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Date: 09th June, 2023.

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,
Bankdra (East), Mumbai - 400 051.
Scrip Symbol : APEX

Dear Sir/Madam,

Sub: Transcript of Q4FY23 Earnings Conference Call held on 05th June, 2023-Reg.

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, kindly find enclosed a transcript of the Q4FY23 Earnings Conference Call, which was held on 05th June, 2023.

The aforementioned Earnings Conference Call, as per the transcript enclosed, incorporates mainly the highlights of Audited financial results of the 04th Quarter and year ended 31st March, 2023, 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.

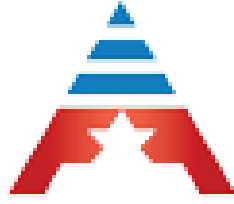
For Apex Frozen Foods Limited

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Karuturi Subrahmanya Chowdary
Managing Director
DIN: 03619259

Encl: a/a



“Apex Frozen Foods Limited
Q4 FY2023 Earnings Conference Call”

June 05, 2023



**MANAGEMENT: MR. CHOUDARY KARUTURI – MANAGING DIRECTOR
AND INTERIM CHIEF FINANCIAL OFFICER– APEX
FROZEN FOODS LIMITED
MR. DURGA PRASAD – FINANCE TEAM – APEX
FROZEN FOODS LIMITED
STELLAR IR ADVISORS – INVESTOR RELATIONS
ADVISOR– APEX FROZEN FOODS LIMITED**



Moderator: Ladies and gentlemen, good day and welcome to Apex Frozen Foods Limited Q4 and FY23 Earnings Conference Call. As a reminder, all participant lines will be in 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 star then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Choudary Karuturi, Managing Director and Interim CFO of Apex Frozen Foods. Thank you and over to you, sir.

Choudary Karuturi: Thank you Yashashri. Good afternoon, everyone, and thank you for joining us on the investor call for the Fourth Quarter and the Full Year of FY23. With us on the call today is Mr. Durga Prasad from our Finance team and Stellar IR, our advisors, our investor relations team. We have uploaded the investor presentation on the website of the stock exchanges and we hope you have had a chance to go through it.

The financial year 2023 started on a challenging note due to the geopolitical tensions, especially for export-oriented companies that had just recovered from the after effects of the COVID pandemic. This in turn, of course, elevated the risk mitigation measures by the major economies in the world leading to inflationary pressures as well as recessionary sentiments. This led to a lower than expected growth in some of our key markets, which were affected due to these inflationary pressures primarily. However, we are cautiously optimistic that things will return to a level of normalcy and that will allow us to scale up our operations in the forthcoming quarters.

Let me round up some of the key highlights of the fiscal gone by.

Although lower than our initial expectation, we clocked a volume growth of 8% year-on-year to 13,044 metric tons of shrimp sales. More importantly, the share of the ready-to-eat sales increased to 22% in FY23 from 20% in FY22 and 15% in FY21. Keeping in line with our focus to increase ready-to-eat product share in revenue mix, we have expanded the ready-to-eat capacity from 5,000 metric tons to 10,000 metric tons by adding another line at the existing facility in Ragampeta, near Kakinada.

I'm very happy to share that incremental capacity has been commissioned in the end of May 2023, just a few days ago. And we have started the commercial production on that. However, during the process of expanding our current facility, the utilization of our existing line was slightly impacted during the Q3 and Q4FY23. This temporary impact led to a slightly lower share of RTE sales in these quarters. From this quarter onward, the facility is running at normal levels, of course, from end of May.

A more favourable product mix has aided average utilization to remain stable or rather grow in FY23 by 5% year on year, even as global shrimp prices witnessed correction on account of subdued demand from key markets like the USA and EU.

Profitability was impacted due to higher material costs as there was a shortage of raw material or raw shrimp supply in India. This as you all know we have been explaining time and again that



there has been consolidation among the farmers too and changing strategies of going for higher stocking densities. So thereby they are now looking at lower stocking densities so that they could also get a consistent product output. But the main reason for the shortage, of course, was also mainly because of the conservative approach at the primary producer level, along with incidents of disease in some areas, along with the climatic situations, problems towards the end of last year.

In the last quarter, that is Q4FY23, we also had a write-off to the extent of Rs 74.6 million, which relates to receivables from farmers. Primarily, it has got to do with seed sales, where some of the farmers could not repay. And of course, these were pertaining to prior periods and the company had taken the view to write them off completely as these were not in a recoverable situation with the plight of those primary producers from the past.

