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Date: 21.03.2021

To
The General Manager,
Department of Corporate Services,
Bombay Stock Exchange Limited,
PhirozeJeejeebhoy Towers,
Dalal Street, Mumbai- 400001.
Scrip Code : 540692

To
The General Manager,
Listing Department,
National Stock Exchange of India Limited
Exchange Plaza, Plot No C/1, G Block,
Bandra Kurla Complex,
Bankdra (East), Mumbai - 400 051.
Scrip Symbol : APEX

Dear Sir/Madam,

Subject: Transcript of Q3FY21 Earnings Conference Call held on 13^{th} February, 2021

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, kindly find enclosed a transcript of the Q3FY21 Earnings Conference Call which was held on Saturday, 13^{th} February, 2021.

The aforementioned Earnings Conference Call, as per the transcript enclosed, incorporates mainly the highlights of financial results of the Quarter and Nine Months ended December 31, 2020 and other related information which is already in public domain and/or made available / uploaded on the Company's website.

Please take the same on your records.

Thank You,

For **Apex Frozen Foods Limited**

Apex Frozen Foods Ltd. *Kakinada*

S.Sarojini,
Company Secretary & Compliance officer

Encl:a/a

"Q3 FY2021 Earnings Conference Call
of Apex Frozen Foods Limited"

February 13, 2021

MANAGEMENT:	**MR. CHOUDARY KARUTURI – EXECUTIVE DIRECTOR – APEX FROZEN FOODS LIMITED** **MR. VIJAY KUMAR – CHIEF FINANCIAL OFFICER – APEX FROZEN FOODS LIMITED** **MR. DURGA PRASAD – SENIOR MANAGER ACCOUNTS – APEX FROZEN FOODS LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Q3 FY2021 Earnings Conference Call of Apex Frozen Foods Limited. As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Choudary Karuturi, Executive Director, Apex Frozen Foods. Thank you and over to you Sir!

Choudary Karuturi: Thank you Margaret. Good morning everyone and thank you for joining us on a Saturday morning for discussing our results of the quarter and nine months ended December 31, 2020. Mr. Vijay Kumar, our CFO and Mr. Durga Prasad, our Senior Manager Accounts and Stellar IR Advisors, our investor relation advisor are on the call with us today. I hope you had a chance to go through the investor presentation that is uploaded on the website of the stock exchanges.

With the roll out of the vaccines around the world, we are seeing some sort of normalcy return to our lives and while the worst may be behind us, there are still pockets of challenges that people continue to face around the world in every part of life.

During our calls in Q1 and Q2, we were operating with several challenges including labor availability, sudden drop in demand, logistical challenges and supply issues. While a lot of these have eased over the past months even though they have not been completely out, there are some issues that we faced in Q3, which I will elaborate in the next few minutes.

Let me take you through our operating performance in the quarter gone by. On the demand side, as you are aware our product mix has been retail-focused and while demand from the institutional side, that is the restaurant and catering business, has been subdued, take away demand and in-home consumption continues to be steady. USA and Europe had seen targeted lockdowns again in phase two, but we are hopeful that with the roll out of vaccines and as the number of COVID-19 cases come down, we should see a bounce back soon as things are changing. With regard to China, they have been importing quite a significant amount of products in the beginning, but during the middle of the year they started finding traces of COVID-19 on packages of imported food products whether it is from Ecuador or some other countries of the world including some from Russia. So China has been very cautious in allowing imports into its country and also there has been a significant effect on the seafood imports, including fish and shrimp. So there has been significant delays even in the clearance of the shipments, which have gone to China, thereby affecting the realization of such business. However in our company's case, we did not have any exports to China in the Q3. With regard to European Union, we did have a good set of business, steady business. However post second phase lockdown in France and the United Kingdom, the consumption has been challenged and overall the demand has been slowly recovering as things get better and as those markets come out of the pandemic situation. USA, the main market for our company as well as for the country, is the largest consumer of shrimp in the world. Restaurants have been closed significantly until a month to month and a half ago. Slowly things started improving. They have opened up for indoor dinning, however the number of guests permitted in these restaurants and the food service segments are restricted and these restaurants have been working at under capacity. It is around 25% of their capacity so slowly the demand has been picking up, but main area of focus this year for sure because of the way the lifestyle changes and the way the pandemic has changed the norm of life, the main focus is on the retail segment and the retail has been fairly growing well; however, the retail segment is not entirely able to substitute the loss of business on the food service sector. So, it has been reasonably well and all the retail outlets and our retail customers are also looking forward to place the orders for the current calender year that is 2020. However, there has been a major issue even for our retail customers because the present orders, which they placed prior to the holidays that is Christmas and New Year, which were meant for the consumption during that time have not been reaching on time primarily because of the logistical challenges, which have been across the world, which I would elaborate a little later.

On the supply side, we had indicated that there was a change in the cropping cycle. We are happy to note that the cycle seems to be stabilizing and the stocking has been encouraging for the calender year 2021 so far and we are hopeful of a good produce and of course it is subject to the weather conditions and any disease outbreak, but as of current day, we understand exceptions are sporadic, there are issues in some areas, but most of the farms where the stocking has happened, so far it is stable. We hope that we will be able to get a good output from most of the farming areas starting in the months of March and April of the current calendar year. The farm rate prices have been very stable more because of the demand than supply - the demand from many of the exporting companies within the country however the supply was not available in that realm because of the various issues over the past three to four months.

