



3 -160, Panasapadu, Kakinada 533 005
Andhra Pradesh . India
off +91 884 2383902 - 4 (3 lines)
fax +91 884 2383905 - 6
kkd@apexfrozenfoods.com
CTIN: L15490AP2012PLC080067

Date: 17th July, 2020.

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,
BandraKurla Complex,
Bandra (East), Mumbai - 400 051.
Scrip Symbol : APEX

Dear Sir's,

Subject: Transcript of Q4FY20 Earnings Conference Call held on 26th June, 2020

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, kindly find enclosed a transcript of the Q4FY20 Earnings Conference Call which was held on Friday, 26th June, 2020.

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

Thank You,

For Apex Frozen Foods Limited

A handwritten signature in blue ink, appearing to read 'S. Sarojini', is written over the circular stamp.



S.Sarojini
Company Secretary & Compliance officer

Enc: as above



“Apex Frozen Foods Limited
Q4 FY2020 Earnings Conference Call”

June 26, 2020



**MANAGEMENT: MR. KARUTURI SUBRAHMANYA CHOWDARY - EXECUTIVE
DIRECTOR - APEX FROZEN FOODS
MR. VIJAYA KUMAR – CHIEF FINANCIAL OFFICER - APEX
FROZEN FOODS
MR. PRASAD – SENIOR ACCOUNTS MANAGER - APEX FROZEN
FOODS
MS. MADHAVI – PLANT MANAGER – APEX FROZEN FOODS**



Apex Frozen Foods
June 26, 2020

Moderator: Ladies and gentlemen good day and welcome to Apex Frozen Foods Limited Q4 FY2020 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 this 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 over the conference to Mr. Subrahmanya Chowdary, Executive Director. Thank you and over to you Sir!

Subrahmanya C: Thank you, Steven. Good evening everyone and a warm welcome to our post earnings conference call for the quarter and full year ended March 31, 2020. As we are getting used to the new norm of life, I trust everyone, and their families are safe and continue to remain so. I have with me on call, Mr. Vijay Kumar, our CFO; Mr. Prasad, our Senior Accounts Manager; and Ms. Madhavi our Plant Manager and Stellar IR Advisors, our Investor Relations Advisors.

Our updated investor presentation has been uploaded on the stock exchanges and I hope you would have had sometime to go through the same.

The fiscal 2020 has been an interesting year for all of us and for Apex even more so. This year saw the completion of our capex cycle and we are happy to announce that the new plant after finishing the trial runs, sorting the minor teething problems which were there in the beginning, has now commenced commercial production. While we await the approval for EU market from the health authorities which is dependent on the negotiations with the Export Inspection Council of Government of India, the plant has already started catering to our US and other markets. This new facility for shrimp processing is located at G. Ragampeta in Andhra Pradesh which is around 25 kilometers from the coast and has an installed capacity of 20,000 metric tonnes per annum. With this our entire capacity is 29,240 metric tonnes per annum is now owned and operated by us entirely and we are not dependent on any third party as such which we were struggling with for the past three to four years. We have discontinued our leased facility of 6,000 metric tonnes per annum during the last year. Further, with the new plant, not only have we expanded our capacity but have also started a new product line that is the ready-to-eat category which is cooked products. Of the total capacity of 20,000 metric tonnes per annum at the new plant, 5,000 metric tonnes is earmarked for ready-to-eat products. We thank our investors and stakeholders for showing patience as the plant’s commercial production and the operations took a longer time than initially planned. However, we are now focused on ramping up the capacity utilization as the COVID-19 situation improves.

Let me now take you through how this global disruption caused by the COVID-19 pandemic impacted the industry and our business.



Apex Frozen Foods
June 26, 2020

The first two months of calendar year 2020 were very well done. With the support of markets like USA, India's exports in general has grown by ~ 30% to ~ 49,000 metric tonnes in the first two months of calendar year 2020. Although China was a little slow because of their holiday season and also, they were affected strongly by the COVID-19, the first country in the world as we all know is China which had its major impact. However, starting March, demand from the US started declining, mainly from mid and end of March when a lot of food service restaurant chains started closing down which consumed almost 50% to 65% of the shrimp imports in the United States. However some of that loss of sales to the food service companies has been compensated by the retail sales because a lot of end-consumers were increasingly buying more food products from the retail outlets rather than preferring or because of the lack of access to dining at restaurant chain. Distributors had higher inventory during the end of March; even our customers who are there in the USA and the European Union have been sitting with higher inventories because of this sudden impact in the form of closure of food service restaurant chains at a large scale.

