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Date: 23.07.2021

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,

Sub: Transcript of Q4FY21 Earnings Conference Call held on 29th June 2021-Reg.

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, kindly find enclosed a transcript of the Q4FY21 Earnings Conference Call, which was held on Tuesday, 29th June 2021.

The aforementioned Earnings Conference Call, as per the transcript enclosed, incorporates mainly the highlights of financial results of the Quarter and Fiscal ended March 31, 2021, 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 record.

Thank You,

For Apex Frozen Foods Limited

S. Sarojini

Apex Frozen Foods Ltd. *Kakinada*

S.Sarojini,
Company Secretary & Compliance officer

"Apex Frozen Foods Limited's Q4 FY'21 Earnings Conference Call"

June 29, 2021

MANAGEMENT: MR. K. SUBRAHMANYA CHOWDARY -- EXECUTIVE DIRECTOR, APEX FROZEN FOODS LIMITED
MR. VIJAYA 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 Apex Frozen Foods Limited Q4 FY'21 Earnings Conference Call. 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. Subrahmanya Chowdary, Executive Director, Apex Frozen Foods. Thank you and over to you, sir..

Subrahmanya Chowdary: Thank you, Mallika. Good morning everyone and thank you for joining us on our earnings call for Q4 FY2021. Mr. Vijaya Kumar, our CFO and Mr. Durga Prasad, our Senior Manager, Accounts and Stellar, our Investor Relations Advisors are on the call with us today.

I hope you had a chance to go through the Investor Presentation that was uploaded on the website and the stock exchanges.

Before we start, I hope you and your families are keeping safe and you are in the process of getting vaccinated or already vaccinated.

While I am sure you have heard this on calls for many companies who are into manufacturing especially, let me reiterate that COVID-19 has of course thrown up multiple challenges, the fallout of which continues in some aspect or the other for many industries. For our industry, that is the seafood industry, an export-oriented industry also which primarily uses fleets of containers, it has meant that key consumption events such as celebrations have gone down, restaurants are being closed and the demand quotient from these centers has seen a downward trend last year; however, there has been an uptick and compensatory demand that has been flowing from in-home consumption during the past year, leading to increase sales at supermarkets and shops. Perhaps the most challenging aspect of the year has been the turmoil that was causing the transportation of our products with containers not being available and vessels being cancelled. There was a high demand and due to unavailability of various logistics related workers due to various SOPs of different countries with minimum presence of 30% of the employees, etc., there have been inordinate delays in shipments with regard to our industry.

If I were to explain the year on a quarterly basis, in the first quarter, we saw a sharp dip in demand, labor availability and transportation. Things improved in the second quarter on the demand and labor availability but transportation remained an issue. In the third quarter, demand was stable; however, transportation now more specific to global logistics, was still a big issue. Fourth quarter which is traditionally a weak quarter for the industry, demand was strong and growing and things looked to be getting better.

Now coming to the impact of this on our financial performance. Even in this challenging period where restaurant demand has been reduced for the most part, we have achieved about 96% of our pre-COVID sales volumes which is an indication that the demand for our products and our long-standing relationships with our customers has been going strong. Realization for our products continues to improve on the back of improving product mix. The share of higher margin Ready-to-Eat products contributed over 21% in Q4 FY'21 and about 15% in the full year. We see this as a strong driver for future growth in both top line as well as the margins.

As you are aware, the government removed the total benefit of (MEIS) Merchandise Export Incentive Scheme from the month of September till December 2020 and discontinued completely from Jan 1st, 2021, without the replacement scheme being operationalized. In spite of this, our EBITDA margins remained almost flat on the back of the improved product mix and operational efficiencies.

With the first full year of operationalization of the new plant during last fiscal, our depreciation expense went up. Further the transportation issues resulted in increasing of our working capital requirements due to higher receivable days and inventories which were getting stuck because of the lack of equipment for shipping the products and also there was additional costs related to logistics primarily the freight cost which had gone up by almost 200% to 300% compared to pre-COVID levels which resulted in PAT reducing to Rs.44 crores for FY'21 from Rs.60 crores in FY'20.

A Quick Update on the Progress of our other efforts. On the Hatcheries, as we have stated in our last call, we have discontinued the leased facility and the construction of the phase-II of the hatchery in Ongole is completed. We are awaiting regulatory approvals and audits for the facility to commence commercial operations. With this our entire hatchery related requirements are sourced in-house.

