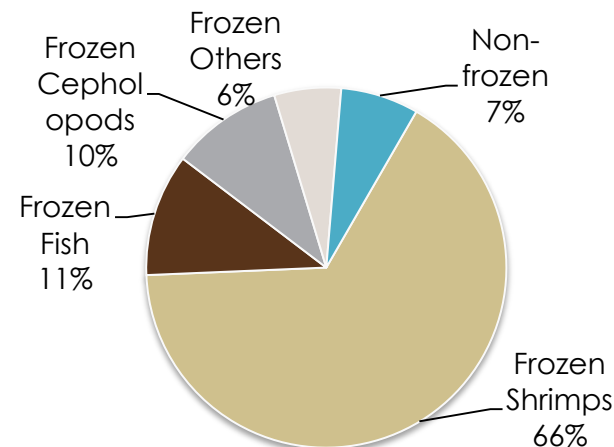


- Shrimp exports continue to report tremendous growth with a CAGR of ~18% in volume terms and 27% in value terms in the last 3 years
- Frozen shrimp continued to be the largest item in the export basket in terms of quantity and registered growth of 4.6% y-on-y in FY2015-16 – lone bright spot despite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

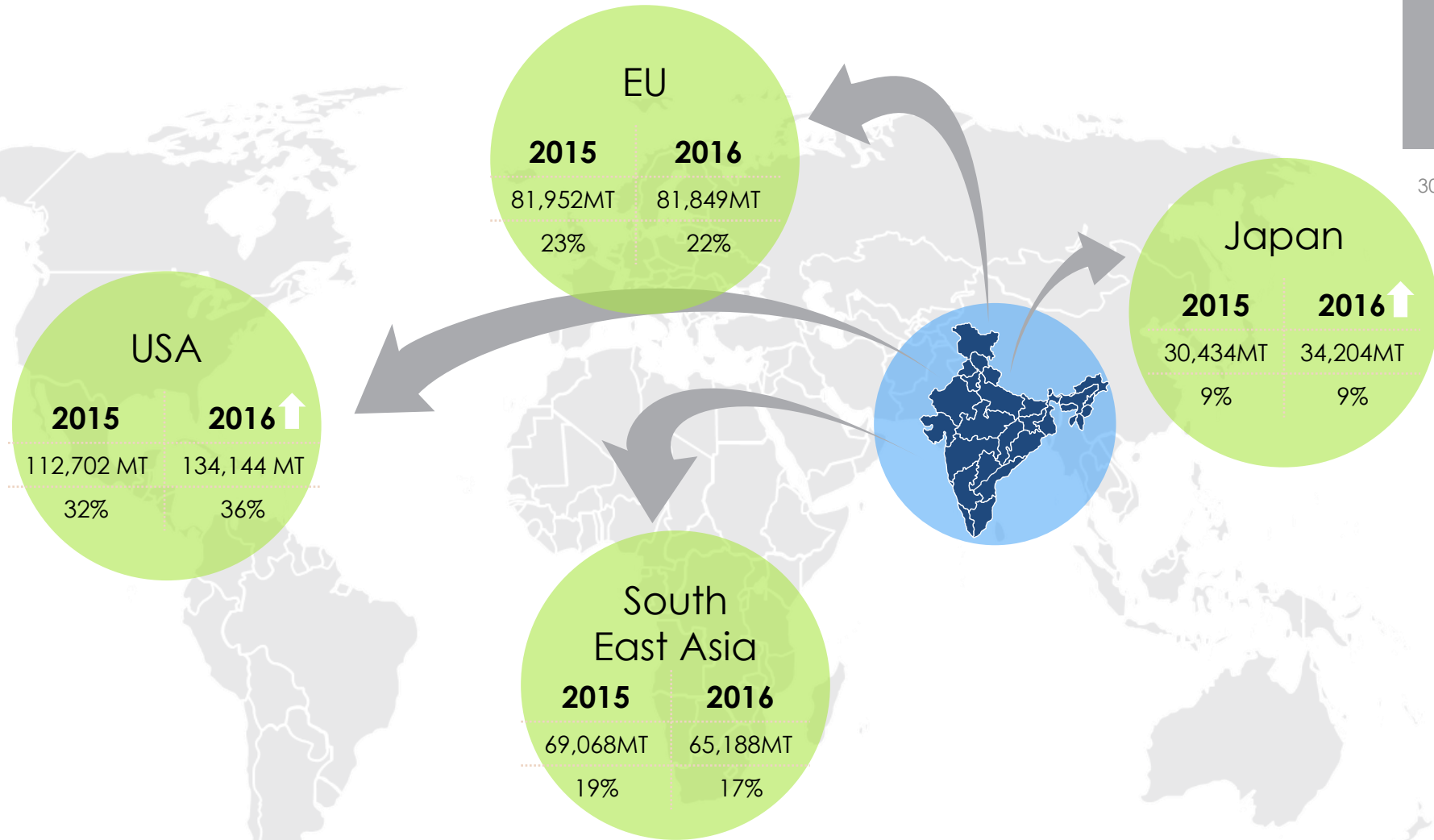
### Volume Contribution



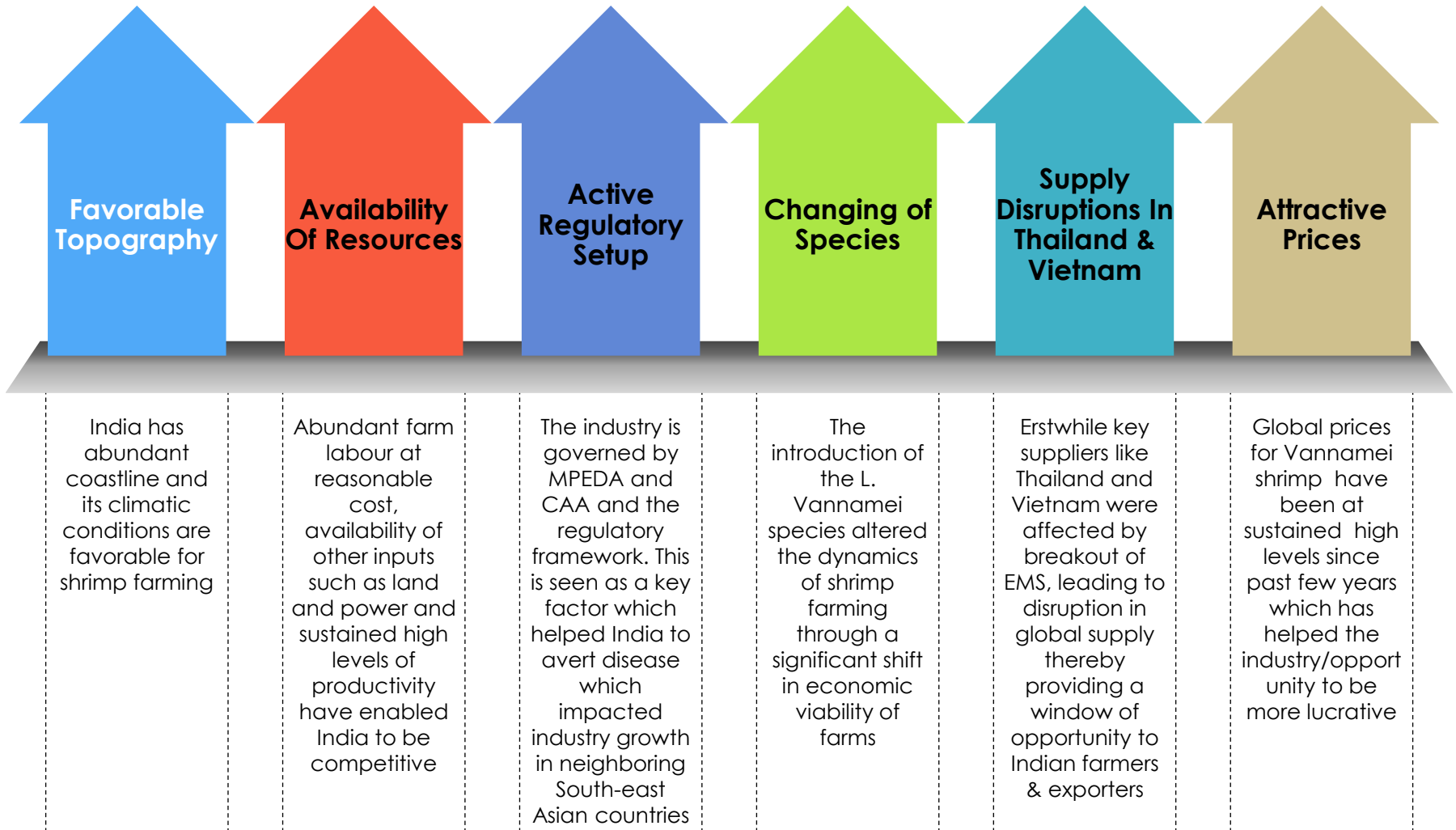
### Value Contribution