In India by mid-March, we saw ground level impact on our operations as well. Lockdown was imposed on March 24, 2020 and immediately there was on-ground disruption in terms of availability of labor, movement of stocks and shipments to our customers. At this point of time I would like to emphasize and also thank the support of the Government of Andhra Pradesh which was playing an active role with regard to saving the farming community and they relaxed a lot of norms during the last ten days of March and subsequently in the month of April, 2020 to help the processors to buy all the produce which was being harvested. It is mainly because our activity being part of the food processing sector and being considered even today as an essential service, our operations resumed within a week, however with reduced capacity.

Our company has always believed in making sure that we grow along with all our partners. Since it was our harvest season and with a general feeling of uncertainty among the farmers, we witnessed a steep correction in the farm gate prices; basically, we had good tailwinds supporting the company. Our commitment to ensuring the financial well-being of our partners, the farmers, meant that we purchase a lot of products from them and build inventory in late March and continued doing so in the month of April. The expansion we did on our cold storage unit was extremely helpful in allowing us to store this product for further processing. We processed this extra inventory in April and May and we continue to process even now as we speak and we have been dispatching that product to our customers as the logistical issues were being resolved by the Government of Andhra Pradesh with regard to shipments.

On the hatchery front, off take of existing stock by the farmers was impacted due to the lockdown. Even though the government extended support to the farmers to take care of the produce which was



Apex Frozen Foods
June 26, 2020

already in ponds, they could not permit them to go for new stocking or fresh stockings and so they couldn't buy the seed from the hatcheries. Because of this a lot of seed was drained out by several hatcheries across the coastline of Andhra Pradesh and restrictions with regard to international flights also had an impact on the brood stock availability which started slowly easing out from mid-May and onwards. We expect operations to resume, in fact they have already resumed and are picking up slowly; in fact, a lot of group of hatcheries have been taking efforts to stock on charter flights.

Now let me take you through the brief highlights of our financial performance. On the revenues front, shipments of our finished products got disrupted during the last fortnight of March, 2020 which had an impact on the volumes and thereby revenues of Q4 of financial year 2019-2020 to the extent of almost Rs.35 Crores. That was largely being the reason for an approximate 13% decline in revenues to Rs.146 Crores in Q4 FY2020 from Rs.167 Crores in the corresponding quarter of previous financial year, that is, Q4 FY2019. Also, as you would have noticed, we had a one-time income of around Rs.12 Crores which was there in the financial year 2018-2019 because of refund from antidumping duties from the United States which did not exist in the current financial year of FY2020. For the full year, our revenue stood at Rs.846 Crores compared to Rs.896 Crores in FY2019. In terms of volume sold, financial year FY2020 clocked a sale of almost 12,243 metric tonnes of which 86% was to the USA 10% to the European Union and the balance 4% was to China which is a new market for us since the last 18 months. The Chinese market was primarily explored by us towards the end of 2018 and more of 2019 mainly to use the benefits or rather take the advantages during the tailwinds which support our company during the high supply season. During the period of high supply season, we are able to produce these commodity based products for the Chinese market so it always helps us to utilize our production capacity much better with the commodity products because there is not too much of work involved with regard to base products like head-on or headless products which are primarily exported to China and so that is the reason we wanted to have this market in spite of not being present in the Asian markets for many years.

Coming to profitability, improved cost optimization measures coupled with lower raw material cost ensured that we were able to achieve a better EBITDA margin of 12.8% in Q4 FY2020 compared to 10.5% in Q4 FY2019. For the full year FY2020 EBITDA margins were stable at 12.6%. The cost savings which were involved were primarily with regard to the following: a) moving out of our leased facility totally which was on a rented basis dependent on the quantity processed at that facility; that was one of the major savings b) added to that, we also had a major advantage for the company, the hatcheries which we have opened up and scaled the operations to a higher level because the seed supply for the past 12 months has been very instrumental in growing the network of farmers not only in the state of Andhra Pradesh but also in Orissa and Bengal and we are able to take advantage with regard to buyback of that product from the farmers c) the cold storage which was created in the new



Apex Frozen Foods
June 26, 2020

plant has helped us in saving our costs because of not depending on the public cold storage. However, at this point I would like to emphasize that the total cold storage capacity including the new one was not sufficient during the month of April, 2020 because the company increased purchases to support the farmer and also trying to take advantage of the tailwinds on the price level. We did utilize public cold storages in the month of April, 2020 and May, 2020 to support the product storage.