Our balance sheet, of course, is leaner than before, as there have been some improvements. Gross debt has been lowered by Rs 76 crores in FY23 to Rs 91 crores as on 31st March 2023. The debt equity continues to remain at a comfortable level, currently around 0.18 times. Inventory and debtors, which had increased due to the after-effect of COVID-led disruptions, have been coming down, and our working capital days stood at around 94 days as on March 2023, as against almost 123 days in the fiscal before, that is in FY22. Consequently, cash flow from operations have been improving too.

For the full year, our net revenue is Rs 10,703 million, up by 16% year-on-year. EBITDA at Rs 848 million versus Rs 921 million in FY22, primarily due to the write-off and increase in raw material costs to a certain extent. Consequently, our PAT, profit after tax, came in at Rs 359 million versus Rs 411 million in FY22. We are happy to report that the board has recommended to a dividend of 25%, that is Rs 2.5 per share for the year FY23.

Coming to Q4 FY23, we saw volume growth of 17% year on year, to 2,851 metric tons. However, realization lowered by 13% year-on-year on the back of tapering global shrimp prices due to subdued demand and also a higher share of exports to China in Q4FY23 sales mix and a lower share of RTE due to the reasons explained earlier. Consequently, Net Revenue at Rs 2,119 million grew marginally year on year. This along with higher raw shrimp costs and write-off in Q4FY23 impacted the profitability definitely.

Coming to the shrimp market highlights,

The US market, our largest demand centre continues to see growth in demand of shrimp. It is quite stable. Of course, there are issues related to consumption of inventories, which are lying there in the market. And as you know, in the US, they do consider shrimp as a healthy alternative, as a lean meat compared to red meat and other products. We see the demand from the US to continue to remain stable. We are currently negotiating our orders with our large retail chains who have already placed for the summer arrivals and now they are starting to look at their holiday sales based on the summer consumption which is happening right now in these months of June, July, August up to the Labour Day weekend. So we are also focusing mainly on our business related to RTE products, especially, and we should see some positive results going forward, of course, primarily dependent on how the summer sales happen both in the US market.



Coming to the EU market, that is another lucrative market that we are focused on. Like we had updated during our previous investor call, EU health authorities have visited India and we are hoping that now they are going to decide about approving new facilities out of India, which will enable us to export even the ready-to-eat products to the EU market. However, under the ready-to-cook products, we have been increasing our market share to the EU and we are confident we will continue to grow it further and further as we are clocking newer contracts with certain retail chains which we have not dealt with in the past. Our facilities are ready to handle any incremental value-added demand that comes from the EU. That said, as I mentioned, the demand from retail continues to be strong and we are seeing stronger growth from our existing product offerings in the EU market, as I mentioned, ready-to-cook products. We expect the share of EU as well as the UK markets in our total sales to be improving further in the current fiscal, that is FY24, and we are very positive about that with regard to the growth of the market share with the EU.

For FY23, our exports to China were around 5%, however a large part of this came in the last quarter. This demand was driven by, of course, the relaxation of COVID restrictions and based on anecdotal evidence, the Chinese demand is also starting to veer towards convenience, especially among the younger urban generation. But as explained in all the previous calls, typically the Chinese shipments would be at mostly of commodity products until now and we hope things are changing and here, all these would be among the low-priced products, one of the reasons, why our realization per kilo also was a little bit affected during the Q4FY23.

The global supply side has seen the emergence of Ecuador as a key supplier to some of our markets, which we have been reiterating in all our previous calls. They have recently ramped up, of course, their production and have been going up in terms of their output as well as reach. However, the key part here for India is, we continue to have the advantage of having lower operating costs as well as an established ecosystem for value-added products where we are definitely steps ahead of that country.

On the supply side for us, as we had mentioned in our last call, we had challenges in procuring specific sizes of our shrimp to meet our orders. Based on our recent interactions with farmers, they did reduce stocking densities and some of them have done and others are also looking forward to. They are reducing the stocking densities of shrimp in the ponds, in which they are rearing the shrimp for aquaculture. This is mainly to try and reduce the incidence of diseases and also rationalize their operating or variable costs, which has become the need of the day, is to limit the costs of the farmer.

As a result, we believe that overall production in India, of course, will be a little bit lower. So, we are looking forward to see how things are going. But currently, we do see our seed sales happening continuously as the farmers are also enthusiastic with regard to lower costs and, of course, also the success rate in some of the areas with regard to farming for shrimp.