With regard to the farming operations of the company, we have been indicating over the last few quarters and I personally have been informing you over the quarterly concalls that we want to focus more on the core activity of processing and export and accordingly consolidating the extent of area under farming for the company. In the past fiscal, our consolidation efforts have culminated and we now only own about 120-acres of farm-land. This is assisted by the Hatchery business with regard to the seed supply which is of course primarily meant for developing our relationships with the farmers which is also going to pave way for ways to look at more buyback arrangements and have our network building as well as contract farming with minimal investments through the seed supply. We aim make our relationships with our farmers much stronger by giving them quality seed and also do the buyback of raw materials from them.

Now, coming to the outlook for the industry. All the closures which were there during the past year especially those which were partially closed, unfortunately, the food service sector which was closed permanently have not yet been restored by replacements, but several restaurant chains have reopened and now they are working especially in the US market, they are working at 100% occupancy. Thanks to the high number of vaccinations which have been done in that country and so the life is getting back to normal in the USA especially. And hence our exports to our largest market USA continues to be going steady and we look forward to growing it further as we are able to improvise our capacities over the next one to two years subject to the logistics issues being resolved at the earliest.

The European Union which is the second largest market, the consumption has been stable, in fact, the demand has been similar to the USA because of the food service sector opening back, vaccinations are also happening in large numbers. We have had an increase in enquiries from the EU market of late especially during the past three to four months and we are looking at growing that part of the market also.

China, where the company primarily does commodity products mainly in the form of headless blocks, we have been still maintaining it at a lower level because the company mainly has been focused on value-added products both in the Ready-to-Cook as well as in the Ready-to-Eat segments. We are looking at value-added products mainly and hence our exports to China will continue to be minimum; however, with regard to the Chinese market, there were some restrictions on some companies, not for Apex Frozen Foods, I would want to reiterate and reaffirm, just want to give a clarity on that because there are some news, we don't have any issues. Generally, there are congestions at some of the Chinese ports where we are not able to ship, but we are able to ship to the other ports where there is not much of problems and we are continuing to do our shipments to China as we get the containers. Our company doesn't have any restrictions laid out by the Chinese government as stated by some sections in the media and to be precise social media.

With that, I now request Mr. Vijaya Kumar, our CFO to take you through the Brief Highlights of our Financial Performance.

Vijaya Kumar: Thank you. Good morning, everyone and hope all of you are keeping safe. I shall brief you on the financial highlights of the quarter and full year gone by. As mentioned earlier, our product mix has been improving with higher proportion of retail and the value added products which have aided in overall realizations. For the quarter ended March 31st 2021, our export revenue grew by a strong 38% year-on-year and 15% quarter-on-quarter to Rs.1,732 million as against Rs.1,256 million in Q4 FY'20 and Rs.1,500 million in Q3 FY'21. The growth in export revenue was a result of improved volumes which grew by 30% year-on-year and 22% quarter-on-quarter to 2,656 MT in Q4 FY'21 and higher average realizations of over $9 per Kg of Shrimp sold.

Despite a challenging year and lower volume, for the full year FY 2021 too, the export revenue grew by 3% year-on-year to Rs.7,705 million. The sales volume degrew by 4% percent year-on-year to 11,701 MT.

As far as the profitability is concerned, EBITDA margins were not materially impacted considering the challenging environment comprising muted dispatches, higher fixed costs due to lower utilization of our newly expanded capacity, lower export incentives and such others. This was an outcome of our improved product mix and operating efficiencies.

The EBITDA for Q4 FY'21 grew 14% year-on-year to Rs.212 million and accounted for 11.5% EBITDA margin. For the full year FY'21, EBITDA came in at Rs.985 million as against Rs.1,060 million in FY'20. On the margin front, FY'2021 clocked 11.9% EBITDA margin as against 12.5% in FY'2020, a margin fall of 60 bps year-on-year. Further, higher depreciation due to commissioning of the new plant coupled with increased finance costs due to elongated working capital cycle as both inventory and debtor cycle was stretched due to transportation issues, resulted in decline at PAT level. The PAT for Q4 2021 came in at Rs.84 million versus Rs.92 million in Q4 FY'20 and for the full year FY'2021 at Rs.443 million as against Rs.606 million in FY'20.

The geographical breakup od sales in FY'21 is as follows: 81.6% came from the US, about 14.3% from EU while the balance 4.1% came from China.

With that, we conclude our opening remarks, and I now request the moderator to open the floor for questions. Thank you.

Moderator: We will now begin the question-and-answer session. The first question is from the line of Ashwini Agarwal from Ashmore Investment Management. Please go ahead.