Increased depreciation on account of commercialization of the new plant resulted in a marginal decline in profit before tax, however, lower tax rates helped us improve our profits with PAT at Rs.9.2 Crores in Q4 FY2020 from Rs.8.4 Crores in Q4 FY2019. For the full year FY2020, the PAT came in at around Rs.61 Crores while the PAT margins saw a slight improvement at 7.2%.

With regards to our balance sheet financials, some key points to be noted are: A) Inventory, as I had explained earlier has increased primarily on account of large raw material purchases made during the last few days of March 2020. This is not reflective of our normal working capital cycle and the first half of the current fiscal year should see the impact of this getting normalized. As I had already informed to you that the raw material was continued to be sourced or purchased irrespective of our shipments to overseas markets so there was a pileup of existing inventory for the shipment getting hampered because of logistical issues and at the same time there was the accumulation of newer inventories from that purchases which were happening from the farmers. B) Our liquidity position continues to be strong and we are in a comfortable position to meet our requirements and debt obligations in the near future.

Lastly, I would also like to update you all on the MEIS front since we have been receiving this query in the past. So, the Government of India has extended the MEIS till March 31, 2021. However please note that the government has removed or discontinued that short time additional MEIS of 2% which was there till December 31, 2019. From January 1, 2020 that is the last quarter of FY2020 we had only 5% of MEIS and additional 1.3% of duty drawback.

With that I would like to thank you once again for joining this call and I now request the moderator to open the floor for questions.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Nitin Gosar from Invesco Mutual Fund. Please go ahead.

Nitin Gosar: Sir, could you throw some light on how the procurement prices have behaved between March, 2020 until now and the inventory gathered on our books has faced any pricing depreciation or something?



Apex Frozen Foods
June 26, 2020

Subrahmanya C: As I was mentioning, during the third week of March when this pandemic started showing its effect on life in general, the farmers were panicking as such fearing that there will not be a future buyer; they were very desperate to harvest this product out of their farms, which thereby created a huge drop in prices by almost Rs.50 to Rs.60, depending on the sizes. Of course although now currently the prices are hovering around Rs.350 but this went down to under Rs.300, this is on an average by the way because there are large sizes, small sizes, medium sizes and so on an average, it had gone down by almost Rs.50 to Rs.60 on certain sizes and some of them it was around Rs.30 to Rs.40 and all this lasted till almost April 20, 2020. Subsequently as things started opening up much more with higher relaxation given by the Government of Andhra Pradesh along with Government of India with regard to operations, the prices have again started firming up and currently they are settled around Rs.350 to Rs.360 levels on an average, I mean depending on the sizes again but I am just giving a rough estimate. Actually if you look at the full year with regard to our company, the last quarter average was around Rs.256, as I mentioned it depends on multiple sizes right so based on the sizes which was sourced at that point while compared to the same quarter of the last year it was Rs.307 so there was a drop as I said almost Rs.50 to Rs.60 in general with regard to unit value. I would not elaborate much on the actual price or the count because they keep varying, but I gave you a generalized understanding. For the whole year if we look at FY2020, it shows higher purchase cost of almost Rs.315 vis-à-vis almost Rs.305 for the full year of FY2019. So, when we look at the impact, the last quarter, Q4FY2020, did give us a lot of quantity which was mainly at lower cost price.

Nitin Gosar: Got it, and the finished goods that were in inventory has not closed out during the balance sheet date that dominantly has got liquidated?

Subrahmanya C: It is being done as we speak, as I had mentioned in my opening remarks remember things were not normal even in the month of May, 2020 we were all getting back on our feet trying to walk even though we all like to run, so unfortunately with the restrictions and also apart from the panic at the primary producer level, there was panic amongst employees and workers also. A large part of the workers did not make it for work during 20th March, 2020 onwards and almost till the first week and second week of May, 2020. What happened was as the workers strength at factories started increasing, we started producing more products for China and other markets and as further workers have increased we started producing for USA and European Union so this manpower related issues are also largely seen during this because of the effect of COVID-19 in general and that has been slowly getting back to its feet and the workers were increasing so the employees were able to get back to their jobs. Unfortunately the impact of reopening, which is happening across the globe too, is that the number of cases are increasing again so at this point it is too premature to say that whether there will be another lockdown or whether we continue to have more cases and we may have that 3% of fatalities of the total cases I do not know but we did have one positive case in one of our



Apex Frozen Foods
June 26, 2020

preprocessing facility just to give an update and the pre processing facility was shut down for the past five days. From today and after getting the approval from the government department officials and cleansing and disinfecting it, we did start it again with a very marginal set of labor, only with around 15% to 20% of the labor normally in that preprocessing facility. The other facilities and the processing plants of course too have some issues because we are restricting the workers who are part of the red zones declared by the government and hence this always has an impact on production being done and how stocks could get liquidated and get shipped out.