Lastly, going forward, we are hopeful of getting decent order flow for our expanded value-added capacity and a strong financial position, will help us pursue that growth. With that, I conclude our opening remarks and now I request the moderator to open the floor for the questions. Thank you.



Moderator: Thank you very much. We have a first question from the line of Yogansh Jeswani from Mittal Analytics. Please go ahead.

Yogansh Jeswani: Hi, sir. Thanks for the opportunity. Like you were mentioning in your opening remarks that, we have been working on newer market and of late, in last two years, we have seen how just depending on US has been a bit worrisome for the industry overall. So going forward, other than European market, are there any other markets also that, you and the team is working hard to crack into? And any updates on that?

Choudary Karuturi: Yes. We are working. One is Saudi Arabia and also South Korea. There are some issues with regard to regulatory challenges in Saudi Arabia. And we are actually coordinating very strongly with Government of India, not just us, but the industry, so that, the whole of industry can, have the potential in other importing markets also, mostly the Middle East as well as the Far East nations, including South Korea. And South Africa is one country, where we have stopped for a while, our company specifically, where we are also looking forward to re-engage with them. And we have received inquiries from a few retail outlets, which have connections to the West also. So we got, we are exploring that market also. Again, we are going to restart.

And this overall should improve our diversification of market share across markets. But however, we all have to keep in mind definitely that, the United States is the largest consumer of shrimp products in the world. But to have a balancing act, definitely our company is focused. And that is one of the primary reasons why, we are pushing for more orders with the countries of EU. And this year, we have also started UK more aggressively. And we are pursuing the other markets too, as I explained just now.

Yogansh Jeswani: Yes. Got it. So, sir, if at all, we should expect to see some new markets coming in as a business, so is a fair timeline, say one years or two years down the line, or it can happen earlier?

Choudary Karuturi: We can actually look at the starting of the business with those markets, except the ready to eat, which I mean, it's still subject to regulatory challenges, which are there, which we have also been discussing with the government authorities. And we hope, it gets knocked out with regard to our new facility approval for EU that, is for ready to eat.

But apart from that, the all other markets, which I just mentioned, we would definitely be starting our business with those markets in the current year itself, some of them even before September and some more towards the end of this fiscal year. And from there on, we hope, we are confident that, we could have a regular business being conducted with such markets, even going forward, from next year onwards. But some of those markets we will be also, we are already having some confirmations happening and we expect the shipments to start before September end of this year itself.

Yogansh Jeswani: Okay. And sir, like we understand that US and European markets are better markets, in terms of the demand for higher value added products and the margin profiles are much better compared to China, which is more of a commoditized market. So how are the Saudi Arabia and South Korea and Japan as a market? Are these also markets, which have requirement for value added



products and higher margins or these are also a bit of commoditized, if you could give more colour?

Choudary Karuturi: They are not as commoditized as China, to be precise. We do have value added products going to South Korea as well as the Middle East. But it's just that, the combination of sizes are much varying. So some of them are very big sizes, which they would be looking at, as the consumption in markets like Middle East is not very huge, but still it is decent. While South Korea and of course, even Japan, the value added products scope is quite high and we are looking forward to, especially in Japan, we are looking forward to partner with one of the importing companies there, where not just the regular headless shell on shrimp, but also products like Nobashi shrimp is being explored with.

And once, we get our lines set and our team trained up for that, we could start that production hopefully before the end of this year. That's what with regard to Japan, we look at towards the end of the year. But South Korea, that's also value added, not as commoditized as China, but it will be mostly raw, ready to cook, of course, like most of the ready to cook products, which we do to the US and Europe, similar like those products to South Korea also.

Yogansh Jeswani: Okay, understood. And sir, my second question is on the write-off that we have taken of Rs 7.5 crores, during the year. So firstly, it looks like a bit, this is a big enough amount given the fact that, most of our clients are very old clients and some with, which we have been working for many, many years. So a write-off in this kind of an arrangement is a bit surprising of this quantum. So if you could share a little more details on, what exactly happened here and is this one off or is there any more amount, that's still to come?