Ashwini Agarwal: I just wanted an update from you on the US regulatory side. So for some types of products, I think one of your facilities was listed on an import alert in December and one line was reported to have been turned back sometime in March and just yesterday there was a USFDA alert on Salmonella infection in Avanti Feeds' Ready-to-Eat product line and a product recall. Your focus has been to increase the Ready-to-Eat and pre-prepared Shrimp especially in the US market. How are you seeing this risk evolve and how are you addressing this problem?

Subrahmanya Chowdary: I need to first sorry but discount your question about Avanti Feeds as I am not the person to be answering about them, but since you are asking about the general system or the risk perception with regard to the US market as such, regarding the alert which you are referring to about Apex Frozen Foods, it's about antibiotic related issues. In fact, since January, consignments have been tested and they have been released. We have been put on the alert because of one specific consignment which was having an issue, that one line item as you rightly mentioned even though there are multiple line items in the consignment. Of course, this was all the products which were primarily handled and shipped during last year when the COVID issues were there. Otherwise we don't normally have issues related to antibiotics as the testing is done pre-harvest and also prior to processing at the factory. So we don't really have issue, in fact, we know when there is a positive as we do test the product for antibiotics and we know when the stock has such contaminants if any. So now in this case as I had mentioned there was a specific issue and that has been dealt with; however, the consignments subsequent to that have been held and tested and released. And even that one particular consignment which the FDA has had an issue with, it was actually retested and there were no problems pertaining to that. That is with regard to specific antibiotic alert. And in fact we are in the process of getting our one specific facility being removed out of that alert. We don't really see it as an issue because we mitigate the risk by prior testing, number one.

And in general, I have been stating this for the past few years since we got listed that any market which we want to do business with, it has its own set of rules and norms, it is their discretion to test in the specific product of the specific parameter what they want to. So definitely if we are to do business at specific market, we have to implement the rules but however, when it is a laboratory testing, we all have to have an understanding and I'm pretty sure nowadays everybody has a clue about that with regard to COVID that just like how there are possibilities of having false negatives, there are also possibilities of having false positives. That particular phrase of false positives actually applies to quite a number of companies which have the required systems and protocols in place. And that of course indirectly I would also answer on behalf of anybody else whom you want to refer to, but that is how it is. With the amount of systems in place and the protocols because these are required by the importing countries whether it is USA or European Union.

So when approximately around 20% of our business goes to EU, we have every second container being tested in EU also for antibiotics, but whereas we ensure that these products do not go to those markets and we ensure that we don't handle them. In fact, after this particular issue we have also intensified our own segregation and basically refusing the lots at any such specific source level so that we don't have to deal with any repercussion subsequently. So that is the general point about the alert but it is not a risk, we just need to implement it at our entry level to be precise so that we don't need to deal with any headaches or problems at the finish line, I hope you understand.

Ashwini Agarwal: Sir, on Salmonella, specifically I know you may not want to comment on what's happened to another company, but is that a risk only for pre-Ready-to-Eat or is that something that happened even for Ready-to-Cook and have you faced that problem in the past ever?

Subrahmanya Chowdary: No, we have not faced that problem, but as I'm saying that issue will be there for all products from fish in general, for seafood, any raw products, even chicken. So when they intend to test, they will test. If they want to intensify their testing, EU does it for the past I think six years or seven years since they have been testing every second container for antibiotics for example. Like that USA has its own set of norms like how Indian rules of import departments like animal husbandry or phytosanitary conditions which they implement. So that is there for all the products, it's not about only cooked or Ready-to-Eat or Ready-to-Cook. It will be there for all the products. We can test. As I said, we have to implement the system whether it is testing or whether implementing the right process. And that is how we ensure that we avoid any complications at the finish line; however, it does not mean that if there has been a test positive or if there is an alert it doesn't mean that this is a system failure because as I had tried to mention earlier like how you're noticing quite a number of false positives because it's a laboratory test, it depends on what equipment is used at the time the person who has handled the testing, etc., and errors are there with regard to machine reading also. So, that is how it is. But Salmonella could be there for any products, not just Shrimp or not just Ready-to-Eat.

Ashwini Agarwal: The second question I had was relating to the working capital inventory increase. Obviously, because shipping times have increased and the duration that to show up in the US has increased. That would be I'm assuming the principal cause of the increase in receivables. Is that the only reason or is there something else also which is causing your receivables to spike up from roughly about 70, 80 crores levels to 100 crores?