Nitin Gosar: Got it Sir, and one last thing how much will we be saving because of the lease which is not now?

Subrahmanya C: Processing charges being around Rs.18 Crores per annum, but that of course I would not say would benefit entirely, as some costs would remain so let us say net impact of approximately around Rs.10 Crores should be seen in the current year with regards to saving of operating entirely in our company's own facilities and no more leasing .

Nitin Gosar: Thank you Sir, and all the best.

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

Dipesh Kashyap: Sir, my first question is there are reports that the way India is countering Chinese imports and China is also doing the same way now considering that 30% of Indian shrimps are exported to China I just wanted to know your view how big this problem can be and what can be the effects of it?

Subrahmanya C: What you are mentioning about blocking Chinese imports, I strongly believe those are nonessential commodities. These are products anything from electronics to machinery and others. I am not saying that the shrimp products or seafood products are a part of the staple food of the Chinese dish, but they are a significant protein contributors to the Chinese population and hence there was no impact with regard to China blocking Indian imports of shrimp because they require shrimp, they require seafood products, they do definitely consume a large part of their protein using seafood apart from pork now. But the main thing what has happened here is as I mentioned earlier too that as everybody is getting affected in the reopening of the nations and states or companies or economies to this COVID-19, we do see an impact of holding up or deferring shipments from Chinese buyers again in the present month. For example, Beijing, the capital of China or all major cities may be getting affected severely because of the COVID-19 cases happening because of the reopening. There is a general impact on the consumption or with regard to the buying of the seafood or shrimp and certain customers of ours did ask us to defer our shipments for a week to 10 days, in this month.



Apex Frozen Foods
June 26, 2020

Dipesh Kashyap: Understood Sir, second question is basically that in FY2020 our volume decline was around 6% but when I see that total Indian exports they actually grew by 5% to 6% now; have we lost any market share and do you think that in the next year FY2021 when the overall Indian export volumes look a little bit declining to us, you can push upwards more because you have doubled your capacity.

Subrahmanya C: FY2020 volume decline has got to do with one major factor as I also had mentioned the same thing in a different angle with regard to the savings of exiting out of the lease facility. But when we were exiting out of this leased facility during the third quarter of FY2020 and pretty much we have completed most of it by the end of December, 2019 and completely during the last quarter, there were transitional issues related to it. There was an impact largely because of the transfer of capacity from leased to our own which was the primary contributor to a drop in volume in general and added to that of course the last 10-12 days of March, 2020 also had an impact on shipments as the lockdown was strictly implemented by local authorities affecting movement of goods. But subsequently, thanks very much to the Government of Andhra Pradesh which got supportive with regard to that part of the seafood sector. So because of this transfer as well as COVID-19 in the last part of the year, that effect was there in FY2020 in general.

Now in the current year, the company has in fact transferred its entire capacity and it has 29,000-30,000 metric tonnes odd available at its disposal; however as we scale up our capacity, continue to improve it in spite COVID-19, we have all the three facilities functioning in a normal scenario, although unfortunately, as I had mentioned earlier, one of which was shut for five days to one week dependent on the government regulations; otherwise we are very positive with regard to our business in general for the year FY2021 with regard to how the volumes could be taken up of course but it is subject to the impact of COVID-19 with regard to workers and employees as they are not there in the company's facilities or they are very minimal naturally for that many number of days the production does get affected.

But with regard to the sales, thanks to the own capacity coming into play from the first day of the financial year, thanks to the additional capability of the company with regard to ready-to-eat products which was also there from the first day of the year and we are actually utilizing our ready-to-eat capacity. As it had been emphasized many times in the past that we were really looking forward to get this ready-to-eat capability because our customers primarily in the United States as well as European Union require these products and they were buying from other sources whether in India or outside India. So we are positive of how FY2021 is going to be in volumes subject to issues with regard to labor and manpower because as far as infrastructure is concerned it is good and thanks to the coincidental strategy that the company's focuses more on the retail segment in general so as to not have a long-term exposure and to have a regular dynamic pricing which is more feasible and also their



Apex Frozen Foods
June 26, 2020

promotions which could be done in retail, so we were also saved with that because our sales continue to happen and they are not impacted at this point except these worker issues.