Choudary Karuturi: Okay, as I mentioned in the opening remarks, most of the write-off was related to shrimp seed sales, which was done to farmers, primary producers, and it was not just for one year, it was there, it was an accumulated number for over a period. And in fact, it was also disclosed very much in the annual reports over the past two years to three years. But this year, we looked at the industry scenario and as I mentioned, it being primarily about farmers and their seed buying, which they did from the company's hatcheries, since the past three years to four years, three years to five years almost. So the board has decided to provision for that and write it off once for all. And it is a one-off, we don't have any such receivables debt or any outstanding data like that pending. And it is not any write-off related to any customers.

All customers have been very prompt in their payments and like you said, established customers, there's no issue at all with them. We don't have any problems with any of our customers across the globe, except maybe here and there, there are some delays of one or two days based on releases, but there's no issue with any of the customers. So this write-off was primarily pertaining to the shrimp seed sales mainly and some few advances given to some farmers. And this is a one-off as you asked, I'm just confirming that.

Moderator: Thank you. We have our next question from the line of Bala Murali Krishna from Oman Investment Advisors. Please go ahead.



Bala Krishna: Hi, good morning. So regarding this ready-to-eat, how much volume so, we're expecting in this financial year?

Choudary Karuturi: We expect volume of this financial year, we expect at least anywhere between 3,000 to 5,000 metric tons. We are positive of that. We are looking forward in the total production, we look between 3,000 to 5,000 metric tons. We have already done last year, we did around 2,500 metric tons in production, but this year, we are looking forward. And it's all subject to, how the market conditions, we are hoping for the summer sales to be good, but subject to the economic conditions in those markets. As most of our ready-to-eat products go to retail outlets in the United States, for now. So ready-to-eat lines are utilization is mostly dependent on the US market for sure, currently as of today. So yes, that is the situation.

Bala Krishna: Just a follow-up on that, even if you do 5,000 metric tons, we still have more headroom for, we will end up with...?

Choudary Karuturi: We will have additional, we will have capacity, as the capacity is 10,000 metric tons as of today as we speak. Of course, our optimum capacity, which can be done in a positive manner is 80% of our total installed capacity. So even if we look on optimum utilization, we should be hitting 50% of our minimum of that 8,000 metric tons, for sure. So that's why I said, between 3,000 to 5,000 metric tons will be definitely be looked at this year.

Bala Krishna: Yes, thanks. And one more thing regarding this US market. So, we have some suppliers, which are supplying at a very low price to the US market. That is also one of the factors to have some low demand. So even from retail point of view, even if the demand consumption is increased, but we could not, maybe even the industry could not able to compete those competitors, who are supplying at a very low rate from Mexico or South America, directly. So this problem will sustain even if there is an improvement in demand from the users also. What could be the outlook over there? I think, it's a big, I feel it's a big threat to us?

Choudary Karuturi: Yes, see, mainly today, it is less to do with offers or low priced offers or lower priced sales from various countries across the globe, including some companies like you mentioned, even in India or any other country in the world. What probably, the main problem is, of course, the product which is there in the form of inventories in the US market, is also the main reason, why currently there is a, the inventories did not get consumed as planned, as envisaged by our importing customers, mainly because of the recessionary impacts and the overall inflationary pressures, which have been there for the past six months to nine months for sure. That is one of the reasons why, the inventories were not consumed on, as they would have been normally been done.

So, keeping aside the supply part or low priced offers, it is, as these inventories are being consumed and we are quite positive on the summer phase right now, as the summer season is starting and the summer holidays and the school breaks and college breaks are going to happen now. From now to till the labour and till labour week, which is in September, we do expect, those to be consumed.

And based on that, of course, our customers are also planning subsequently for the holiday sales from this month and next month. They are going to start placing the orders accordingly. Now



the challenge will always be there, with regard to low priced offers from companies from anywhere. That will always be there. But the sustenance of such companies in medium term also, is going to be a challenge. And at the end of the day, it is just not price. The customers are also focused on the quality.

So one of the reasons why, we have our order book intact and we have our customers still working with us is also about the deliverables and also consistency in the quality. And that way, our customers are buying regularly from us and we have not stopped sales with any of our customers. It is just a slowdown primarily because of their problems, on their consumer end, which we believe will slowly get eased out and we are getting back to normal.

Added to that, we are also focusing mainly on doing more value added products there also, so that we could increase our share in such products. And such low priced offers typically are not there by companies, which do value added products. It will be mostly by those companies, which are dependent on the commodity markets and because of a pause in Chinese market to some extent, towards the end of last year, there was a rush for everybody to move towards the US market.