The other important point, which I have mentioned earlier has been the logistic issues that have plagued us that we had highlighted in the previous quarter also as this was happening since the middle of August and that we were hoping this would get sorted out eventually. However, things have taken a turn for the worst with a severe shortage of containers or equipment, globally, and it has hampered our ability to deliver or ship our finished products. This logistics challenge primarily begun with China absorbing most number of containers from across the globe for the past four months and it is still continuing because China, is restricting its imports currently and most of the vessels are still docked outside several Chinese ports because of their suspicion and extra concern towards any spread of COVID-19 through the imported produce or imported packaging of various products. On the same lines, several US ports are having vessels standing outside the ports especially on the West Coast where the vessels are not being allowed into the ports thereby hampering the return of such equipment, which is bound for the United States because usually any equipment, which goes into a country and subsequently return back is useful for other purposes for export and import into various markets across the globe, so several equipment issues are there between the markets of USA, Europe and China and currently we are facing a severe shortage in India where we are being currently hampered and also an increase of freight costs because of the demand which is there and also the transshipment time. The sailing time has also been increased - typically 30 to 45 days on average to the United States is currently going at 40 to 60 days. Extended times of sailing also have an indirect effect on the working capital and working capital cycles also gets stressed because most of the realizations of our company are based on receipt of goods. So, in the quarter gone by, this issue has led to a drop in sales because the shipments could not be made. This had a cascading effect with increase in our inventories of finished products and as I mentioned a stretched working capital cycle and lower absorption of the fixed costs of our newly commissioned plant that added a significant inhouse capacity.

As a result, we saw revenue shrink and our cost expand and consequently our profitability for the quarter was impacted. Further as you are aware, the MEIS scheme, was capped at small amount in Q3 and has been discontinued from January 1, 2021. While a new scheme has been announced to replace the MEIS, we are still awaiting the details from the Government of India with regard to the percentages of the benefit, which they would allocate to our sector. As of now, it has not yet been formulized even though the scheme is available from January 1, 2021. We are waiting for clarity on that part. One of the major reasons for a fall in profitability is also attributed to the discontinuation of MEIS for the entire Q3. However, on the bright side, the value added ready to eat segment is being well received by customers and production of this continues to be our focus. While overall volumes shrank because of the reasons stated above, the share of ready to eat increased to almost 22% in Q3 of the current financial year and as a result and as anticipated, our per unit dollar realization has improved both year-on-year as well as quarter-on-quarter. The ready to eat products, which are primarily cooked products have been doing well with the retail customers. In fact, a significant amount of production, which was done during the Q3 could not be shipped out because of the logistical issues - the equipment support from the shipping lines – otherwise, we could have definitely maintained the sales nearer to the Q2 of the current financial year. Unfortunately, this was something beyond the control of the company or the sector as such. Now in the case of ready to eat, we also would like to inform you on this call that we have also had great success with new kind of product, which is basically you could call it ready to prepare where the product is very much seasoned and prepared well in advance so that people can just utilize the product or they can just cook it and basically put it on skillet and it is easy to consume. They do not need to prepare. We have been having a good success with that and are hopeful that we will be able to do much more of that product during the next financial year as we utilize our production capacities.

Lastly a quick update on the progress of our other efforts. On the hatcheries, I have stated during our last call, we have discontinued the lease facility and the construction of the phase two of the hatchery at Ongole is nearing completion. We are hopeful that this will come online by the end of this fiscal and with that, all our hatcheries are owned and operated by the company.

With regard to the farming operations of the company, we have been consolidating the extent of area which we are currently operating. In this year, there has been a significant consolidation taking place as we want to focus more on the core activity at processing and export, which I have elaborated over the last two quarters and this will be assisted by some of the hatchery business, which is primarily meant for developing our relationships with the producers, farmers, and make it much stronger by giving them quality seed and able to do buyback of the raw materials from there.

With that now request Mr. Vijay Kumar our CFO to take you through the brief highlights of our financial performance.

Vijay Kumar: I shall brief you on the financial highlights of the quarter and nine months gone by. As mentioned earlier, our product mix has been improving with higher proportion of retail and the value-added products, which have aided the overall realizations up by almost 12% year-on-year year and 2% quarter-on-quarter. For the quarter ended December 31, 2020, our exports sales revenue was Rs.1500 million as against Rs.1754 million in Q3 FY2020 a decline of almost 14% year-on-year. The fall in revenue was a result of reduced volumes, which stood at 2,178 metric tonnes versus 2,842 metric tonnes in Q3 FY2020 a decline of almost 23% year-on-year.

The geographical breakup is as follows - 85.4% came from the US while the balance 14.6% came from the European Union. For nine months FY2021, the drop in exports revenue was only 4% year-on-year to Rs.5973 million despite volume degrowth of 11% year-on-year to 9046 metric tonnes. Profitability in the quarter also took a hit because of lower revenue as well as higher fixed cost stemming from the lower utilization of our newly expanded capacity due to the reason stated earlier by Mr. Choudary.

