



Investor Presentation

Apex Frozen Foods Limited

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9MFY18

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01

# Business Updates – 9MFY18





# Completion Status of the New Project

- New shrimp processing facility at Ragampeta, East Godavari, Andhra Pradesh
- Total capacity of 20,000 MTPA: Ready-To-Cook - 15,000 MTPA and Ready-To-Eat - 5,000 MTPA
- Total planned capex: Rs 902 mn, of which, Rs 184 mn has been incurred as of end of Dec'17

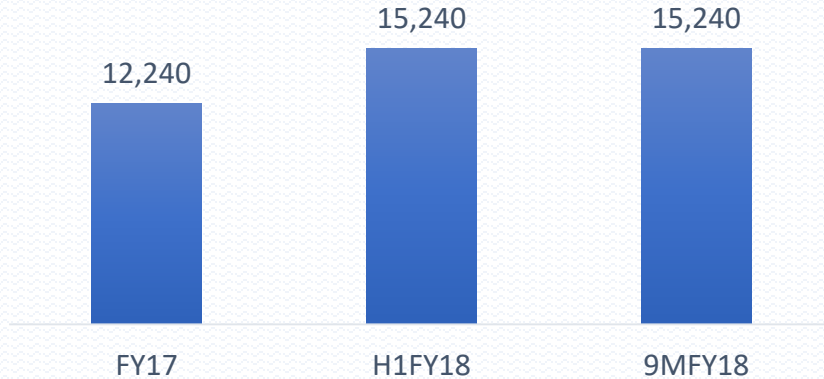
## Current progress of the proposed processing facility



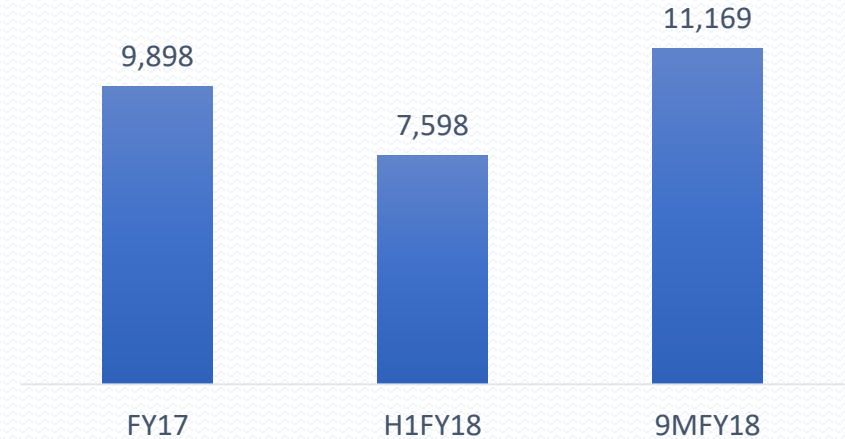
- Piling, plinth and structural works completed
- Pre-engineered sheets, insulated wall panels, roof panels are being installed
- Purchase orders for imported Machinery and few indigenous machinery have been placed
- Expect trial production in Q2FY19

# Key Operational Metrics

Higher capacity (MTPA) with better utilisation led to...

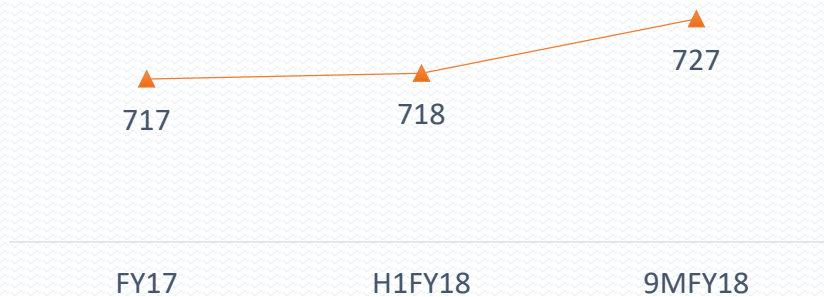


...Increase in total sales (MTPA) in the current fiscal

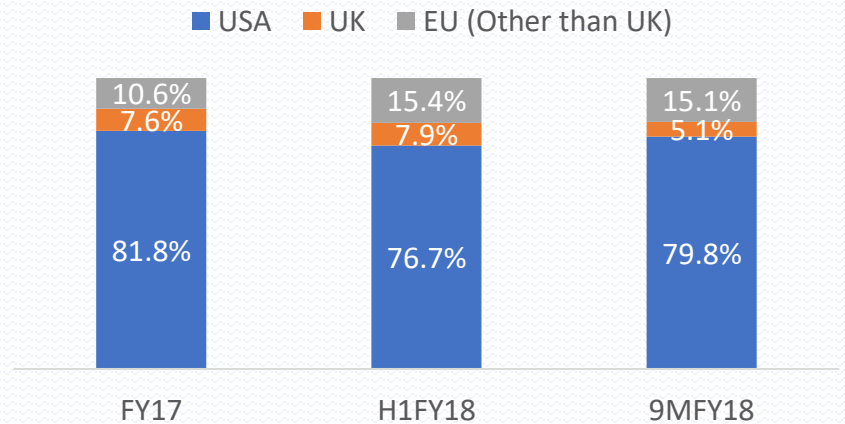


Average realisation\* (Rs/kg) improving on a YTD basis

\*Calculated on Total Income (including forex fluctuations)