But as the other markets like China also open up, such companies will also be focusing back again, with to such markets. So we are placed well, currently with our customers. And apart from that, one of the main points regarding marketing is, our company is exploring a tie-up with one of the importing companies in the US, especially to take care of food service and retail additional, so that, we tap the potential with additional customer base, create new customer base and which we are working with the company on the marketing tie-up, which will be informed in the later part of this year, to the public as and when such decisions are formed up and concluded.

Bala Krishna:

Yes. That's very helpful. And lastly on this raw material prices, so our gross margin or the raw material cost is increasing quarter-on-quarter now. I think, last quarter we have 76% of the raw material cost and the realization is getting dropped, every quarter-on-quarter. So what could be the outlook for this raw material price? Will it continue at this level or back to a few quarters, so like 70%?

Choudary Karuturi:

Raw material costs are varying based on the supply and the demand. It is a demand supply situation. And if you ask us about Q4 FY23, the raw material costs were high. Q1 FY24, as we speak right now, the raw material costs are low because the supply is good and— everybody has stocked. It's good for the period in this quarter. I'm not saying, it's for the whole year, but it is good and right now, the raw material prices are low.

We hope the situation will be there. There will be that we can take advantages of such tailwinds at least in the first two quarters of the current financial year. And as the farmers are also rationalizing their costs and consolidating their operations and hopefully for their better success and as they limit their costs and have a successful crop, we believe, we should be able to have a good supply and with not a significant increase in raw material costs.



That's what we believe. But currently, to tell you the truth, the raw material costs are down by around Rs 30 rupees per kilo to Rs 50 rupees per kilo, depending on the sizes from the peak time to now, and as we speak at this, as of, as of date. So this will be there. It is mostly a demand-supply situation. And with regard to our sales price, naturally when the demand picks up again and as the consumption happens there, as the inventories get consumed there, naturally we look at our increase in sales price too.

But on the sales price, considering the global supply which is there from all over. We don't believe a significant rise will be there with regard to sales price increases. It will be there, but it will be marginal. And most of the corrections or whatever have to happen on the raw material side. That is the reason why the industry is coordinating with the farmers also to look at better successful crop with cost rationalization or rather cutting their cost down by reducing stocking densities and having a better output. So that is what is happening. So, we should see how the results will be there with the farmers going forward.

Bala Krishna: Thank you. And lastly, on EBITDA margin, can you guide for this FY24, what could be the margins we are targeting?

Choudary Karuturi: We can't. Today, I can't specifically say about, like if this raw material costs continue like this, which are there today, which is not going to be the case. We know it will be changing another few months, a few weeks rather, sorry. And it will be like a seasonal, it has become seasonal, unlike it was two, three years ago, where it was there throughout the year. Now it has become seasonal. So at this point, it is too premature. Maybe we will be able to get a better forecast or better outlook more towards the end of first quarter. I apologize for that.

Analyst: Thank you. Thanks a lot. That's all I have for my side. All the best.

Moderator: Thank you. We have our next question from the line of Nitin Awasthi from Incred Equities. Please go ahead.

Nitin Awasthi: Hello, sir. So the industry talk as much as what we can understand and hear, is that things should be hunky-dory or at least back to normal from August, September in the US market. The question I had was, supposedly this happened, of course, we don't know whether it happened or not. You are a better judge than I am, and the audience is out of this point. But if it happened, would we have enough supply in the country?

Choudary Karuturi: Supply of course is a challenge this year. We are looking to that. Now if supply is not enough, of course it does not limit the option of sourcing the product from other areas even if it is outside India, which we do not rule out totally but of course entirely dependent on how the pricing is of course. But given the current atmosphere, the serious players among the farming community are definitely strategizing in a much better manner and they are of course conservative compared to earlier times, but they are also focusing on having a successful crop rather than just going for high stocking density.

You know, getting volume even in lower stocking densities also is helpful because we would get more of medium and larger sizes which are mainly required for USA and Europe markets, which is where the dominant sizes are mostly large and medium sizes. So, we are seeing farmers



have been made to understand that the very small sizes of example, very small, I mean, 100 count, 100 pieces per kilo is not the standard barometer. I mean, it's not the size of the 100 piece or the benchmark size for them to focus upon, rather they should reduce their stocking densities. And naturally, we are looking forward for any positives which can come when we go for lower stocking densities and better growth is there.

Overall, the output could be stable. But yes, we would definitely notice some drop in the supply on an annual production basis unless all areas make those changes and a good success is noted among all the areas. Because not necessarily all farmers and all areas are actually changing the methodologies. So we should see how things go by as we move into this second crop. Our seed sales definitely for now is good.

