



THE WATERBASE LIMITED

Annual Report 2005-06



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THE WATERBASE LIMITED



Annual Report 2005-2006

BOARD OF DIRECTORS

Mr. VIKRAM M THAPAR, Chairman

Mr. ANIL KUMAR BHANDARI

Mr. ADARSH SARAN

Mr. ANIL THADANI

Mrs. JYOTI THAPAR

Mr. MATHEW VERGHESE
(Nominee of ICICI Bank Ltd.)

Mr. MANEESH MANSINGKA

CHIEF EXECUTIVE

Mr. ASHOK NANJAPA

COMPANY SECRETARY

Ms. SUGUNA KRISHNAMURTHY

AUDITORS

MITRA KUNDU & BASU
CHARTERED ACCOUNTANTS
1, ACHARYA J. C. BOSE ROAD
KOLKATA - 700 020.

REGISTERED OFFICE & WORKS

ANANTHAPURAM VILLAGE
T. P. GUDUR MANDAL
NELLORE - 524 344
ANDHRA PRADESH.

SHARE TRANSFER AGENTS

DATA SOFTWARE RESEARCH CO. PVT. LTD.
SHREE SOVEREIGN COMPLEX
22, 4TH CROSS STREET
TRUSTPURAM, KODAMBAKKAM
CHENNAI - 600 024.

LISTING IN STOCK EXCHANGES

THE STOCK EXCHANGE, MUMBAI.

BANKERS

STATE BANK OF INDIA, OVERSEAS BRANCH, CHENNAI - 600 001.
CANARA BANK, OVERSEAS BRANCH, CHENNAI - 600 002.
UNION BANK OF INDIA, OVERSEAS BRANCH, CHENNAI - 600 017.
STATE BANK OF HYDERABAD, INDUSTRIAL FINANCE BRANCH, CHENNAI - 600 001.



NOTICE

NOTICE is hereby given that the Nineteenth Annual General Meeting of the Company will be held on 29th July 2006 at 11.00 a.m at the Registered Office of the Company at Ananthapuram Village, T P Gudur Mandal, Nellore - 524 344 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2006 and the Profit and Loss Account for the year ended on that date and the Reports of the Board of Directors and the Auditors thereon.
2. To appoint a Director in place of Mr. Vikram M Thapar who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Anil Kumar Bhandari, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint M/s Mitra Kundu & Basu, Chartered Accountants, as Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting on such remuneration as may be decided by the Board of Directors.

SPECIAL BUSINESS

1. To consider and if thought fit, to pass the following resolution, with or without modification as a **Special Resolution**:

REAPPOINTMENT OF CHIEF EXECUTIVE AS MANAGER OF THE COMPANY UNDER THE COMPANIES ACT 1956

"RESOLVED that pursuant to Section 198,269 and 309 read with Schedule XIII (including any statutory modification(s) or reenactments thereof for the time being in force) and other applicable provisions, if any of the Companies Act, 1956, and subject to the approval of the Central Government, and such modifications, if any, as may be made by the Central Government consent be and is hereby accorded to the re-appointment of Mr. Ashok Nanjapa as Manager for a period of 5 years from 1st April, 2006 upto 31st March 2011 and to the payment of remuneration as set out in the Explanatory statement."

"RESOLVED FURTHER that the Board of Directors (hereinafter referred to as 'the Board' which term shall also be deemed to include the Remuneration Committee constituted by the Board) of the company be and is hereby authorized to make/ accept modifications to the terms of appointment and /or remuneration as it considers appropriate and/or as may be required by the Central Government."

"RESOLVED further that in the event of absence or inadequacy of profits in any financial year during the tenure of Mr. Ashok Nanjapa the Company shall pay him the remuneration as set out in the Explanatory statement annexed to the notice being the minimum remuneration laid down in Para B of Section II of Part II of Schedule XIII of the Companies Act 1956."

Registered Office:
Ananthapuram Village
Nellore - 524 344.

New Delhi, May 22, 2006

By Order of the Board
For **THE WATERBASE LIMITED**

SUGUNA KRISHNAMURTHY
Company Secretary



NOTES:

1. The Explanatory Statement, as required under Section 173(2) of the Companies Act, 1956 is attached.
2. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.**

ANNEXURE TO THE NOTICE

(Explanatory Statement under Section 173(2) of the Companies Act, 1956)

ITEM NO.6: REAPPOINTMENT OF MR. ASHOK NANJAPA, CHIEF EXECUTIVE AS MANAGER OF THE COMPANY UNDER THE COMPANIES ACT 1956

The Board of Directors in its meeting dated May 22, 2006 reappointed Mr. Ashok Nanjapa, Chief Executive as Manager of the Company for a period of five years commencing from April 1, 2006 upto March 31, 2011, on the recommendation of the Remuneration Committee at its meeting dated May 10, 2006, which also recommended the terms of reappointment. The reappointment and remuneration proposed is subject to the provisions of Section 198, 269, and other applicable provisions if any of the Companies Act 1956 read with Schedule XIII and the approval of the Central Government.