On the supply side, we do not really see the supply being massively affected as of now, there is an impact definitely, but if you look at it, the farmers did not go for stocking after mechanically harvested not because they did not want to go but because of the lack of availability of seed, now the seed availability has started in the month of May, 2020 so they are all getting back onto their feet and everybody is stocking seed and even Odisha and Bengal has opened up. Once the borders opened up between the states the seed is also being transported to Odisha and Bengal. I am pretty sure once the airliners are in place, although I am not very much sure about the off take in a similar fashion on the routes all the way to Surat and Mumbai for the Gujarat aquaculture. We look forward thanks to the 29,000 metric tons capacity available to us and in that 5000 metric tonnes being ready-to-eat capability.

Dipesh Kashyap:

Understood, Sir my last question is that your employee expenses have come down to Rs.44 Crores in FY2020 from Rs.48 Crores in FY2019 now how is that given that you have set up a new capacity which is double the size of your previous capacity? Do you think the employee cost will increase massively in FY2021 or this is it?

Subrahmanya C:

Employee cost in FY2021 will increase; the reason why the employee costs in general has dropped significantly in FY2020 was also because as I had mentioned it was not a one-day or a one-week affair of moving out from a leased facility to owned facility which was located almost more than 300 kilometers away, so there were several employees and workers which we had to let go into the lease premises and subsequently we were getting into employing them and recruiting them in this area so all part of that teething trouble which I was telling you so naturally this FY2021 there will be certain amount of increase in the employee cost. It is now in this year that we are gearing up to fully utilize our own capacity of 20,000 metric tons; I mean of course it is not that the first year is going to have the entire capacity utilized but as we continue to increase the utilization of the new capacity in our own facility definitely the employee cost will increase but I am not sure about predicting to what extent it would go but we are definitely looking at cost-saving measures and also we are now changing our methodologies with regard to workers making it more output related rather than just fixed salaries so we are also incentivizing them so that we get more output in general so we will see various ways, we are exploring various methods for that.

Dipesh Kashyap:

Okay Sir lastly can you give me export incentives number in this quarter?

Subrahmanya C:

Just a minute, I think Vijay Kumar will provide that.



Apex Frozen Foods
June 26, 2020

- Vijay Kumar:** Last quarter Rs.9,10,00,000
- Dipesh Kashyap:** Rs.9 Crores 10 Lakhs, okay thank you Sir.
- Moderator:** Thank you. The next question is from Nitin Awasthi from East India Securities. Please go ahead.
- Nitin Awasthi:** Thank you for the opportunity. Export incentive for this quarter is what exactly, absolute number?
- Vijay Kumar:** Rs.9 Crores 10 Lakhs for the export incentive and added to that expenses of Rs.2 crore 36 lakhs; so the net incentive is Rs.6.73 Crores.
- Subrahmanya C:** It was a net of Rs.6.73 Crores of incentive available for the company in this quarter.
- Nitin Awasthi:** So about Rs.6 Crores, so roughly Rs.6 Crores is the export incentive and roughly Rs.2 Crores Rs.2.5 Crores is the duty drawback right so totally it is Rs.9 Crores close for this quarter.
- Subrahmanya C:** No, when we say incentives, we net it out with our duties so that is the reason it is, this Rs.6.73 Crores includes MEIS of 5% and also duty drawback which is applicable.
- Nitin Awasthi:** Okay Sir thank you. Sir what was the seed sales for the quarter went by?
- Subrahmanya C:** Seed sales for the quarter almost Rs.4.5 crores.
- Nitin Awasthi:** Okay, and draining of the seeds that you mentioned that hatchery had to do that happened during the quarter or in Q1 FY2021 of this year?
- Subrahmanya C:** End of March, 2020 whenever the lockdown was started pretty much from then all the hatcheries were closed down and except maybe nearby farms could be catered to but most of the hatcheries could not cater to anybody's seed requirements and they had to drain it out, not just our company.
- Nitin Awasthi:** Okay Sir, got it and then for this move that the Andhra Pradesh government has put a ceiling on the PL prices so that is affecting the company negatively?
- Subrahmanya C:** With regard to the prices what they have asked or actually requested the hatcheries to keep a cap at Rs 35 paise per seed is not going to affect the overall profitability of the company with regard to the seeds; yes, it may impact the margin, it may reduce a little bit but it is not going to affect us in a significant manner and the other important point is with regard to seed, we have totally stop giving



Apex Frozen Foods
June 26, 2020

any bonus seed which is generally given to the farmers to take care of transit mortalities and all that is being stopped in the present regime of this seed pricing capped at Rs 35 paise.