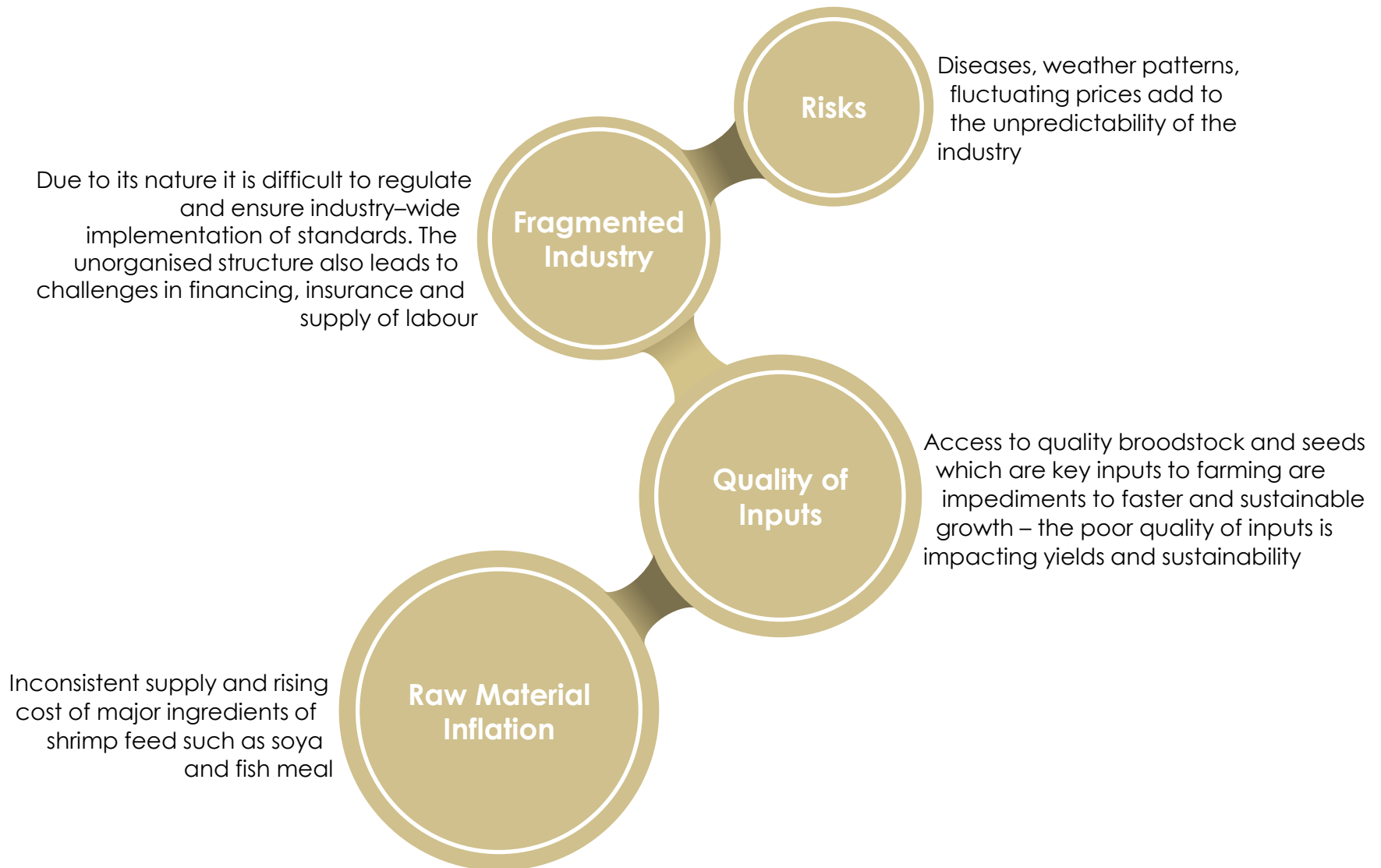
# Shrimp Exports



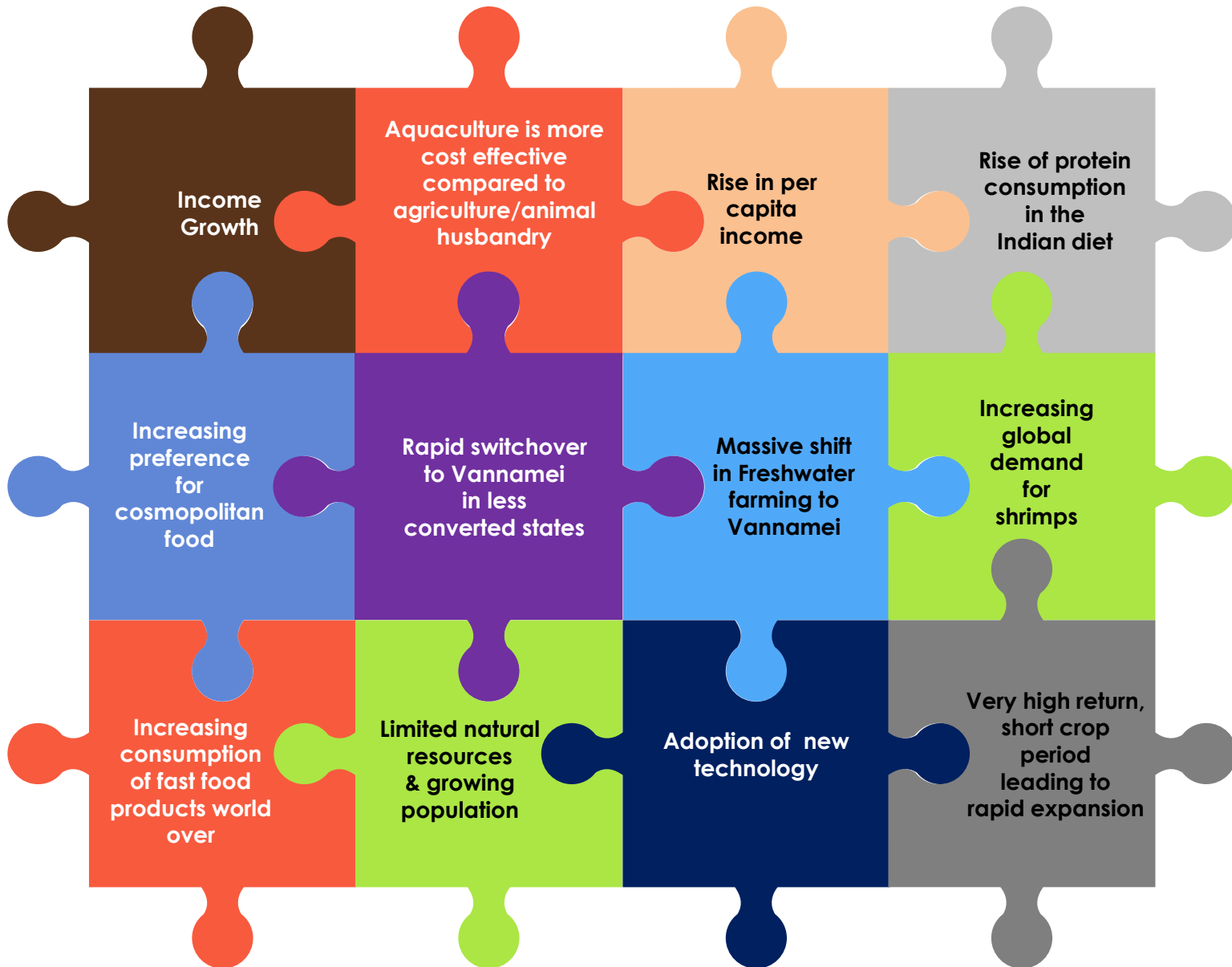
# Factors behind Success of Shrimp Farming in India