Subrahmanya Chowdary: There are two things: One is primarily the container related issues which is going on, we get payments of around 40, 45 days, 50 days sometimes it's increasing depending on the port, but then there has also been certain amounts of testing at that point of time which of course post shipping, we got the remittance realization from the customers also. So that's how the containers all got cleared and we got the payments, that's how there has been a stretch in the receivable period. But in the working capital even the inventory period also got stretched, the pre-shipment funding also got stretched because of the delays in shipments even though the product was packed, we just could not ship, every day we speak for the past two and a half quarters, even the current quarter, we do not know when this issue is going to get resolved immediately, but at this point we at any given point of time our company continues to have around 40 to 50 shipments worth an average value of Re.1 crore and above, now especially when the unit value is also increasing. So that is always blocked. This is over and above our such regular inventory. Hopefully, the issue with regard to the logistics and container shortages will get cleared at the earliest and we can have a shorter working capital cycle both in the post-shipment as well as pre-shipment.

Moderator: Thank you. The next question is from the line of Ajay Thakur from Equities Wealth. Please go ahead.

Ajay Thakur: I just wanted to check on one thing. Have we heard from the government in terms of the other export promotion scheme, when is it going to be implemented and what would be the incentive rate which the government will be providing for the same, any idea or any clarification which is coming from the government on that side?

Subrahmanya Chowdary: Unfortunately no and it remains no for the past four months because in the third quarter concall also, we have been asked the same question. As of now, we did not hear anything about the rates or the scheme process and procedure. So we look forward to it, but, of course, we are in the news same like when everybody else hears that it's likely to be announced soon hopefully this month or early next month, we are hearing it from the news, we do not have any official position informed by the government even formally or informally, we didn't get anything so far, so we are waiting for the details.

Ajay Thakur: Whenever the new scheme will be implemented, will it be implemented retrospectively or will it be from that time itself when it is announced?

Subrahmanya Chowdary: The idea of what we had was it was to be implemented from April 1st, that is starting of this financial year. This was what it was told then. Now, we will definitely get clarity when once they announce and they inform us all the details, but it was told that it will be implemented from the current financial year from the beginning. So I don't know, it could be a change of stand or I don't know if they would even take it to last quarter, at this point it's too fluid, we are not able to have a concrete idea about it at this time.

Ajay Thakur: In terms of the demand, just want to check on how the things are looking from your perspective because you mentioned about EU you're seeing improved demand or enquiries, so because of the lot of restaurants opening up, will we see a dual benefit with both the home consumption also sustaining to that level and also improved sales in the out of home consumption as well or will we have one going down, the other one going up kind of stuff?

Subrahmanya Chowdary: Overall, the demand has picked up very well but, of course, definitely at this current stage it is going higher than what it was pre-COVID, but, of course, this also would create some inventory buildup from inventories overseas and we should be stabilizing. But your question specifically just because the food service or restaurant change demand affect us, doesn't mean that there will be a fall in the retail, as of now we have not seen any such indication, the retail demand continues to be strong in general because the protein requirement has gone up significantly, now with the added restaurant chains and everything opening up. There are other proteins which are even in seafood which are currently few other items which are more expensive than Shrimp. So the demand for Shrimp has been quite steady at this point because it is still definitely a good choice and it is the number one preferred seafood item in the United States, especially it is the number one consumed seafood item. So that way I'm pretty confident that this will remain both in the retail and the food service sector and we need to see it continues to maintain and right now we are in the holidays and things should be good for the summer over the next two months especially because in the USA July, August, all these are the summer months as we go through them, so the demand should be good. There's no fall in demand from the retail side.

Moderator: The next question is from the line of Dipesh from Equirus. Please go ahead.

Dipesh: Sir, in the presentation you have mentioned that Shrimp prices are firming up globally. So I just wanted to get a sense that how do you see these prices going up for FY'22? And given the strong exports that India has seen from March onwards, I think it's better than even FY'19 level. So will you be able to reach a 60%, 65% utilization levels this year?

Subrahmanya Chowdary: We should be able to do it on the production side. With regard to utilization we should be able to utilize it, of course subject to the farmers going for stocking because right now the first crop has been good, everything was good so far, we are looking forward for farmers to go for seeding again which they are doing in some areas, there are also some changes and some species, people are going to Black Tiger but overall as long as the supply is continuing to be there with the current year's demand like you said which is at a higher level we are confident that it will remain for the rest of the year especially because there was a shortage of product overseas. Currently, the news what we have is that overseas the product is being absorbed when it is reaching the destination. So at this point there is no inventory pile up. So the demand is continuing for sure at least until summer and post summer till Thanksgiving, that is sometime in October, November. We believe it should be good, stable for the rest of the current financial year. Supply as long as it is good, yes, definitely we should be looking at utilizing 50% of the capacity for sure because the capacity utilization is more to do with the supply. And I strongly hope that there is no third wave or anything like that for India which we hear every day because we have had some issues regarding employees also during this recent few months ago. So we just hope we don't have issues and definitely we are confident that we'll be utilizing it subject to the supplies.