Our EBITDA stood at Rs.119 million as against Rs.286 million in Q3 FY2020. For the nine months of FY2021, our EBITDA of Rs.772 million translated into a margin of 12%, which was largely stable year-on-year. Higher deprecation due to the new plant coupled with increased financed cost and higher inventory resulted in a decline at PAT level with our PAT for Q3 FY2021 coming in at Rs.23 million versus Rs.212 million in Q3 FY2020. For nine months of FY2021, our PAT was Rs.359 million as against Rs.515 million in the corresponding period of the previous year.

This is all from our side and now I request the moderator to open the floor for questions. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Nitin Awasthi from East India Securities. Please go ahead.

Nitin Awasthi: Thank you for the opportunity. I wanted to understand a few things; Firstly on the industry and secondly we will come to the book keeping part. Like you mentioned even our ground check project that diseases are ramping this year around so EMS is back and if it is back in a big way and it is spreading more than normal and are any of our farms getting affected Sir or the areas around are farms getting affected by the disease?

Choudary Karuturi: As I had mentioned, irrespective of any current disease related issues, the farming operations of the company have been consolidated and it is in the process of almost exiting out of the farming operations, which I have explained over the past two quarters, but in general as I always mentioned that disease is going to be there. It will always be there. It is just that how it is managed by different farmers and different producers is one part and it will be in different areas. It is not like in one area if there is a disease, it is not that another area is bound to be affected. It also depends on the way we do the stocking of seed in their farms. If they do higher stocking densities naturally the risk of disease spread could be higher and if there is too much of density of farms in one particular area the risk of disease spread could be higher. So there are factors related to the way the farms are positioned in different areas, but with regard to company's farms as I had elaborated just a few minutes ago that we have actually been consolidating our farming area. Except for one location, which is completely owned by the company for the past five years almost seven years sorry, which is in total isolation, which does not have any other farms around it that is the company owned land, but all other farms, we are basically exiting out and currently we are in the process of consolidating the fixed assets and we are going to basically dispose them off.

Nitin Awasthi: Got it Sir. Sir on the farming operations front what is our current land holding? When I say land holding I do not mean owned by the company I mean total farming area and what number will it reduce to?

Choudary Karuturi: The current farming area would only be to the company owned farm of almost 110-120 acres. Apart from that, pretty much all the other farming area has been closed or basically whatever the fresh renewals of lease agreements have not been done and most of these agreements which have been coming to an end, we have been stopping. This has been happening since the beginning of the year or rather since almost during the end of the last financial year.

Nitin Awasthi: Got it Sir. So, is the employee expense drop related to the farming employees being let go or is it because of the insurance premium payments being lower this quarter around?

Choudary Karuturi: Can you repeat your question please.

Nitin Awasthi: This quarter around the employee expenses have come down? So I was wondering why that is? So is it because farming expenses or farming employees have been let go or is it because the insurance premium, which was higher in the previous quarter is lower in this quarter around?

Choudary Karuturi: No this has less to do with farming employee because the farming employees are not anywhere near to the number of employees, which the company recruits for its processing operations. The farming employees of course have been repositioned as required and some of them have been let go, but the main reason why the employee expenses has also been down as the company had to decide on capping its production beyond a certain level. Already you can notice that the raw material purchases did not reduce significantly against the revenue which has reduced in the quarter. Naturally when there was a stage where the company had to decide of keeping the production level at a reduced level due to the compelling reason of not being able to ship the finished product because of the logistical issues, it did not make any sense for the company to try and achieve its maximum output or trying to utilizes its existing capacity including the Greenfield project. So of course some of the employees were being kind of taken on alternate day's basis and that is how it was done especially with the daily labor whom the company recruits primarily for preprocessing operations, which has the most number of employees both permanent as well as daily basis employees who are there for the company.

Nitin Awasthi: Understood Sir and lastly Sir on the logistics front if you could just, you highlighted the problems with the logistic cost being higher and a few things if you could just quantify how much is it higher by and what is the amount for this quarter and previous quarter last year?

Choudary Karuturi: The logistic cost for the last quarter as on September 30, 2020 was around Rs.9.68 Crores and the current quarter was Rs.7.16 Crores. Actually, the freight rates have increased and they have been increasing. Starting January, the rates have been further increasing because there is a shortage. So normally this year for example do not take literally, but an equipment, which we would get for $3500 to $4000 is currently at $5500 to $6000. So there has been a hike of almost we can say 50% to 60% on the freight cost alone and now we are also focused on bringing containers from Chennai or longer distances where normally we do not venture out because we would always prefer our closest ports of Vizag or Kakinada. So overall it does increase our logistic costs whether it is transportation or a freight cost inclusive.

Nitin Awasthi: Got it Sir understood. Thank you for patiently explaining all the queries and best of luck for the upcoming quarter Sir.

Moderator: Thank you. The next question is from the line of Jaswani from Nikhil Analytics. Please go ahead.

Jaswani: Sir my question is regarding the shrimp production for the overall industry level? We understand that there might be a dip in the overall shrimp production so can you help us understand about how much are we lagging behind compared to the previous year in terms of volume?

Choudary Karuturi: Actually this is a rough estimate. Of course as you know the production is not from one source and it is not even recorded in a straight manner. So the current financial year, from 8 lakh metric tonnes last year, we expect around 6 lakh metric tonnes to 6.5 lakh metric tonnes before the end of the financial year. It is a drop of almost 1.5 to 2 lakhs metric tonnes. That is what the estimate by various industry players in the country. This of course primarily has got to do with how COVID has affected logistics in the beginning of the year and subsequently the seed supply issues.