Well diversified geographical mix



# Profit & Loss Highlights

Standalone UFR (Rs mn)	Q3 FY18	Q2 FY18	Q-o-Q %	9MFY18	9MFY17
Net sales	2,628	2,851	-7.8	7,955	5,351
Other income (forex fluctuations)	43	71	-38.4	169	61
<b>Total Income</b>	<b>2,672</b>	<b>2,922</b>	<b>-8.6</b>	<b>8,125</b>	<b>5,412</b>
Raw material	1,843	2,244	-17.9	6,032	4,216
Change in inventories	13	-232	105.5	-395	-122
Employee expenses	115	91	26.8	285	204
Other expenses	358	439	-18.5	1,180	734
<b>EBITDA</b>	<b>343</b>	<b>379</b>	<b>-8.4</b>	<b>1,023</b>	<b>381</b>
<i>EBITDA margin (%)</i>	<i>12.9</i>	<i>13.0</i>	<i>-</i>	<i>12.6</i>	<i>7.0</i>
Depreciation & amortisation	24	24	0.7	66	50
<b>EBIT</b>	<b>320</b>	<b>355</b>	<b>-10.0</b>	<b>957</b>	<b>331</b>
<i>EBIT margin (%)</i>	<i>12.0</i>	<i>12.1</i>	<i>-</i>	<i>11.8</i>	<i>6.1</i>
Finance cost	20	28	-26.5	74	88
<b>Profit before tax</b>	<b>299</b>	<b>327</b>	<b>-8.6</b>	<b>883</b>	<b>243</b>
Tax	111	107	3.7	292	80
<b>Profit after tax</b>	<b>188</b>	<b>220</b>	<b>-14.5</b>	<b>592</b>	<b>163</b>
<i>PAT margin (%)</i>	<i>7.1</i>	<i>7.5</i>	<i>-</i>	<i>7.3</i>	<i>3.0</i>
Other comprehensive income	47	-37	226.7	-10	-6
<b>Total comprehensive income</b>	<b>236</b>	<b>183</b>	<b>28.6</b>	<b>581</b>	<b>157</b>



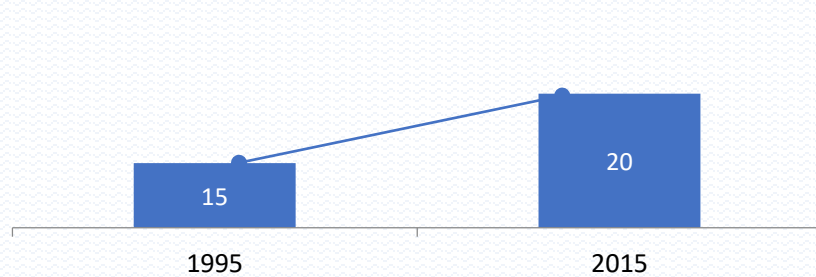
02

## Key Growth Drivers & Expansion



# Global Seafood Industry – Overview

Increased seafood intake globally, reflected in higher per capita consumption of seafood (kg)

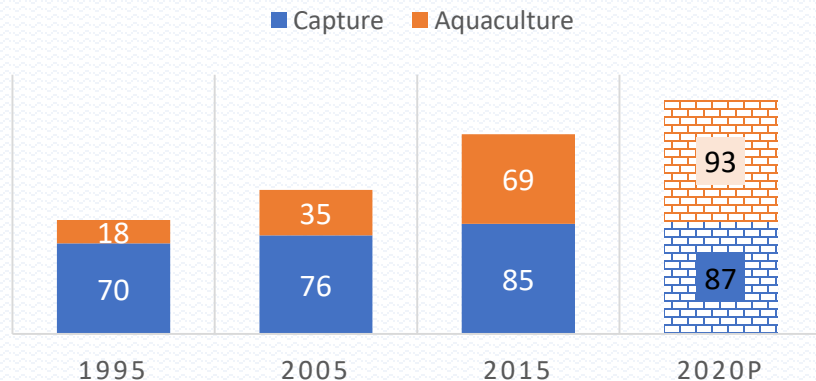


Source: FAO, CRISIL Research



- ✓ Rising income level
- ✓ Variety in product offering
- ✓ Richer protein content
- ✓ Favourable State policies like FTAs