# Key Challenges



# Growth Drivers





## Financial Overview

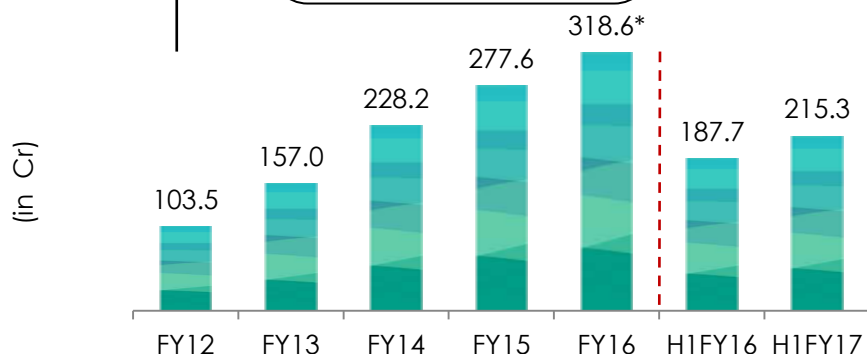


# Financial Performance

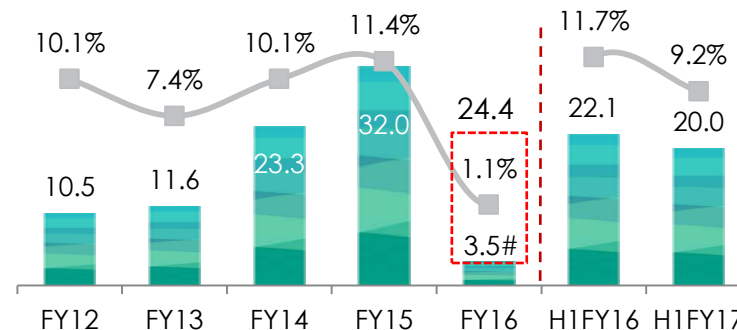


## Revenues

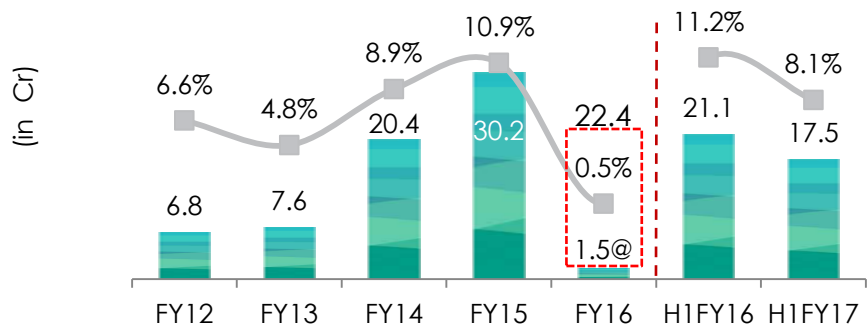
5 year CAGR : 32.57%



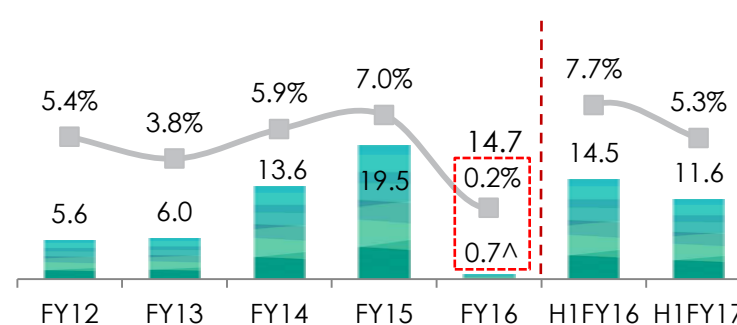
## EBITDA Margins



## PBT Margins



## PAT Margins



\* 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. 23.4 Cr

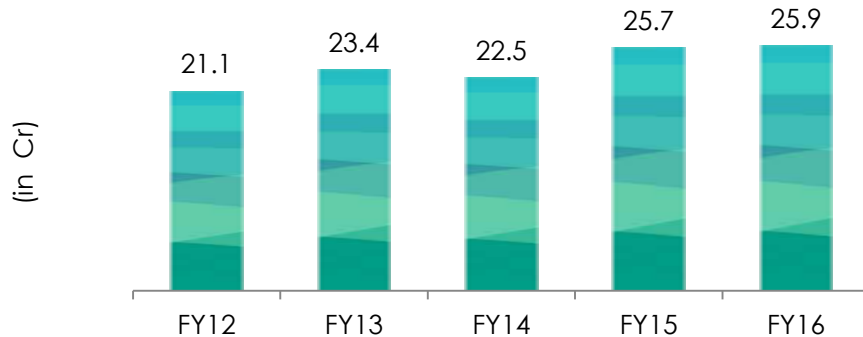
@ PBT was further impacted by exceptional items of Rs. 3.5 crore being one-time settlement cost with one of the company's bankers. Adjusting for this PBT would have been Rs. 22.4 Cr