Jaswani: Right that is helpful Sir. Secondly you spoke about the MEIS scheme so can you also share more details as to what was the total export incentive for the previous nine months compared to what we have booked so far?

Choudary Karuturi: The previous nine months export you mean to say for the nine months of FY2020.

Jaswani: Nine month FY2020 versus nine months FY2021 what has been the export incentive that we are doing?

Choudary Karuturi: We will get back to you on the nine months FY2020 information a in a few minutes, but FY2021 nine months ended December 31, 2020 it was Rs.19.84 Crores net export benefits.

Jaswani: Another part of that question was now that MEIS scheme is going out and you said a new scheme is into the place what are your expectations? Are we hoping for a similar kind of rates or do we expect any reduction in the rate? Overall do we see import incentive going down?

Choudary Karuturi: The point is as we can see the Government of India is working on these benefits and even if you note carefully, the notifications have been changing based on of course their assessment and as their assessments keeping changing even the way MEIS was capped at Rs.2 Crores for the Q3, which was announced in the month on August 1, 2020 saying that for the Q3 it will be ending. From September onwards, it will only be at a maximum of Rs.2 Crores. So for the remaining quarter, there was no incentive with regard to MEIS part. Of course there is duty drawback. That is a small part whereas the new scheme which is there, which is primarily based on refund of duty taxes and other indirect levies, which are there, it has been worked out from our understanding is by committee, Mr. G K Pillai's committee and they have presented all the percentages for different sectors, which they believe will do the right justice, however, we should see that the government has not yet announced neither we are aware of what the committee has recommended nor what the government is finally going to decide on this so we are actually awaiting eagerly and if your question is does our company think that it can reduce or will it maintain to tell you the truth we are hoping that it maintains, but if it reduces, it reduces, which we cannot help. It is as it is a support extended by the Government of India for export sectors. So the entire decision is in their hands. Hopefully they will give clarity very soon because the scheme has already implemented since January 1, 2021. So whatever they are going to announce is effective from January 1, 2021. So we should just see how the clarity comes form the Government of India.

Jaswani: Right Sir, lastly Sir another question.

Choudary Karuturi: I just need to answer that question of nine months FY2020. It was Rs.44.8 Crores.

Jaswani: Rs.44.8 Crores?

Choudary Karuturi: The net export benefits were Rs.44.8 Crores for nine months FY2020.

Jaswani: Okay Sir lastly my question is around the various input costs that are going up in the industry like the fish feed and other costs are going up and that is putting pressure on the farmers and their profit so how are things shaping up Sir because given the feed prices going up there is not a lot of benefit left for the farmers so what is the industry situation like? How are we coping up with such situations and going forward what is your sense of the things? Do you see input cost stabilizing or do you see farm gate prices going up because of this because I mean the situation is very tricky right in terms of the demand side we are seeing so many issues and now the cost is putting put the pressure so how are you seeing overall the situation shaping up Sir?

Choudary Karuturi: Yes, I just need to tell you firstly your question was related to two segments of the sector, which is the feed and the supply of raw material for our company. The feed part I do not think we are right people to talk about it on the inputs of the feed, but with regard to farm prices with farmers costs have been increasing based on various factors, but the main point in India, which is to be core focus, is about productivity. The better the productivity, the better the output is, the cost will automatically get justified. So how various farmers at various geographical locations spread over the country plan and strategize their farming operations will eventually decide of how their costing is going to be. With regard to the farm gate prices, even if it is for a short brief period whether it is one month or two months even if the farm gate prices have no connection to what is happening globally, but they are all temporary. Eventually it is the global market prices whether it is USA, Europe, or China, the average of global market prices supported by the currency and supported by any incentives, which are going to be the factors which will weigh on what the raw material price or the farm gate price is going to be. At certain time, yes it could be higher, but it could be lower, but eventually it will all be moving in tandem with the realization what processing and our export company has. So it is going to be more based on how the overseas demand is going to be and how the prices are going to be in which direction they move, but farm cost as I said, we cannot comment on the fish seed prices or other inputs related to shrimp feed.

Jaswani: Thank you for all your elaborate answers Sir. I will get back in the queue for any followups. Thank you.

Moderator: Thank you. The next question is from the line of V P Rajesh from Banyan Capital. Please go ahead.

V P Rajesh: Thanks for the opportunity. My first question is if you can comment on the normalization in the US market? What is the best guess as to when the markets will normalize or you get back to your normal level of business in that region?

Choudary Karuturi: As I said earlier, in the US market, we are expecting normalcy as the cases reduce and as the Center for Disease, the CDC guidelines in the United States relax the norms based on the reduction in the COVID-19 cases and. Right now, they are slowly opening up the restaurants. They have also given permission to open up the movie theaters, so it is slowly opening up, but they are running at limited capacity. Currently it is around 25% only so as it gives more relaxation and gives permission for higher capacity of occupancy in all these places, primarily the restaurant chains and all these public gathering areas where food is primarily consumed, we believe things will be much better. However we do have a sweet spot in the current financial year even though it is not totally substantiating the loss of food services or restaurant chain business as I mentioned earlier also, the retail did give some hopes; there was a good stable and steady business growth, in the retail segment. So I think it will eventually develop and as the occupancy levels at restaurant chains and food service outlets increase, we strongly believe that the consumption of protein and food in general will be going up.