Nitin Awasthi: Got it Sir and lastly you said that Rs.35 Crores sales we lost during the quarter because of the lockdown and all the issues that came by so we realize that sales in the consequent quarter in Q1FY2021?

Subrahmanya C: Yes, it is being done as I said, April 2020 was definitely better than March 20, 2020 to March 31, 2020 that period when the lockdown was in place. Work started coming back towards the second week of April and slowly we started moving out those shipments which were stuck with us towards the end of FY2020, so yes we are looking at realizing I mean shipping out all of them and we are continuing to do that as we speak also.

Nitin Awasthi: Okay Sir, just one last question I think right now you would have some visibility of the next three months so for the first half of this year what kind of volumes are you looking at or it is really possible I know that the COVID situation is quite dynamic to predict but still that you would have at least the next three months I believe some visibility would be there so first half what kind of numbers are using at volume numbers?

Subrahmanya C: Nitin, I am pretty sure neither of us are in a position to actually calculate the impact of COVID-19 when it like as I told you one of our facility was shut down for 4-5 days, so at this point, I do not know how it is going to happen. We are putting in our best efforts, we are observing physical distancing, we are checking the temperatures of every employee entering the company's facility, we are also checking their oximeter levels. We are taking all the necessary steps which are required to ensure that whichever employee enters in, we are doing our best to ensure that we are able to get the work done. So yes, we are putting all our efforts so definitely we look forward for a positive result as such but again it is all subject to the conditions, I hope you understand that point.

Nitin Awasthi: Of course I got it thank you so much for answering. Thank you.

Moderator: Thank you. The next question is from the line of Utsav Chhawchharia from AKB. Please go ahead.

Utsav Chhawchharia: Just a few questions, one was with respect to the new capacity what kind of utilization level would we see considering the food service sector is one that is hampered the next may be two, three quarters in the U.S. and EU?

Subrahmanya C: Sir first thing is with regard to the new capacity coming into play that is a general thing which had happened for the company which was already planned. With regard to drop in sales, I think I



Apex Frozen Foods
June 26, 2020

mentioned one of the earlier participants that the company's strategy of balancing out its business between the food service sector as well as the retail sector has in one way paved the company's advantage in these bad times. It is not something which we thought of, however, with a general concentration of ~60% of shrimp sales into the food service sector, around 35% to 40% goes into the retail. In the company's case, it was 50% and beyond of the retail itself, so that actually helped us and we are pretty confident that it will continue to help us in the forthcoming months and quarters also. So as such yes there is a little bit of demand related issues, it has been slowly picking up after the reopening of the United States and the European Union economies as there are a lot of people who are protesting with regard to their right to live so a lot of food service restaurants, the restaurant chains have opened up primarily with outdoor dining until last week and from this weekend we are hearing more of indoor dining, however these are all subject to whether the customers would be interested in going and sitting in restaurant and dine inside or not. But definitely things are looking in a positive direction in a negative time and we need to see how well we can take advantage of these measure of positive circumstances.

Utsav Chhawchharia: Right and one more question with respect to ready-to-eat segments which you just mentioned that we are using that facilitate what kind of margin expansion are we seeing with respect to the regular variety of chains?

Subrahmanya C: Generally, the ready-to-eat realization is around \$1.5 to \$2 more than the ready-to-cook however this is also dependent on the sizes because the smaller sizes are not even the same realization. With regard to margin, if you look at it, we do have additional costs and some yield losses in ready-to-eat but the additional realization actually makes us to have a better margin for sure so I would rather comment on the realization part which is because it is dependent on the sizes what we do and the kind of products which we do and the cost which are involved with the margin expansion. But definitely we are having higher realization like how in ready-to-cook I have mentioned the value added product is of a better realization than commodity product same way ready-to-eat is a better realization.

Utsav Chhawchharia: Okay and could you also give us some sense regarding current shrimp prices internationally?

Subrahmanya C: Sir current shrimp prices, we are back to the levels of pre COVID-19 if that is what you are wanting to know. You see, demand or consumption are all subjective matters but overall that major issue during the lockdown period of two months globally, whatever price issues were there, they are all normalized and stabilized and we are back to realizations of pre-COVID-19 that is for sure, it is just that we need to see how we can deal with the volumes and sales etc.

Utsav Chhawchharia: Okay, thank you.