^ PAT 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

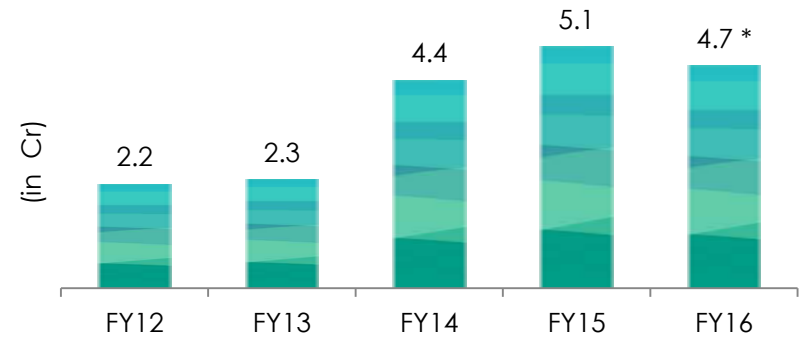
# Key Financials



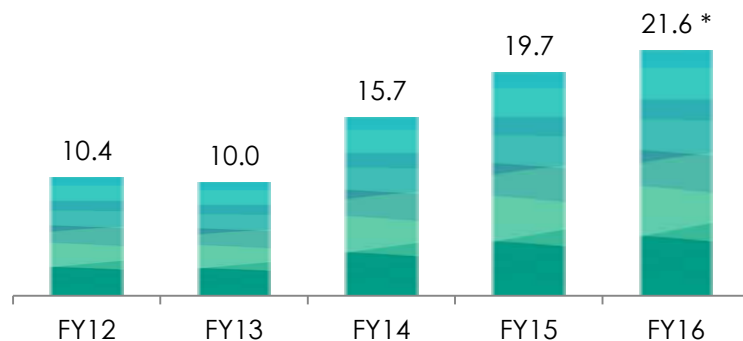
## Book value per share (Rs.)



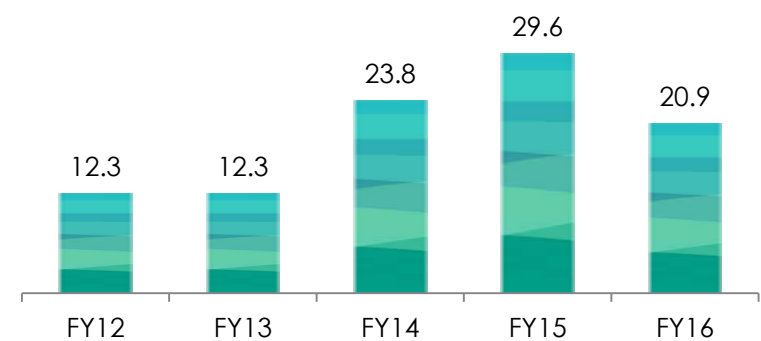
## Earnings Per Share



## Return on net worth (%)



## Return on Capital Employed (%)



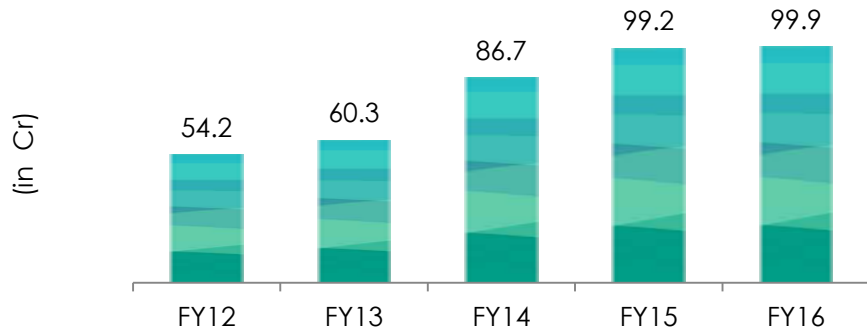
All Return ratios for FY16 were impacted by disruption in business operations and unexpected costs incurred due to flooding of the factory premises and surrounding areas in Nov/Dec 2015

\*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

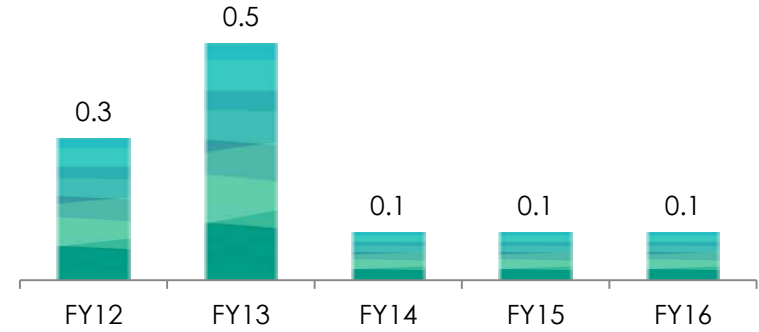
# Key Financials



## Net Worth



## Debt Equity Ratio





## Q2 & H1 FY17 Performance & Updates



# H1 FY17 - Financial Performance



Revenue growth on account of better realisations and volume growth. Positive response in newer markets like Gujarat and West Bengal contributed to volume growth. Revenue growth would have been even better but for wide spread outbreak of disease in key markets like AP & Tamilnadu