Dipesh: You are saying 50% or 60% for the next year because I think you're already at 40% right now?

Subrahmanya Chowdary: Current year, we said 50%, current year I think we have said the complete capacity of 29,000 MT, we said 50% is minimum is what we were looking to achieve, that is approximately 14,000-odd, 15,000 MT let us say. So that is what we are looking forward to achieve in this current financial year. Next year is of course as we also add up another line and all, we will give more details as we take firmer decisions and once the things are in place, we will let you later on.

Dipesh: How are the international Shrimp prices doing because the demand has picked up very sharply but the supply is still limited, right, so Shrimp prices are going up right now or they're still stable?

Subrahmanya Chowdary: The Shrimp prices have been going up for the past three months, and they have pretty much been stabilizing at a three-year-old higher pricing and supply wise it is there, there are not much issues with regard to supply as of now. We believe that it will continue to be there over the next two to three months. And as I said subsequent to that it will depend on how the seeding is happening and also any sort of issues at the farm level with regard to any disease or anything. But currently the supply is good and the demand is also good. So both ways in your words we have tailwinds on both sides.

Dipesh: Secondly, the government recently announced the PLI Scheme for the marine sector, right. So anything you are looking forward to because I think only two, three companies qualify for that PLI Scheme?

Subrahmanya Chowdary: No, the company as such has qualified but the point is with regard to the capital investment which they have sought after and also it is basically on the incremental growth subsequently from now, so we haven't really gone ahead with it, we did discuss internally but we didn't really go ahead about that because of the capital requirements as such. Because we are more focused on utilizing our current capacity utilization, so this year we look forward to utilizing 50% minimum of the total capacity of 29,000-odd MT and next year we look at 70%, 75%. So while this is going on for the capital requirement of what they have asked the marine sector of around 75 crores didn't really make sense for us immediately. Yes, it was an added benefit if it could have been a win, but however we are more focused on earning our own better realizations and margins with regard to the products which we are focusing on which we have been pretty successful over the past few months.

Dipesh: Given the higher freight cost that we are seeing for the last six months, your manufacturing and other expenses have not gone up, right. So on a per Kg basis if I see, they've actually come down quarter-on-quarter. So just wanted to understand how was that possible? And do you think the freight cost will hit us in the subsequent quarters?

Subrahmanya Chowdary: Freight costs actually have gone up more, I mean, we have at a significant higher cost from the current quarter that is Q1 because all the service contracts have been signed up at higher levels especially from this financial year. So with regard to going up, we do not see at this point but however it is too premature for us to comment at this time because we have also heard people from some shippers from China paying quite a huge freight amounts for shipping to European Union and all that. Until this logistics problems globally kind of settle down, we do not believe there's going to be an immediate solution for this and to get back to lower freight costs immediately, but we definitely hope things will get better soon. We don't really expect a higher freight cost from now at least on the current level but whatever increase we have seen over the past three to four months that has all been signed up in the month of April and May of the current year. We have signed the new service contracts.

Dipesh: If you can just help us with the incentives booked in the quarter, and what was the Hatchery sales, and the value added product sales in this quarter please as a percentage overall?

Vijaya Kumar: This quarter for MEIS point of view we did not book any because government has not announced anything. Duty Drawback, we booked Rs.4.85 crores this quarter. Hatchery sales this quarter is Rs.7 crores. This entire financial year came to around Rs.24 crores. Value added products number, we will give you later, actually we do not bifurcate value added products like that.

Moderator: The next question is from the line of Vincent Andrews from Geojit Financial Services. Please go ahead.

Vincent Andrews: Most of the questions have been answered in the previous answers and only one question I have that is related to the capacity utilization you have already mentioned you are expecting around 50% during the current financial year. But I remember during last concalls, you had mentioned like out of this total 5,000 capacity related to the value added and you have already arrangement with the clients for these capacities and since you have mentioned in the previous remarks like the Horeca segment is opening up now in the US, so what is your expectation for the value-added capacity and how much increment margins you will get out of this?