Apex Frozen Foods
June 26, 2020

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

Vincent Andrews: Good evening Sir, only one question. The questions got already answered. Sir out of the inventory that is Rs.15 Crores around finished goods and Rs.20 Crores around raw so out of that inventory can you please give some idea about how much you shipped or able to ship in April,2020 and May,2020 or in the last three months?

Subrahmanya C: Yes, to tell you the truth, most of the finished goods has been whichever is under the finished goods category has been already shipped out as on date. We are right now in the process of utilizing the unprocessed or semi-finished goods at this point and also buying some raw materials to produce those sizes which are not there as part of our inventory. So whatever inventory in the form of finished goods as of March 31, 2020, most of it has been already shipped out, so there are no issues with regard to that. Now we are working on utilizing the inventories of semi-finished and unprocessed goods which are also at a very high level compared to our general business cycle as such we are utilizing that right now as we speak.

Vincent Andrews: So, can I assume like the volumes for the first quarter of the current financial year, as last financial year the revenue was Rs.221 Crores so this quarter how much percentage on a Y-o-Y basis? How much percentage it will be?

Subrahmanya C: Sir, first thing of course you would know that the impact of COVID-19 continued even into the first quarter of this financial year; It is not about sales, purchase prices and all that but as I did mention to one of the earlier participants that even the employee related and worker related issues and logistical issues were also there. So in general I am not be able to give you a number or specific range at this point because we are still waiting for the quarter to be completed once the results are out we will see but we have worked very tirelessly in this present three months of this quarter and we are continuing to work; We are just facing certain uncertainties because of COVID-19, so we definitely think we will be able to do but again it is subjective I cannot talk too much about it, I hope you understand.

Vincent Andrews: Okay that is all thank you.

Moderator: Thank you. The next question is from the line of Siddharth Mohta from Principal India. Please go ahead.

Siddharth Mohta: Sir are you confident that large portion of additional capacity will get consumed by your existing client or do we need to add some new clients?



Apex Frozen Foods
June 26, 2020

- Subrahmanya C:** We have had quite a significant number of clients who we have reduced selling to in the past one to two years as the volumes grew up in general because of lack of our own capacity. Once we started this new capacity utilization, we have touch based on all of those old clients and we also have newer clients this year from markets like China and USA also where we are taking this business but largely the expanded capacity will be taken care by most of the existing customers. Also, if it is a new client it will be first year and we never expect wonders to happen with a new client in the first year of business for sure as it take time for them to understand us, for us to understand them and their requirements and our capabilities so definitely for the first year it will largely be with the existing clients of 2019 and prior.
- Siddharth Mohta:** Whatever visibility that you have, do you think that the large portion of your additional capacity or one can say around 27,000 or 28,000 metric ton it will be utilized within three years which is starting from 2021, 2022 and 2023?
- Subrahmanya C:** Sir, definitely we should be able to utilize over two to three years subject to the extent of impact of COVID-19, which I do not know how long will continue, but in a normal business environment we would have definitely utilized it in the first two to three years of commencement of production say starting from this financial year. We hope that things will be much better towards the end of this year and we will be able to do like all of us will be able to live as normal life and for sure yes in the next financial year this will totally completely utilized to the maximum possible of installed capacity of 20,000 metric tons.
- Siddharth Mohta:** Sir, recently Vietnam has signed FTA with EU so by any chance it will have any impact on the shrimp in the sense that whatever we export from India to EU.
- Subrahmanya C:** Sir, the FTA between Vietnam and EU nations has been in the making for almost four years and they finally have signed it. It is very unfortunate that FTAs between India and European Union nations which was in the making for the past 10 years is yet to come to a shape, okay that is a different point, there will be certain impact on the preferences of the EU customers definitely I am not going to say that it is not going to be any impact, there is certain impact with regard to that because they are going to import from Vietnam at 0% while they have to pay around 3.5% to 4%; But our cost of raw materials could also keep us competitive with regards to the competition given by Vietnam but yes for sure that 0% duty tariff products from Vietnam will definitely have an impact on the way India does business in European Union.
- Siddharth Mohta:** Okay and Sir, can you also say that have you started opting for some takes in the other incentive or the benefit for this new facility?



Apex Frozen Foods
June 26, 2020

Subrahmanya C Can you repeat the question I did not understand did you mention incentive or tax I am sorry?

Siddharth Mohta: Sir, both if there is any as far as tax portion is concerned and any other incentive like the power or the capital subsidy which state government was supposed to give to you people?