V P Rajesh: My second question is what percentage of our revenues is from the retail now?

Choudary Karuturi: Can you repeat that?

V P Rajesh: What percentage of our revenue is coming from ready to eat, all the retail segment that you just spoke about?

Choudary Karuturi: The ready to eat it is not entirely retail, but currently 22% in the Q3 revenue.

V P Rajesh: 22% is ready to eat?

Choudary Karuturi: Yes

V P Rajesh: And why is retail not the same proportion, what is the delta between the two?

Choudary Karuturi: What I was trying to tell you is, the ready to eat does not get absorbed entirely in the retail, it does not mean that ready to eat alone is going to the retail; please understand cooked product also goes to the retail so in the current context if you ask me, our company specifically with regard to retail, we would say almost 75% of our business in the United States and almost an equal percentage of business in the European union is in retail segment only, there is a marginal of 25%, max 30% very high size currently which is in the food service, so in general we have a major percentage going into retail and that was one of the advantage, a coincidental advantage which the company had in the current troublesome year, but does not mean that entire retail business is ready to eat. Ready to eat of course was 22% percent in Q3 and 11% in the entire nine months; as the quarters are going by, our ready-to-eat shipments subject to these logistical hassles, are increasing by each quarter.

V P Rajesh: Understood and you are selling it under your own brand name in the US, the ready to eat or is it labeled by somebody else?

Choudary Karuturi: The company's business majority, almost 95%, is B2B only, it is not B2C number one. Number two, we sell to the major retail and food service chains in their brand, they want it packed in their brand, so in one way we do not regret that we are not packing in our own brand but at the same time we feel we have the pride that we are able to place our products in some of the largest retail outlets whether it is in the United States or in the European Union for that matter.

V P Rajesh: Okay, thank you. I will come back in the queue.

Moderator: Thank you. The next question is from the line of the Depesh from Equirus. Please go ahead.

Depesh: Thanks for taking my question. I just want to understand that despite the food service sector not operating at full capacity, the U.S. shrimp imports increased by 7% in calendar year 2020. So was this actual demand or buildup of inventory which can hurt the demand in calender year 2021; what is your view on that Sir?

Choudary Karuturi: The first thing with regard to the demand in the U.S. even though the food service has not been doing well, I did tell you that the retail segment has done fairly well, but it is not in a position to substitute the entire loss of food service, number one. Number two, when you are noticing the increase of shrimp imports from other countries say countries like Ecuador for example, you are also seeing a drop in the exports of India to the United States overall this year. Yes, there are also inventories been there but there are also products which are missing their schedules and not making it to the market in time. So, there were some changes in supplying nations, India has dropped, Ecuador has increased, Vietnam has also increased, different other countries have got the advantage, unfortunately because of the situations in India whether it is months of lockdown period or subsequently whatever new troubles which brewed up and supply related issues.

Depesh: Okay the data actually shows, may be we will check that again but data actually shows the growth of 7% so that is why I was wondering whether they have built up the inventory level which can hurt the demand in CY2021 also, but fair enough. Secondly, my question is basically that MEIS incentive was like totally reduced to almost zero level in like last quarter but the farm gate prices have not dropped by, so are the processing companies taking this hit or do you think we can pass it down to the farmers if the new rates are not aligned with the older rates?

Choudary Karuturi: The farm gate prices being very firm was primarily due to the lack of supply and it was an indirect hit on the companies to a certain extent, but as I had elaborated to one of the earlier callers that it happens every year where there is a mismatch between the supply and the demand which is there from overseas or the prices at which the overseas customers are able to buy and because the lack of supply or short supply, there are companies in India at the source point that do pay a little bit higher to fulfill their contracts. This year of course it has been there for a little longer duration and as we see currently the correction is also happening at the farm gate prices, it is imminent, it is not going to sustain for long because there is no clarity on the Government of India provided incentives and these logistics issues which are there, which are not making it feasible for any of the export companies to make shipments, so they are going at a very reduced level so the correction was bound to happen and it is happening as we speak. So yes, marginally company definitely have taken a hit to a certain extent, for sure.

Depesh: Lastly Sir, if you can just break-up the export regarding MEIS and the duty drawback in the third quarter and also are you booking any incentive in the fourth quarter or you are waiting for the government to give the rate?

Choudary Karuturi: The export incentive net did not have any MEIS, it was entirely due to drawback.

Depesh: Why was that because Rs.2 Crores was the limit right, so you could have done that?

Choudary Karuturi: No Rs.2 Crores was taken off in August itself.

Depesh: Okay you booked the entire thing in last quarter?

Choudary Karuturi: Yes, and about the new scheme, we are not clear as we do not have a clarity on the government policy or the decision so we are still waiting, we just heard that they are going to hopefully announce it soon because right now it is between different ministerial discussions and very soon they want to announce, we understand that the committee has already recommended, we do not know what they have recommended at this point.

Depesh: Okay, hatchery sales number can you give for third quarter please, hatchery sales?

Choudary Karuturi: Hatchery sales one minute please, Vijay Kumar you have hatchery sales.

Vijay Kumar: Hatchery sales Rs.24500000.

Depesh: Thank you and all the best.

Moderator: Thank you. The next question is from the line of Praveen Sahay from Edelweiss Financial Services. Please go ahead.