The proposed remuneration is approved for a period of five years and details are as below:

Total emoluments of Rs.2.05 lakhs per month with annual increments as may be decided by the Board subject to a ceiling of Rs.3.50 lakhs per month as provided in Clause 1(B) Section II, Part II of Schedule XIII of the Companies Act 1956.

Salary :

1. Basic Rs. 1.65 lakhs per month, with annual increments as may be decided by the Board. (The Board is entitled to decide whether there should be an annual increase and if so the quantum of the same)

PERQUISITES

2. Housing – Rent free Accommodation – as per Company rules
3. Medical - Reimbursement of expenses incurred for self and family subject to the rules of the Company
4. Leave travel concession For self and family as per the rules of the Company
5. Other payments and provisions which shall not be taken in computing the ceiling on remuneration:
 - a. Contribution to Provident Fund : As per the rules of the Company
 - b. Contribution to Superannuation Fund : As per the rules of the Company
 - c. Provision of car with driver for use on Company's business and telephone at residence.

Perquisites will be calculated at actual cost and wherever applicable it will be evaluated as per the Tax Rules.

In case in any financial year, the Company has no profits or has inadequate profits, remuneration will



be payable as specified in Section II of Part II of Schedule XIII of the Companies Act 1956.

In view of the inadequate profits during the financial year, the remuneration proposed to be paid to Mr. Ashok Nanjapa, is as per Clause 1B, Part II, Section II of Schedule XIII of the Companies Act 1956. As per the Schedule, certain disclosures are required to be made and the same are given below. An application has been made to the Central Government for seeking approval for the proposed remuneration.

None of the director are interested or concerned in the above resolution.

The above resolution is in the interest of the Company and the Board of Directors recommend this resolution for acceptance by the members.

GENERAL INFORMATION

1. Nature of Industry

The Company is engaged in the manufacture of prawn feeds, exports of processed shrimp and aquaculture.

2. Date of commercial production

Commercial production in phases commencing from July 1993 and full scale production in January 1994

3. In case of new companies, expected date of commencement of activities as per project approved by the financial institutions

Not applicable

4. Financial performance based on given indicators

As per Annual report

5. Export performance and net foreign exchange collaborations

Exports - FOB Value - Rs. 180.57 million

INFORMATION ABOUT THE APPOINTEE

Background details, Job suitability - Mr. Ashok Nanjapa is a senior management executive, with a wide industry experience of over 37 years. Mr. Ashok Nanjapa has been associated with the Company for over 10 years as Chief Executive and Manager under Section 2(24) of the Companies Act 1956.

During the last two years, the effects of the Antidumping duties in the US which is one of the largest markets for processed frozen shrimp and the Tsunami has impacted the Indian shrimp industry adversely. The tariff barriers of the US has resulted in sluggish demand and very low price realisations. Post Tsunami the high failure rates of crops and prevalence of diseased seeds has affected the feed offtake. The continued drop in international prices has also led to uncertainty and a resultant low farming area. Consequently the company has suffered a set-back again. Mr. Ashok Nanjapa's reappointment will therefore be crucial to the organisation to help it recover from its present crisis and get on to the path of recovery. Mr. Ashok Nanjapa has proven abilities in this regard. His experience and knowledge of the industry will be of benefit to the company.



Past remuneration - The compensation paid to Mr. Ashok Nanjappa was last approved by the shareholders in July 2001 and did not exceed Rs. 1.75 lakhs per month as per Clause 1A, Section II, Part II of Schedule XIII of the Companies Act 1956.

Remuneration proposed – The role and responsibilities faced by the Chief Executive and Manager of the Company have become significantly higher than in the past years especially in the face of a challenging situation. The Board of Directors therefore recommend a revision in remuneration as stated above.

COMPARITIVE REMUNERATION PROFILE WITH RESPECT TO INDUSTRY,SIZE OF COMPANY, PROFILE OF THE POSITION AND PERSON

The remuneration proposed to be paid is as per industry standards.

PECUNIARY RELATIONSHIP DIRECTLY OR INDIRECTLY WITH THE COMPANY OR RELATIONSHIP WITH THE MANAGERIAL PERSONNEL

None.

III. OTHER INFORMATION

1. Reasons for loss or inadequate profits:

The aquaculture industry is prone to natural disasters as well as risks related to disease and virus as they deal with living organisms, such as shrimp. Shrimp which is also a commodity is subject to sudden price shifts. The combination of the Tsunami, the antidumping duties imposed along with other non tariff barriers like customs duty by the USA which is one of the largest markets for processed frozen shrimp, the competition from chinese and Thailand, together with the Tsunami has impacted the Indian shrimp industry adversely. The tariff barriers of the US has resulted in sluggish demand and very low price realisations for processed shrimp. Post Tsunami the high failure rates of crops and prevalence of diseased seeds has affected the feed offtake. The continued drop in international prices has also led to uncertainty and a resultant low farming area. Consequently the company has suffered a set-back again.