The seed sales has been going well too and we as a company with regard to supply, we can look at that as a basis and also as we interact with our farmers, we see how they are planning and they are comfortable with the prices. It's more about the yielding out of their farms, which they are now more concentrating, rather than just growing in mass and growing in a high stocking densities. So we should see how things will evolve over the next few months.

But for currently, it is the farmers whom we deal with not only in the state of Andhra Pradesh, but also, it's because we are also sourcing from other states. So they are actually taking out crops for now in a good way. I don't know how the second crop will be there, whether there will be any major climatic conditional effects or any major disease issues. We don't know.

This year of course the rains are a little late compared to when the warmer temperatures are still there. That is another reason why there is also a good – of course, it is also a bad thing. Warmer temperature, it creates a conducive environment for the shrimp to grow. So we are keeping our fingers crossed year's overall supply. That's answer for your question.

Nitin Awasthi:

Understood, sir. So secondly, you have mentioned and of course the market rates are there for people to see that they are currently at the lower end. I'm talking about the farmgate prices of shrimp. And given that our balance sheet position is healthier than it has been in the past couple of years, are we actually taking advantage of the situation and trying to stock on raw material?

Choudary Karuturi:

I wouldn't be able to comment entirely on that. It depends on which sizes are based on our communications with our customers and that such sizes which are being foreseen to be less available or something like that. But end of the day, before that, you also should understand we have not really -- the prices of raw material have not lowered to that lowest of the low of say example Rs 180 of 100 counts, we are still at Rs 220, Rs 210, it's a reduction of Rs 30, Rs 40.

Basically, the higher price, which was there has got reduced, that's all. So at least it's a comfortable price, raw material price, which we are buying of course based on the supply. But it has not gone to a very low price and yes, a strategy of any sort of, I mean, taking advantage, it's less of an advantage and more to ensure, a proper supply for our customers' needs of certain sizes which are envisaged to be unavailable going into the future at least in the near term next one to two months. Something like such kind of things which I unfortunately wouldn't get into.



- Nitin Awasthi:** Okay, so for that, so the last question from my side, could you provide the breakup or the major components of the inventory? I believe we have around Rs 180 crores of inventory on books as of the financial year closing. So how much of it is raw material, how much of it is finished goods, if there is any stock in transit within that?
- Choudary Karuturi:** There are other inventories of course include everything not just the finished product but also the packed materials and other chemicals. Finished product inventory is Rs 165 crores.
- Nitin Awasthi:** Got it. Thank you so much.
- Moderator:** Thank you. We have a next question from the line of Vaibhav Kapoor, an individual investor. Please go ahead.
- Vaibhav Kapoor:** Yes, so my question was to link to the previous participant, do you think, based on your commentary, is it safe to assume that you're working capital would strengthen further this year? Do you just give some take on that?
- Choudary Karuturi:** Yes, we are. Yes, definitely we are looking forward for the working capital cycles to be strengthening further this year. Our total working capital days are – working days – it has coming down to 94 days. We are still looking for an improvement this year also, especially with our realizations from our customers as well as the utilization of product from the inventory is also being done simultaneously and better realization cycles from our customers and better utilization of the inventories also is definitely going to improvise the working capital cycle days. Sure, in this year also.
- Vaibhav Kapoor:** Great, my question has been answered, thank you.
- Moderator:** Thank you. We have a next question from the line of Lokesh Maru from Nippon India Mutual Fund. Please go ahead.
- Lokesh Maru:** Thank you for the opportunity. So, from the conversation or your comments, it is quite evident that margin profile going forward could improve given the drop in inventory or sorry, RM costs during the quarter and second half of the year could be quite positive. From many angles, right? Inventory could go down in the US. So just to get a sense on the current situation of let's say Q1 and Q2, which would be first half of this fiscal, any color or any guidance that you can on the volume front, sales front, our run rate for last few, half years could be 7,000 metric tons. Do we expect for that to continue or that to improve or could it be the other way around?
- Choudary Karuturi:** Well, given the supply situation, and also the focus on utilizing the more volumes which we are trying to plan on ready to eat also. Between that, definitely, we should be looking at 7,000 metric tons in the first half. We are positive, but at the same time, of course, subject to supply. But we will also be utilizing most of the inventories, too. And we are looking forward for that, even though there was a little bit of issue in the capacity issue in the beginning of the year, in the month of April and part of May, mainly with regard to the installation and all that, the second line installation.