Praveen Sahay: Thank you for taking my question. Sir can you give me the third quarter export revenue?

Vijay Kumar: Rs.150 Crores.

Praveen Sahay: Next on the realization because I can observe the realization of yours as well as for India for the entire year in this CY2020 looks better than the Y-o-Y perspective even though if I look at the India definitely has lost somewhere on the U.S export side, three other countries has actually managed to grow quite significantly, so what is the problem, is only the logistical issue was a problem and that is resulted the degrowth for an India as a whole or something else to look at it because the other countries has gained significantly like Ecuador, Indonesia or Vietnam, so what is your view on that?

Choudary Karuturi: Firstly with regard to the third quarter of course and as we also go into the fourth quarter we do have logistical challenges largely impacting the revenue for sure for everybody in the country. With regard to Ecuador, one of the ease and convenience which that country has is their increase in exports to the United States was at the cost of their exports to China, because of China blocking their imports from Ecuador, a lot of Ecuador shipments have been diverted to the United States which is one of the major reason why their exports to

U.S. have grown significantly whereas the other convenience which of course most of the United States importers would also see is when they import from Ecuador they get their finished product within a week's time whereas while they import from Asia, it could take anywhere from three to five weeks depending on from where they are purchasing and where it needs to go, so that way Ecuador has diverted its shipments but overall for us from the third quarter we do have issues with regard to logistics of course there were some supply related issues in general, but logistics is the primary reason why our revenue has been down and even though we could source the product and we do have higher inventories because of our sourcing, we could not really overcome the logistical challenges thereby affecting our earnings unfortunately.

Praveen Sahay: So what your sense like because we have somebody who has replaced where as India or you supplied to, so is it going to be difficult to gain back those businesses or we have some upper hand we will get it very easily?

Choudary Karuturi: First and foremost, India has an established reputation across the globe, because of the quality of the product which is there as such, so like we are all having temporary changes in our lives because of the pandemic, naturally we have temporary problems, issues and they are meant to be temporary like the pandemic. So definitely this is all just a matter of time, India still has its advantage which of course for the major period being one of the competitive and aggressive supplying nation definitely India will overcome all this and our company as well as the entire sector in India will be a back on its feet as things change and as I said these are all temporary hiccups which will be there whenever you have a temporary setback like a pandemic which the last time we had was 100 years ago.

Praveen Sahay: On the realization front Sir, so is that a ready to eat a mix has been improved and that is why the relation was good?

Choudary Karuturi: Yes, definitely, ready-to-eat helps us even in an appreciating rupee scenario and we are confident that it will be helping us further going over even in the next few years as we do more of these ready to eat products definitely that is going to increase company's margins.

Praveen Sahay: We have but capacity for ready to eat around 21% of our entire, so are we going to switch to ready to eat more because our sales contribution already is 22%?

Choudary Karuturi: The thing is, currently we had a plan, we are still there, where we are expanding our ready to eat capacity also from 5000 to 10000, but it has not yet been formalized because of the recent issues with regard to logistics. Logistics did not affect only our exports, they are also affecting our inputs so certain food additives and ingredients which we are supposed to be utilizing in our process flow are also affected because of these container shortages in European Union primarily and also the United States where our inputs are stuck or they are taking more time to come to us so similar way equipment and all of that is being planned, we do have a plan to enhance our ready-to-eat capacity and definitely future whatever capacity expansion happens with regard to our company in the processing segment will happen only in ready to eat.

Praveen Sahay: How was the farm gate prices last quarter Q3, can you give the number?

Choudary Karuturi: Vijay Kumar you have last quarter raw material.

Vijay Kumar: Rs.306.

Praveen Sahay: Sorry Sir.

Vijay Kumar: Farm gate is Rs.306 last year same quarter.

Praveen Sahay: And our raw material cost?

Choudary Karuturi: That was our raw material, remember our raw material cost is based on an average of sizes which we purchase, which we source from the primary producers, so it keeps changing, it is dependent on the percentage of larger sizes, percentage of smaller sizes which we buy, so for the last quarter it was Rs.331, that is Q3FY21 and Rs.306 was Q3 FY2020.

Praveen Sahay: Thank you for answering my question.

Moderator: Thank you. The next question is from the line of Ritesh Bhagat from BBO Advisors. Please go ahead.

Ritesh Bhagat: Thank you for the opportunity. I have a general question to ask. Given the demand supply scenario and the export incentives which do not have much clarity all, do you see the EBITDA margin sustain over two to three years period in that ballpark range of 12% to 13%?

Choudary Karuturi: For that question I do hope that the Government of India will not take that much time to give a clarity on the export benefits, which they plan to give to the sector as such, hopefully it should be resolved soon that is number one. Because when you are asking me for two to three years definitely we are going to get a clarity much sooner than that and that will accordingly shape the way the farm gate prices will eventually be in the direction in which they move and at what level they need to be stabilizing because the export prices are not going to be India specific, they are global specific so whether it is India, Thailand, Vietnam, it is all a global market and so naturally it is the global demand supply scenario overall will be affecting the export prices whereas the farm gate prices definitely one of the major factor is also the export benefits which are there, so overall even if the export benefits are reduced, we have been emphasizing on this point almost for more than a year that we would want to increase and improve our value-added product capacity and that is the only approach which is going to make our company sustain its margins in the longer term, and we are moving in that direction, we will eventually be going in that direction except that this scenario of the last quarter where the expenses have been significantly up, the fixed expenses and primarily because of the revenue drop by almost 20% which had affected, otherwise we are confident that as we come to normalcy and as we do more of these ready-to-eat products, definitely we will be able to do it in a good manner with regard to retaining our margins.