Seafood industry's growth trajectory, led by rising share of Aquaculture – Production (mn tonne)



Source: FAO, CRISIL Research

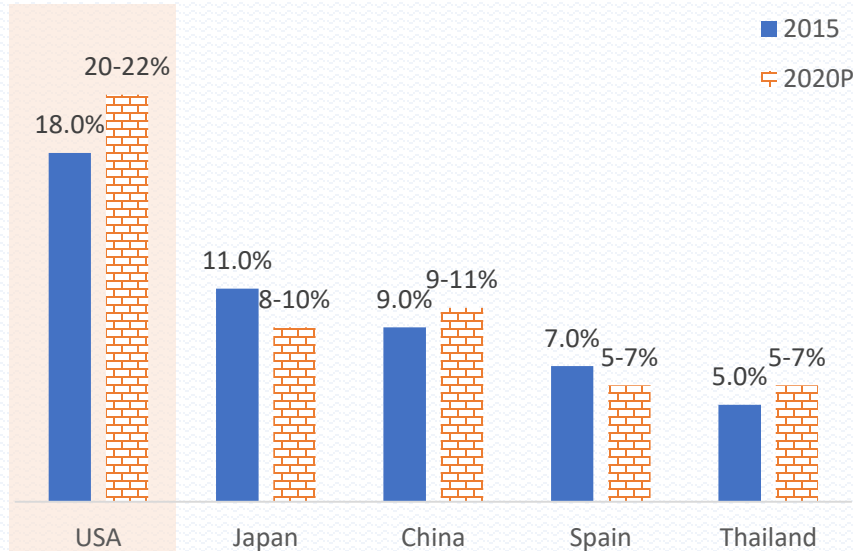


- ✓ Total production grew at a CAGR of 3.3% over 2005-2015
- ✓ Driven by 7% CAGR in aquaculture while capture fishery stagnated with a 1% CAGR
- ✓ The trend is expected to continue in favour of aquaculture growth



# Global Demand-Supply Scenario, Favourable for India

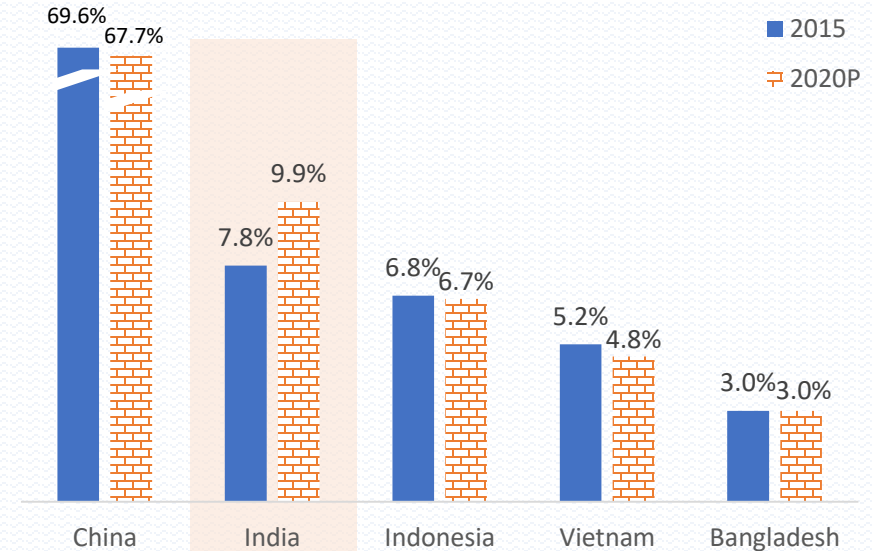
Demand: Top 5 importing countries, forming ~50%



Rising demand for Shrimp and Tuna in the USA is driving its market share increase in consumption, globally