Subrahmanya Chowdary: First thing, regarding the capacity utilization, I was mentioning to the previous caller about the total capacity utilization of 50% on the overall capacity. Now, with regard to the Ready-to-Eat products specifically, we are of course looking anywhere between 60% to 70% in the current year, but that is also of course subject to our workers and subject to the employees continuously being available, but we are focused on utilizing 60% on the Ready-to-Eat primarily. Now, again on the capacity utilization, we did mention in the previous call that we would be looking at optimum utilization of Ready-to-Eat, we in fact do have the order book with our customers, the issue is more about with regard to operational efficiencies with regard to Ready-to-Eat, so we are trying to gain them in the current period. So as we do that we will be looking at optimally utilizing to 75%, 80% but we foresee that we'll be having a minimum production of 60% of the 5,000 MT this year for sure. So regarding margins, it is approximately around $1.5-2 per kilo over and above Ready-to-Cook items, that is with regard to the Ready-to-Eat items, but then of late we have also been developing value-added products within Ready-to-Cook also, so which are also providing us similar margins are in fact same as Ready-to-Eat. So we are focused on building up more production of those products and thereby both on volume scale which also makes a high margin to the company. That's what we are focusing on.

Vincent Andrews: One more question is like export incentive, any delay you are seeing from the government to implement the newly announced structure, so is it manageable from here and is it possible to pass on to the farmers or is it possible to increase the price at sales level without affecting the accommodation there, how you manage this?

Subrahmanya Chowdary: See, first thing is it is not something which is given by the government on a farmer basis, it is basically part of the income of the company and it is part of the income of the industry. So when the farmers are having their farm gate price, it includes everything like not just the incentive but also the overseas selling price and also the supply here. So it is all a multi-factor point with regard to the farm gate pricing. So, yes, the incentive once given by the Government of India is also being passed on to certain extent to the farmers depending on the situation then. That is the market dynamics. So it's not something like where we are awarding separately something to the farmers. It is an indirect pricing benefit which the farmers get through the market .

Moderator: The next question is from the line of Nitish Jain from Birla Mutual Fund. Please go ahead.

Nitish Jain: Considering the dynamics of your order book mainly from the US customers and also the labor availability at your both the factories and also the shipping or the logistics problem which we explained in detail, considering all this, the trade-off between all three or four of them, what kind of volume can you do in FY'22 in current fiscal year on your capacity of nearly 29,000 MT? Of course, there is fourth element also which is the most important one which is basically the culture itself and the farming activity. I know this is quite dynamic at this point but would you believe that you can do say upward of 20,000 tons, what is your internal estimate for this financial year?

Subrahmanya Chowdary: You said how much are we going to utilize our capacity is that what you asked? Which I did respond to one of the previous callers is that we are pretty confident that we will be utilizing at least 50% of our total capacity of 29,000-odd MT in the current financial year. This is not just to do with order book, of course, like you said after considering the supply situation also but mainly the thing is we are improvising our efficiencies in the new facility. So 50% of the total capacity utilization will be from the new facility. So we are actually improvising it. Of that 29,000 MT we are looking at anywhere between 14,000 and 15,000 MT between all the markets.

Nitish Jain: A follow-up question there, I mean in a robust demand scenario which is prevalent currently in particular in US market where 85% of your products you sell to US geography, I am actually quite surprised or perplexed to understand why we are guiding only 50% given the fact that we have a 20,000 tons brand new most efficient plant in the country and we have a good demand from the US market, so why only 50%, why not 70%, 80% type of utilization, what is the problem here, this is point number one? Point number two, if you still guide for say 50%, when do you see Apex Frozen Foods as a company can do nearly 20,000 tons to 24,000 tons of sales in any one particular year?

Subrahmanya Chowdary: We are only looking at around this 50%, 60% capacity, is of course considering all factors of efficiently even in the value-added products which is not Ready-to-Eat but even for utilizing the new facility of Apex, we also need to support it with a lot of peel product, we are not doing commodity Shrimp which can be done in mass volume, so naturally when you want to do more to the markets like USA and European Union where most of the value-added products go even in Ready-to-Cook, even in the raw materials, so for that the capacity expansion is happening more and more, we already have one pre-processing facility which has been utilized currently which is mostly supporting the old facility. There are plans to add another pre-processing by the end of this year which will be available for next year. That is why in the current set up of infrastructure, we believe that with amount of value added, that is the amount of peel product what we can cater to the processing facilities which have a 29,000 MT in total, we have to support those two facilities with that much amount of peel product which are required for the markets like USA where you rightly said which has 80% of our total business. So we need to provide more and more peel products which we are confident that we'll be able to do more next year and once we also finish up the other support facility. So that is the scenario. That is the main reason only for doing commodity-based Shrimp headless shell on or head on, shell-on hold from just the raw commodity Shrimp which we do to China, if we do only such product, we can do 75% of the total 29,000 MT in the current financial year itself. Actually, the problem was that our company is not focused on doing commodity products to commodity markets rather our focus is in more of value-enhanced products even in the raw stage. So for that the facilities which are of course the new facility which is 20,000 MT, but, however, it has limitations on the amount of pre-processed product which can be catered to under its current floor space. So we are also going to add that further and we are of course also getting some support from our existing pre-processing facility thereby further improvement will be there as we come to the end of this financial year. So from next year we believe it's going to be much higher, it is supported by these peel products. That is on that front. To your second question, we could do around 21,000 to 22,000, 75%, that's what…

Nitish Jain: Finished volume?