Ritesh Bhagat: Okay thank you, just a follow-up question. I think the current capacity in ready-to-eat is 5000 metric tonnes and we are planning to increase that by a similar amount if I am not wrong, is that correct?

Choudary Karuturi: We said we were planning to increase that to double it basically, from 5000 to 10000, so it should be happening sometime by within 12 months, we actually plan to make it happen in six to eight months, but we are just planning it up, we will be making the decisions of that before the end of this financial year and we will be closing the work orders for that.

Ritesh Bhagat: And any additional capex you would require to set this up?

Choudary Karuturi: It is not significant, it will be approximately around Rs.6 Crores to Rs.7 Crores

Ritesh Bhagat: Thank you for the response.

Moderator: Thank you. The next question is from the line of Vishwanath Singh an Individual Investor. Please go ahead.

Vishwanath Singh: Everyone good morning. My question is do we expect significant increase in debt because of the COVID related expense in the aquaculture sector?

Choudary Karuturi: Sorry can you repeat your question you said do we expect…

Vishwanath Singh: Do we expect significant increase in debt because of the COVID related effects in the aquaculture sector?

Choudary Karuturi: We do expect the working capital cycle to be stretched because of the COVID issues but we also need to make a note that these COVID issues are getting resolved and coming back to normalcy, the sooner that happens, for sure the working capital cycle will come back to normalcy and of course the requirement of such a debt also should be limited as we go into the normal conditions so it is only because of these temporary setbacks which have come with the COVID related effects.

Vishwanath Singh: Okay but we are still able to manage the debt right, I just wanted to understand because of this pandemic related issues let us say even if you assume that it goes on…

Choudary Karuturi: Naturally if you see the logistics issues attributing to, for example, higher inventory or our receivables being delayed by additionally 15-20 days or sometimes 25 days because of longer sailing times which I have explained to one of the earlier callers, this would definitely have an increase in realization periods as well as to support the business naturally there will be an increase in debt to that effect and as things come back to normalcy naturally our working capital cycles also get reduced thereby the need for such higher debt also gets diminished.

Vishwanath Singh: Right, basically over the course of time, till the time it gets back to normalcy, as a company you will be able to manage the debt or would it be cause of concern?

Choudary Karuturi: We have no issues in managing, we do not have any issues.

Vishwanath Singh: My second question is how much increase in the capacity utilization of the new line, do we expect in the next year provided things are normalizing?

Choudary Karuturi: In total, we are looking at between 50% to 75% of the total capacity of approximately 30000 metric tonnes for next year, but as things improve and the sooner situation comes to normalcy, we believe, we should be hitting that 70%, 75%, if things get back better, sooner but for sure at this point we are gearing up well with infrastructural necessities and planning and also improvising our farm network, providing our customer relationships, newer customers, new markets, new products, so definitely we are confident that we will be looking at anywhere between 50% to 75% of our utilization of the total capacity for sure next year and we could also improve it further depending on the scenario next year.

Vishwanath Singh: Thank you so much that is it from my side.

Moderator: Thank you. The next question is from the line of Jagat Harish an Individual Investor. Please go ahead.

Jagat Harish: My question is that US has been B2B right, so B2C is the brand there, is there any Indian company did B2C brand, so if you want to do what are the challenges and what are the advantages you may have?

Choudary Karuturi: Your question is about branding and B2C business?

Jagat Harish: Like setting our own brand and selling, so what are the challenges you face, is it possible, may be not now may be future I am asking?

Choudary Karuturi: Currently as on date we do not have any plans, but we have not closed our doors for such a strategy in the future, but we need to understand how the business structure is as such, it is dependent on the customers and most of the retail customers where coincidentally our company was aligned with for the past two to three years and which also happens to give us definitely an advantage in the current year crisis, the retail customers want the product in their own brands, so when we can actually achieve our revenues and margins by doing it in their brand at this point I will not be able to make a comment yet with regard to the significant impact which we will have by placing in our own brand and doing a B2C kind of business, because we strongly believe that we are quite comfortable doing in their brand as long as we meet their conditions and their specifications, but again that does not mean that we have closed the doors, yes eventually when there is such opportunity, whether it may be in the United States or in any other market of the world, if there is an opportunity we definitely are looking at doing in our own brand and of course we will definitely evaluate the costs and also the benefits we can reap from such costs in the future when we do it.

Jagat Harish: And just add on to same question only, so B2B and B2C if we have launches those can be coexisted or is there any issue if we have B2C right, so B2B have an issue, so is there are no issues?

Choudary Karuturi: B2C will actually create pressure to tell you truth, the reason is as long as we were meeting customers expectations in the customers brand and you are consistent in the way you are expected to with regard to supply and delivery because second thought of doing, you are already achieving the target growth, the margins with that business, when it comes to B2C it is like you are trying to go and compete with your own customers brand which definitely will not be taken in the right spirit by such a customer, so definitely this will have an impact if you try to push B2C in a market of a product which is mostly aligned to B2B. I hope I kind of gave you clarity on that, but when such an opportunity comes, if it comes that is why it is not related to United States market which is our major market, any other market also we will definitely look at it when such an opportunity comes and if we feel it seems fit.