One-time expenses for restarting processing, increase in farm gate prices and higher input costs negated the benefit of higher revenue growth as H1 margins contracted by 250 bps

PAT for the H1 FY17 stood at Rs. 11.6 crore; introduction of newer products & widening of distribution network to drive growth going forward

**INR Cr.**

Particulars	Q2 FY17	Q2 FY16	Growth (%)	H1 FY17	H1 FY16	Growth (%)
Income from Operations	80.0	93.9	-14.8%	215.3	187.7	14.7%
EBITDA	5.6	9.6	-41.7%	20.0	22.1	-9.5%
EBITDA Margin (%)	6.9%	10.1%	(320 bps)	9.2%	11.7%	(250 bps)
PAT	2.6	6.4	-59.4%	11.6	14.5	-20.0%
PAT Margin (%)	3.2%	6.8%	(360 bps)	5.3%	7.7%	(240 bps)

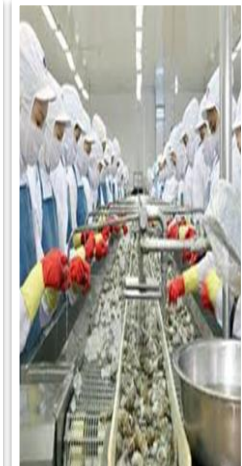


## Feed Business

- Healthy volume growth in H1 FY17 despite widespread impact of disease
- Strong performance from new markets
- Raw Material prices continued upward trends – high competitive intensity has inhibited ability to pass on RM price inflation to customers
- 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 300 tonnes to US, EU & Vietnam
- 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 Products

- TWL will launch its range of farm care products to Q4FY17 under the 'Bay Life' brand
- Also plans to foray into the domestic market offering frozen shrimps and Pasteurised Crab Meat under the 'Prize Catch' brand in Dec 2016



## Industry Trends & Outlook



## Global Demand

- Despite a softer price trend, shrimp imports in the traditional developed markets remained disappointing in 2015-16 and the early part of 2016-17
- The US which is the largest shrimp importer globally, elicited mixed signals due to unstable wholesale prices and a severe winter.
- There were high inventories in local distribution channels as well as with importers in the US.
- The EU registered a decline in volumes despite moderating global prices due to subdued economic conditions and currency depreciation
- In Japan, the moderation in prices of farmed shrimp have resulted in firming up of demand in the retail and catering trade in Japan since mid-2015.
- However, the FAO anticipates global demand for frozen shrimp to grow at a CAGR of 4.2% from 2016 – 2018 to surpass 4.5 mn tonnes

## Global Production

- World production of farmed shrimp was lower in 2015-16 due to falling prices, unfavorable weather conditions and diseases.
- Shrimp production in Asia expected to remain soft owing to ongoing disease problems
  - **China:** Farming efforts this year have slowed, Farmers who lost crops in 2015 to disease are not keen to continue farming shrimp this year.
  - **Vietnam:** Drought and saltwater intrusion coupled with EHP and white feces diseases impacted shrimp production.
  - **Indonesia:** Overall production has shown signs of improvement so far this year.
  - **Thailand:** Some improvement in production witnessed but still long way to reach normalcy.
- In Latin America, the top regional producer Ecuador witnessed some impact due to the Earthquake in 2016. However, overall production has increased 10% from Latin America.
- Wild catch volumes continue to decline globally at an accelerated pace.

- **Sharp contraction in Indian shrimp production** despite bumper first crop owing to wide spread White spot, EHP and White feces diseases
- 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

## **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

The remainder of the year will see a slow down in farming efforts on account of weather, demonetisation and disease situation.

Raw Material prices on a slide on account of poor demand.

Farmgate prices being lucrative, farmers will look forward to stocking early. We can expect the feed demand to pick up pace from March itself.

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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