Subrahmanya Chowdary: Finished product.

Nitish Jain: This US Shrimp prices have been going up in last couple of months particularly in the US market. So can you confirm how much they have gone up in percentage terms?

Subrahmanya Chowdary: Between 15% to 20%.

Nitish Jain: Whereas in India farm gate prices are stable or have they also gone up or they are stable?

Subrahmanya Chowdary: The farm gate prices have been stable. I hope you understand where the demand is high overseas, supply is also good currently, so that answers tailwinds on both which I mentioned to a previous caller.

Moderator: Thank you. The next question is from the line of Ashwini Agarwal from Ashmore Investment Management. Please go ahead.

Ashwini Agarwal: Sir, just going into some figures, last year you did 11,700 tons. Out of this, how much tonnage was Ready-to-Eat and value add versus commodity, would you have those tonnage numbers available?

Management: ~~2,500~~ 1,705 was Ready-to-Eat. *

Ashwini Agarwal: How much would be the value added on the Ready-to-Cook segment in tons?

Subrahmanya Chowdary: In Ready-to-Cook, value added would be approximately around 7,500 tons to 8,000 tons finished product which we exported because we do not have more than 10% to 15% of our total Ready-to-Cook as commodity or the base for baseline products. We have a majority of our production what we have been doing so far is value-added, sorry, when I am saying value added, it is peel product in the Ready-to-Cook also. So, it's only around 10% to 15%. So, on a high side it will be around 800 tons to 900 tons very high side, that's the maximum which we do in the form of headless alone whatever we do to….

Ashwini Agarwal: Sir you're adding another 5,000 tons of Ready-to-Cook right, at the end of fiscal '22…

Subrahmanya Chowdary: Which is the current financial year, we expect to have totally 5,000 MT of Ready-to-Eat.

Ashwini Agarwal: What's your remaining CAPEX for this year sir?

Subrahmanya Chowdary: We expect it to be completed before the end of this current financial year. We plan for around Rs.5 crores to 5.5 crores but then we are planning some additional components, so it's going to be maximum Rs.7.5 crores to Rs.8 crores.

Ashwini Agarwal: When you spoke earlier in the conversation about 17,000 tons or 18,000 tons for the next financial year which is '23, are you taking Ready-to-Cook and the expanded capacity is 34,000 or that would be not utilized over the next year?

Subrahmanya Chowdary: I have not mentioned the number of tons of capacity utilization for next financial year. What I have mentioned was the current financial year, we are looking at a minimum of 50% of the total utilization which would be anywhere between 14,000 to 15,000 MT and for the next year we are looking at 70%. So in this we have not factored in the new additional 5,000 MT of Ready-to-Eat but when the additional line comes of Ready-to-Eat, our focus will be to utilize the Ready-to-Eat lines with the full efficiency even if it is at a little bit of compromise on one of the Ready-to-Cook line. So, I hope you understand what I'm saying where we utilize more of the Ready-to-Eat capacity so that we have better realization as well as better margins.

Ashwini Agarwal: Coming back to the shipping costs, I understand that in the industry, it's typically cost including freight, so whatever is the freight cost has to be absorbed by you. So does that mean that because you've signed new contracts pretty much all the shipping lines over April and May that there will be a headwind to the margins on account of shipping costs or are these reflecting in the higher prices of Shrimp that are prevailing, I'm just trying to figure out who ends up paying for the shipping cost at the end of the day -- the consumer or is it you?

Subrahmanya Chowdary: The reason why the Shrimp pricing is also going up is also the freight costs which get added to the cost of the shipper, so it will be passed on to the customers which thereby gets passed on to the consumers naturally because the freight cost is to be delivered to them. So the freight cost is increased across the board, whether it is China, European Union or USA or Canada, everywhere the freights are increased and thereby there have been some effect of the freight cost also to certain extent on the increased pricing, not just the demand, so that's where I had mentioned 15% earlier in the increase of pricing. But that of course we will be looking at the increased pricing more into the future as you know because of these logistics issues, there's a delay in the shipments by almost three to four weeks even after the product is completed because of lack of equipment for shipments.

Ashwini Agarwal: So, hopefully, on the margin front you have the tailwind of good supply, you have the sort of more value-added product, the revenue mix more Ready-to-Eat and hopefully the shipping costs are being paid for the higher Shrimp prices. So on the margin side…?