Jagat Harish: Second question is, are we looking other countries rather than major countries to diversify are we looking at this current quarter and next quarter in the new countries?

Choudary Karuturi: European, we already do have the business which we have been doing consistently with us 15%, 20%, 25% and it has been ranging between each quarter. China, we have been doing during the peak season; however the third quarter we did not do business to China as such, but we definitely do business with China also. Apart from that we also have to look at Middle East and Russian markets and will be focusing on them for the next financial year.

Jagat Harish: And final question if you allow me, so what is the percentage of raw material we procure AP and other than AP if you have number?

Choudary Karuturi: AP will be almost 75% to 80%, it will be around 20% to 25% for other states like Odisha, Bengal and Gujarat. In case there is very great supply of largest sizes then we do get around 25%, other than that it will be 20% only, 80% will be from the state of Andhra Pradesh.

Jagat Harish: Thanks. That is all for my question. Thanks for the detailed explanation.

Moderator: Thank you. We will take one last question from the line of Nitin Awasthi from East India Securities. Please go ahead.

Nitin Awasthi: Thank you for the followup. Just wanted to understand the lease rental that we will be saving on, if you could quantify once we give up almost 1000 acres of farmland?

Choudary Karuturi: The least rental. We will take it offline.

Nitin Awasthi: Not a problem, we will take it offline and just wanted to understand the second thing, is that once you give up so much farmland, the advantage of having these farmlands, what that 50% or roughly 40% to 50% of our raw material was met by these farmlands if I am correct, now we will be going out.

Choudary Karuturi: Sorry, it was never 40%, 50%, it was 18% to 20% in the old capacity of 9000 metric tonnes and slowly it came down, now you have 29000 metric tonnes.

Nitin Awasthi: Okay Sir, even smaller.

Choudary Karuturi: Yes, so that is one part. The other important part is we have weighed the benefits of trading in farms and the increase in troubles over the period of time with regard to managing these farms; so we have eventually decided that we would rather eventually exit out of such an operation except for limited scale, if at all we do, and rather focus on improvising our relationships, network and also a buyback arrangement by producing quality seed that was how the decision was being arrived. So we did weigh all the options and we have eventually felt that in the interest of the company also the manageable areas which are there and we can focus more on the core activity, the company is always into processing and export, these were just aiding arms of the activity, additional segments which were added subsequently. Now we feel it is more justified to focus on our own core activity and of course little bit supported by another kind of manufacturing activity which is the shrimp seed production which of course is much easier to give credit to our farmer on shrimp seed and get into buyback arrangement as and when it is possible wherever and whichever area of the country it is possible rather than going into the large scale farming operations. There are multiple reasons why we have decided on that. So we do not believe we are going to be at a significant disadvantage because of consolidating operations.

Going into the future expecting improvements in supply, so we do not believe as of now that we are going to get into a significant disadvantage by discontinuing the farming operations, we would rather focus and our efforts in building up a stronger network and having a stronger commitment levels from those long term relationships which we have with these primary producers.

Nitin Awasthi: Got it Sir, so is this specifically because of the headwinds of Andhra Pradesh loss that has come in for the large scale farmers etc., because there are lot of companies are now moving to Odisha for farming, they signing up a large lines there, I know this is a little complicated to comment on, so if you do not want to comment it is okay, Andhra Pradesh, because...

Choudary Karuturi: No, I will be very straight on that. The headwinds have nothing to do with anything with the Government of Andhra Pradesh or any other issues, the decision on the farming activity has been more company decision, more about management because we want to built a second facility and we wanted to focus more on products, markets and we also are noticing that significant amount of new farmers adding up for additional area which is coming up and of course we did have a big issue this year and little bit last year where our supply did not increase much, but still we do have lot of untapped potential area where a lot of farmers who are increasing their area of culture and thereby we definitely hope that going into the future next year and years after that we are going to see higher quantities being produced, so then we felt it is very much apt that we can actually source the product from the market by having a better relationship with them rather than getting into this activity of farming any more by the company as such, so that was the only reason, it has nothing to do with the Government of Andhra Pradesh; they have been good with regard to their support during lockdown and even post lockdown, they have been quite supportive on different angles, they do coordinate, I will keep it to that level. I hope you understand.

Nitin Awasthi: Thank you Sir.

Moderator: Thank you. As there are no further questions from the participants, I now hand the conference over to Mr. Choudary Karuturi for closing comments.

Choudary Karuturi: Thank you Margaret. Thank you all for joining us on this call and listening to our answers patiently and as I had mentioned this was an unprecedented year of 2020 and its spill over into 2021 because of pandemic, unprecedented logistic issues, unprecedented consumption demand issues overseas and as I had also mentioned to several of you that these are temporary setbacks which only put a pause to whatever was supposed to happen, but eventually as these setbacks ease out and they get cleared out, we are going to be on a normal scale of business and everything will be in place, so we do hope things will get better soon and we have more clarity on several things and we do hope that we will be able to go in a better way in the future. Thank you very much once again and hope you and your family continue to remain safe. Take care all of you. Good day.

Moderator: Thank you. On behalf of Apex Frozen Foods Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.