Subrahmanya C Firstly, regarding the tax benefit part, the new tax regime is only applicable to an entity if and only they do not use any other tax incentives provided by the Government of India. Since the company has decided in the third quarter itself that we will be opting for the new tax regime, we are not going to take any specific tax benefits with regard to a new facility which was completed last year. So keeping that in mind, there will not be any tax benefit, we are in the new tax regime of 25% after all the taxes and additional taxes, so that is regarding the tax part. With regard to incentives, we did not go with the Government of Andhra Pradesh, we have been going with Government of India. We are still pursuing with regard to that plan which was supposed to be given by the Ministry, so we would let you know in future whenever we get it, if we get it in the present crisis of funding in general with regard to central government schemes which I believe you are very much aware about, so we need to see how it goes.

Siddharth Mohta: Okay and Sir, the last question from my side for upcoming season whether farmers have started stocking the seed and do you think that availability of size will not be a problem for Apex Frozen Food?

Subrahmanya C: The farmers have started stocking around mid-May, 2020 and they are continuing to stock. There will not be any issues with regard to availability of supplies in general which we are foreseeing and there will be sufficient amount of supply subject to regular risks of disease which is always prevailing and any sort of climatic conditions for example like the recent cyclone which happened in Bengal and the northern part of Odisha did have certain impact on some of the farming areas; so these are some things which are not under anybody's control but otherwise with the way the seeding pattern is going on definitely we continue to have a good set of supply for the next crop which is expected from middle of August, 2020, mostly. So right now all the farmers are feeding and we do not believe we are going to have any significant issues with regard to sizes as such now because we have this additional capability also we will definitely be able to use any and every size harvested in the shrimp category. So that is all we have planned up, we are working much more in that direction so we are not going to get into that problem of not able to utilize the size.

Siddharth Mohta: Okay Sir, on this Vietnam FTA that they have signed with EU so post that whether we have reduced our price by any chance as far as our export to EU is concerned? Or we have taken any price correction?



Apex Frozen Foods
June 26, 2020

Subrahmanya C: There will be an impact and yes the customers are interested in buying at lower prices because of these lower levels available from Vietnam, they do ask us but there are certain segments like certain certified products and certain category of products which may not be available from those Vietnam processors where the customers are paying like this but not exactly to the rest of the market level, but yes there is an impact we have to reduce to certain extent and remember that will be in tandem have an impact on the raw material prices.

Siddharth Mohta: Okay Sir best wishes for the upcoming quarter. Thank you.

Subrahmanya C: Thank you.

Moderator: Thank you ladies and gentlemen due to time constraints we take the last question from Nitin Gosar from Invesco Mutual Fund. Please go ahead.

Nitin Gosar: Sir, just keeping the scenario like where we stand today not worsening from what where we are today, what is your assessment has the overall shipment related challenges or processing related challenges improve from the way they stood at the start of April, 2020 and that improvement was of parameters have improved to 50% - 60% if you could give some quantitative number to it?

Subrahmanya C: There are improvements now compared to April 2020 and now with regard to certain points like logistics which you mentioned, we are able to do our shipments in a much better manner. However, there have been some new constraints which came up where we have something called blank vessels where the ships which are coming to India are being canceled and thereby affecting the availability of equipment and affecting the availability of bookings basically to certain extent but these are all changing scenarios and we are sure we will overcome it as the volumes pick up, shipment volumes not just in shrimp or seafood but in general when the containerized volume picks up in these ports that is with regard to logistics part.

The workers, of course, as I had mentioned to you earlier, there have been some issues with certain set of workers in the earlier months but we are better off in the month of May, 2020 and we now look at enhancement in the volume. We will be doing much better now, unfortunately this week we had to see some stray incidents of having a COVID-19 case within one of our facility like these things are something which are unpredictable. However, we have our capacity and our capability and we continue to put efforts to utilize that capacity better and there is no second thought to that, but there are some things which are not able to be predicted by anybody. We are looking positive about it because our demand has regained, slowly we are increasing our shipments as I said we are doing a lot better than what we did in April,2020 or even what we could do during that last fag end of March 2020; We will continue to strive to do much better for sure.



Apex Frozen Foods
June 26, 2020

Nitin Gosar: Great. Thank you.

Moderator: Thank you. I now hand the conference over to Mr. Subramanya Chaudhary for closing comments.

Subrahmanya C: Thank you very much. I really thank everybody for making it to this call and hope that you have a good weekend and please stay safe along with your families. We are hopeful that upon resumption of normal activity we should be able to capitalize on the strong position that we have been building for the company. Thank you very much to one and all.

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