Subrahmanya Chowdary: We should be looking at a better margins for sure as long as the situation is there like you said. There are some aspects of freight and some aspects of some increased costs which are being factored into the higher prices, but also because of the demand there's also an increase in pricing. So overall the increased pricing is also taking care of these enhanced costs, Yes, that is true.

Moderator: Thank you. The next question is from the line of Nitin Awasthi from East India Securities. Please go ahead.

Nitin Awasthi: Just wanted to understand on the balance sheet capital working progress shows Rs.15 crores, so what is this asset being created, is this on the Hatchery expansion?

Management: Yes, it is Hatchery expansion only.

Nitin Awasthi: A follow up question on that, so have we reached the size that we wanted to reach in the Hatchery business or we intend to scale up even further, even faster?

Subrahmanya Chowdary: No, no, we definitely have reached the size, in fact, we have not yet been able to utilize this capacity even as on date because we are waiting for the approvals from the Government of India, the coastal aquaculture authority primarily and some audits to be done. But for sure with this added capacity, definitely, Yes, it is very much sufficient for us to take help with regard to growing our network with the primary producers, the farmers, definitely the capacity is very much sufficient for us for our company. We are not looking at any further scaling with regard to hatcheries as on date. We may be looking at alternative species simultaneously, but at this time it is too premature.

Nitin Awasthi: On the other parts, we're seeing a lot of these farmers going for Black Tiger this time around. Just wanted to understand from a processor side of it because we have been servicing our customers with Vannamei all this while. Once Black Tiger comes into the picture, how does it change, so can we do the same product in the same manner and get a premium for the product because it's Black Tiger, or will it be Shrimp, doesn't matter which Shrimp at the end of the day, could you please comment on that?

Subrahmanya Chowdary: In fact one of the reasons why I had mentioned just a few seconds ago about we are looking at alternate species, is also about this particular Black Tiger. Now your question regarding getting a premium for Black Tiger is nearly impossible, it will definitely have a higher price but significantly high pricing is going to demotivate the consumer to look at that species. We are going to look at it as Shrimp. Yes, for the appearance, flavor profile, the consumer is willing to pay extra but it is little extra, it's not that they're going to pay a huge price difference between the White Shrimp and the Black Tiger. But yes, there are customers even today who are looking for the supply of Black Tiger from across the globe. It has been limited because the world has been dominated with Vannamei and it has been proven a very steady and consistent supply chain with regard to Vannamei supply. Now as Black Tiger becomes more and more successful over the next few months and years, if it remains steady and consistent in supply, for sure it will create its own shelf space across the globe, but it will not have a significantly high premium, there will be a price difference for sure, Black Tiger will fetch better pricing because of its as I said flavor profile and all that. But it is not going to be too expensive. If it is too expensive, the consumers will be turned off from that. So that is also a key part. So, it is going to be very important for us to maintain a reasonably stable pricing of Black Tiger products or ceasing compassion to the Vannamei. So that is how it is. Limited supply can get consumed at little higher prices, but once we want a mass supply to be placed in the market, we need to be reasonably priced when compared to Vannamei. That is how the market has taken it so far. When it became too expensive Black Tiger ended up being kind of turned off by many of the consumers.

Moderator: Thank you. The next question is from the line of Srinivas Reddy, an individual investor. Please go ahead.

Srinivas Reddy: You have booked MEIS incentive in earlier quarter. Whether you have received total amount or is there any pending amount there?

Subrahmanya Chowdary: No, we have not booked any MEIS for the quarter. The MEIS was only booked till the second quarter. It was not booked subsequent to that. Once the government made it clear, we didn't book.

Srinivas Reddy: MEIS incentive, whatever is booked and we have received it?

Subrahmanya Chowdary: No, it is still receivable.

Srinivas Reddy: When can I expect the new scheme?

Subrahmanya Chowdary: I'm sorry, we are also waiting from the Government of India to announce soon, so we are waiting for the announcement and once they give a clarity, we will keep you informed in our future concalls and I am sure you will also hear from media.

Moderator: As there are no further questions, I would now like to hand the conference over to Mr. Subrahmanya Chowdary for closing comments.

Subrahmanya Chowdary: Thank you, everybody for coming to this Concall of Q4 and the Full Year FY'21. We hope you and your families continue to remain safe and hope you have a good day. Take care. Bye-bye.

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

** Due to an inadvertent error, the number pertaining to the sale of RTE was mentioned as 2,500 MT which has been corrected in this transcript. The incorrect number, that is, 2,500 MT has been struck out and the correct number, that is, 1,705 MT has been inserted (page 13).*