2. Steps taken or proposed to be taken for Improvement

Considering the uncertain conditions, the Company needs to proceed very cautiously and to prepare itself for difficult times ahead. The Company plans to enter the EU market and has initiated a contract with Spain for supply of head on shrimp. Most of the exports will be in lower sizes ranging from 25gms and above where the competition from China and Thailand will be minimum. Plans to diversify to producing crab cakes in the existing facility is being actively pursued.

3. Expected Increase in productivity and Profits in measurable terms.

The company's profits are basically linked to the progress of the the industry and how soon it can recover from the effects of the Tsunami and the Antidumping duties clamped by the US . The Government of India has taken up the matter of Antidmping duties with the US and it is expected that this hurdle will be removed shortly.



DIRECTORS' REPORT

Your Directors have pleasure in presenting their Nineteenth Annual Report together with the Audited Accounts for the financial year ended March 31, 2006.

FINANCIAL RESULTS

(Rs. in million)

Particulars	Current Year	Previous Year
Gross Sales	677.82	986.72
Operating Profit before Interest, depreciation & tax	40.09	103.19
Profit / (Loss) before Tax	(70.98)	5.33

OPERATIONS

The operating profit before interest, depreciation and tax is Rs.40.09 million as against Rs.103.19 million in the previous year.

The year 2005-2006 has been a very difficult one, not only for the Company but also for the entire Aquaculture industry as well with a series of setbacks in all sectors of the industry.

During the year International price for shrimps remained uncertain and depressed. The Company accordingly had to be very cautious in its approach in export activities. Post Tsunami, the Industry was hopeful that the verdict of the Critical Circumstances Review carried out by United States on India and Thailand, the duty would be removed for India considering the setback faced by the Industry on account of Tsunami. However USA maintained the earlier duty imposed by it on India.

The impact of Tsunami and the anti-dumping duty imposed by United States of America had its effect on the Industry which in turn affected the off take of feed by the farmers. This resulted in lower sales of domestic feed also.

The Industry expects the current trend to continue in this financial year also. The Industry is still to recover fully from the setback suffered due to Tsunami & Anti Dumping Duty.

However there are certain developments, which have taken place during the current financial year, which would go to improve the performance of the Industry in the near future.

The Government of India has recently passed the aquaculture bill which would pave the way for farmers to access low cost advances from banks and the Insurance companies are also expected to enter this Industry, after almost a decade.

FINANCE

The Company continuous to pursue suitable options in it efforts to reduce interest cost.

The Company has approached its Financial Institutions for reschedulement of its term loans in view of the difficult situation facing the Industry and in turn your company.

It has received reschedulement from IFCI. It is in discussion with the other Institution and the amount indicated in Auditors Report regarding amounts due to Institution would be addressed once decision is arrived at.



PARTICULARS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

Information pursuant of Section 217 (1) (e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is given in Annexure – A of this report.

PARTICULARS OF EMPLOYEES

During the year under review, no employee of the Company was in receipt of remuneration requiring disclosure under Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.

DIRECTORS

Mr. Vikram M Thapar and Mr. Anil Kumar Bhandari retire by rotation and offer themselves for reappointment at the ensuing Annual General Meeting.

During the year Mr.Prem Pandhi , alternate director to Mr.Anil Thadani and Mr.Pradeep Dinodia resigned from the Board. The Company places its appreciation for the contribution made by each of them during their tenure.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirements under Section 217 (2AA) of the Companies Act, 1956 with respect to Director's Responsibility Statement, it is hereby confirmed that:

- (1) In the preparation of the Annual Accounts for the financial year ended March 31, 2006, the applicable Accounting Standards have been followed along with proper explanation relating to material departures.
- (2) The Directors have selected such Accounting Policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of the affairs of the company at the end of the financial year and of the profit of the company for the year under review.
- (3) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
- (4) The Directors have prepared the Annual Accounts on a going concern basis.

CORPORATE GOVERNANCE

The Company has over the years been committed to good Corporate Governance practices. A separate report on Corporate Governance together with Auditor's Certificate regarding Compliance of conditions of Corporate Governance under Clause 49 of the Listing agreement forms part of the Annual Report.

AUDITORS

The Auditors, M/s. Mitra Kundu & Basu, Chartered Accountants, retire and being eligible, offer themselves



for re-appointment.

ACKNOWLEDGEMENTS

Your Directors place on record their appreciation for the assistance and support extended by the Government Authorities, Financial Institutions and Banks.

Your Directors express their appreciation for the dedicated and sincere services rendered by the employees of the Company.

For and on behalf of the Board of Directors

VIKRAM M THAPAR
Chairman

New Delhi, May 22, 2006