But yes, we should be at least doing that minimum, even though our original target was much higher for this year in the first half. We were looking at 9,000 tons, 10,000 tons, but unfortunately, with the way the situation has been for the first 1.5 month, we should definitely be looking at 7,000 metric tons of sales.

Lokesh Maru: So, despite lower stocking, is it possible to procure what we have already done, like 7,000 tons?

Choudary Karuturi: See the when lower stocking densities happen at the farm level it is going to basically help in better growth of the shrimp which will be more for which I explained to one of the earlier participants. It will be basically giving a better output in the medium and larger sizes, which are the need for companies like ours which depend on the markets like USA and European Union or UK which are mostly focused on the large and the medium sizes. So lower stocking densities means that actually mean lower volume but actually it is a better growth thereby the farmers instead of harvesting smaller sizes and curtailing their crops in the first 60 days or 70 days.

They could actually have better growth, thereby better output also even in lower stocking states but subject to of course disease and any weather conditions, any unforeseen conditions. But it would definitely give a good success rate with regard to medium and large sizes. And more volume of such, it may not be coming up to the same volume, I mean, higher volume rather. I wouldn't say, we will have a higher volume this year, as I mentioned to the participants also. It is a challenge for sure.

But with more medium and large sizes, we will be able to handle and we can focus on such volumes, especially mainly because of markets which the company deals with or is focused on mainly, where we always look forward to that is USA and European Union.

Lokesh Maru: Sure sir, understood. So lastly, on the other line that we have started working on the 5,000 metric tons line of ready-to-eat. So we have two lines now. So is the first line EU approved? The second line just came up so we decided...

Choudary Karuturi: No, the new facility has still not been approved by the EU. Any facility after 2019 has not been approved for the EU. Any facility which was opened after 2019, unfortunately, for us, we are really getting hit and we have been pursuing very seriously with the Indian government authorities as it is more of a – government-to-government negotiations or deals, which is rather delaying and affecting companies like ours with regard to the business. And we are taking it up seriously.

We have also discussed with the team and EU and we know what they have communicated to us, what is the current situation of the problem and we are taking up that problem with Indian authorities also. We just hope it resolves soon because they already finished their visit. We just hope they resolve soon and the sooner they do it, we will be able to capitalize the EU market, I mean take advantage of the EU market by selling, using our ready-to-eat capacity for that market also. So which is going to help us much faster in growing our volumes with regard to ready-to-eat as and when that market opens up for us.

Lokesh Maru: So, our entire ready-to-eat line?



- Choudary Karuturi:** Currently is entirely focused on the US market. And when the EU market opens up, yes, the entire ready-to-eat will be shared between both markets but still I'm also a major player will be the US market for sure on that on those two lines on the 10,000 metric.
- Lokesh Maru:** Understood. Thank you so much.
- Choudary Karuturi:** Thank you.
- Moderator:** Thank you. We have our next question from the line of Bala Murali Krishna from Oman Investment Advisors. Please go ahead.
- Bala Murali Krishna:** Thank you for the opportunity again. I think we have some export benefits from the government sector. Could you please quantify the percentage or what would be the amount of normal revenue to receive every year?
- Choudary Karuturi:** It varies, but the current full year it was around 5.2%.
- Moderator:** Thank you. We have our next question from the line of Lokesh Maru from Nippon India Mutual Fund. Please go ahead.
- Lokesh Maru:** Thank you. Thank you again. So given the tough situation on supply side and in general in the US and now that we have our ready-to-eat line ready, in the subsequent quarters like Q1, Q2, are we looking to maximize our sales more towards these lines to maximize our realizations? So is it possible to sell more of those products?
- Choudary Karuturi:** That is the plan. And we definitely are planning to maximize more of those product sales and produce more of those products. Definitely in the current situation. And that is the way to go for the company also in the current market conditions definitely. That's the idea.
- Lokesh Maru:** So any big number, like 30% or 40% of incremental sales anything like that?
- Choudary Karuturi:** We should be looking at 30% at least minimum. We should be looking at, we are trying to push more and the more contracts which I had explained to the earlier participants to the more contracts which we sign with retail customers. We would be, because most of the ready-to-eat products go to the retail customers, so we will be able to do more of that, of those products. So we are currently waiting for them to give us a new set of requirements as such. They are also looking towards their summer sales and summer promotions.
- So, we understand they're just not sitting on shrimp inventories, they're also sitting with high inventories of other products like crab and all that. So, we are working with them, we are coordinating with them and as and when we come to the conclusion of their next buys, each one of them, we are positive that we will be able to get a good chunk, a good share of their ready-to-eat product requirements.
- Lokesh Maru:** Understood, sir. Thank you so much.
- Choudary Karuturi:** Thank you.



- Moderator:** Thank you. We have our next question from the line of Vivek Chaturvedi, an individual investor. Please go ahead.
- Vivek Chaturvedi:** I think you just guided for 7,000 metric tons in the first half of the financial year. I joined the call a little late. I'm not sure if you've given any guidance for the second half in terms of volume?
- Choudary Karuturi:** No. We just mentioned we are looking forward of 7000 metric tons in the first half. We didn't give anything guidance or anything. We did not give any guidance with regard to -- anything in regard to the second half of the current financial year. It was all mainly about the first half. We were saying that we are looking positively to do a 7,000 metric ton volume of sales between all the markets. That's what we have mentioned. We didn't mention anything about second half as of today.
- Vivek Chaturvedi:** And sir, the pricing currently is also around the Rs 700 per kg mark that you had shared with us in the presentation?
- Choudary Karuturi:** The average rent realization for the quarter was Rs 707.
- Vivek Chaturvedi:** Correct. And what would be the current realization going on for the sales that we are currently booking?
- Choudary Karuturi:** It may be coming down a little bit, but at the same time, With the more high-value product, we hope it will look anywhere between Rs 720 to Rs 750, also, so that's the situation.
- Vivek Chaturvedi:** So, in fact, I couldn't get you, sir, did you say that you are looking at increasing the share of value-added and that is that the realization could be between Rs 720 and Rs 750?
- Choudary Karuturi:** Yes. If you are able to do higher volumes of value-added – ready-to-eat products, definitely the realization rate should be Rs 720 to Rs 750 of course subject to also the currency fluctuations also if it goes to Rs 80.5 or Rs 80 or Rs 79 that may not be the situation that is so remember the currency also plays a role with regard to our average realization and Indian rupees. So that is also there.
- Vivek Chaturvedi:** And sir, how much was the average realization in FY23, the dollar rupee rate?
- Choudary Karuturi:** Rs 770, sorry, I have the average realization with me is Rs 778 rupees per kilo.
- Vivek Chaturvedi:** Sir, I was looking at the dollar rupee rate, I mean in terms of equivalent dollars, how much was the realization?
- Choudary Karuturi:** Just a minute please. It was \$ 9.6 per kilo. Is that what you asked me or you asked the dollar rupee conversion rate?
- Vivek Chaturvedi:** Yes, sir. So, \$ 9.6 per kg, I mean, do we converting to INR get the dollar-rupee rate. And then, sir, just one last question. What would be our hedging policy? How much of our exports will we normally hedge?



- Choudary Karuturi:** We basically cover our exposure with forward contracts. Our receivables, to a certain extent, It's not more than 20%-25%. But in a depreciating rupee scenario, or rather an appreciating, strengthening dollar scenario, such forward contracts don't really make much of, or rather, provide much advantage. So in a depreciating rupee scenario, we are anyway having our own max. We don't have more than 20% to 25% of our total annual sales closed, I mean covered by forward. More than that, we don't have it covered by forward contracts. We limit to that extent only.
- Vivek Chaturvedi:** So this is 20% to 25% of the outstanding receivables?
- Choudary Karuturi:** Total sales of the company in a year, we don't have more than 20% to 25% covered by forward. More than that, we don't have it. So we only have 20% to 25% covered by forward contracts. Earlier in the past, we used to have almost 50% of our sales utilizing forward contracts, but that was a few years ago. But now, with the way the rupee – the currency has been depreciating, it didn't make any sense at all.
- Vivek Chaturvedi:** Okay. Thank you. That's all from me.
- Choudary Karuturi:** Thank you.
- Moderator:** Thank you. As there are no further questions, I would now like to hand over the call to Mr. Choudary Karuturi for closing comments. Over to you, sir.
- Choudary Karuturi:** Thank you very much, Yashashri. And we thank all the participants for making this call and for any further queries or clarifications, you may always reach out to us on the email address ir@apexfrozenfoods.com. Thank you very much and have a good day. Thank you.
- Moderator:** Thank you, sir. On behalf of Apex Frozen Foods Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.