Source: CRISIL Research

Supply: Asia forms ~92% of total aquaculture production

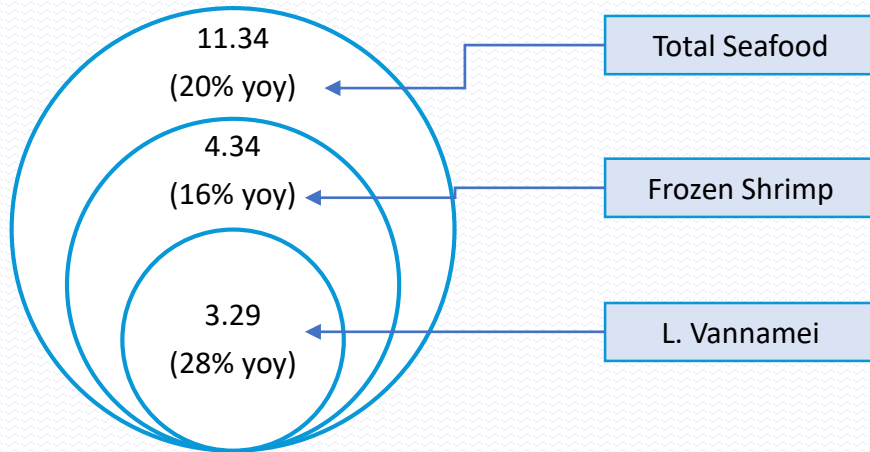


India is gaining market share on the back of its quality output at competitive prices; **It is the largest exporter of shrimp to USA**

Source: FAO, CRISIL Research

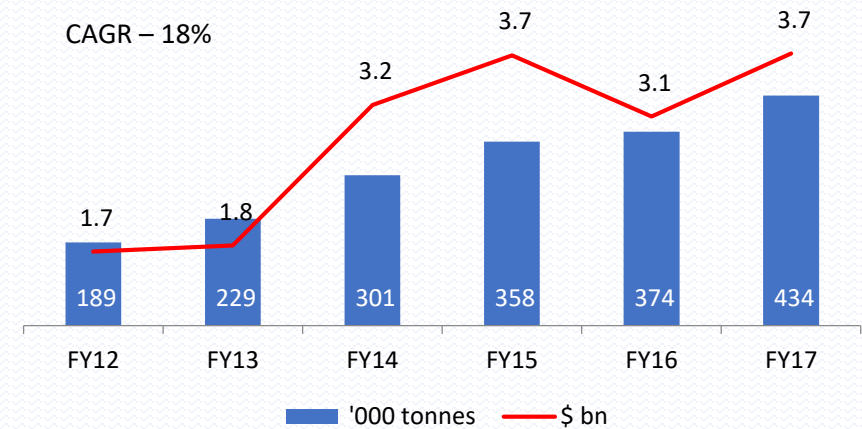
# India's Growth in Aquaculture Exports and Farming

## India's exports on a rise – FY17 (lakh tonnes)



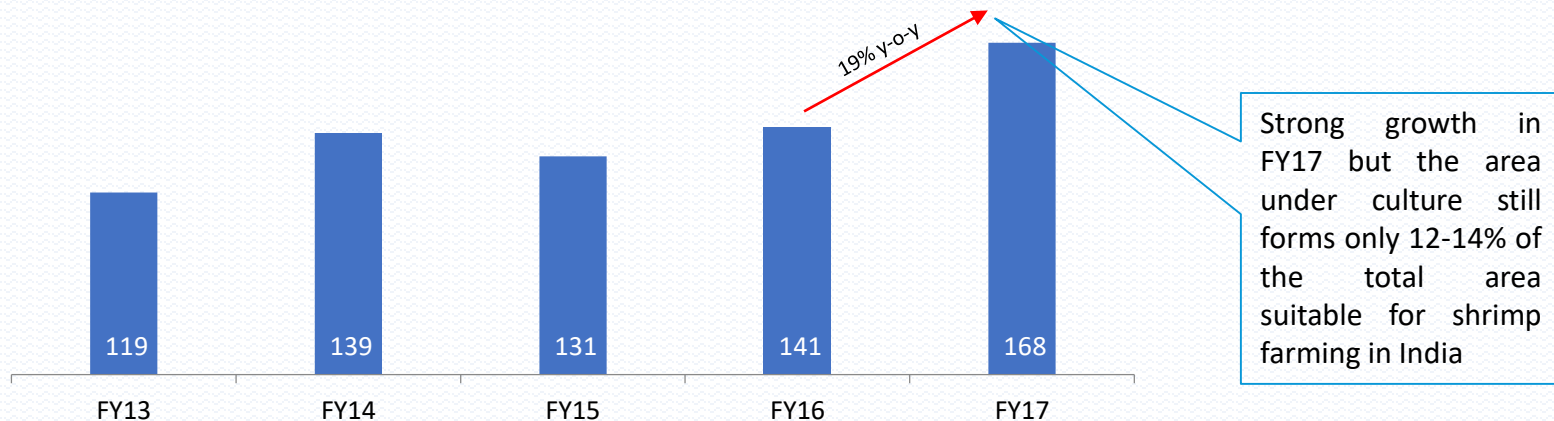
Source: MPEDA

## Frozen shrimp exports by India



Source: MPEDA

## Significant potential for scaling up shrimp farming in India – Area under culture ('000 hectares)

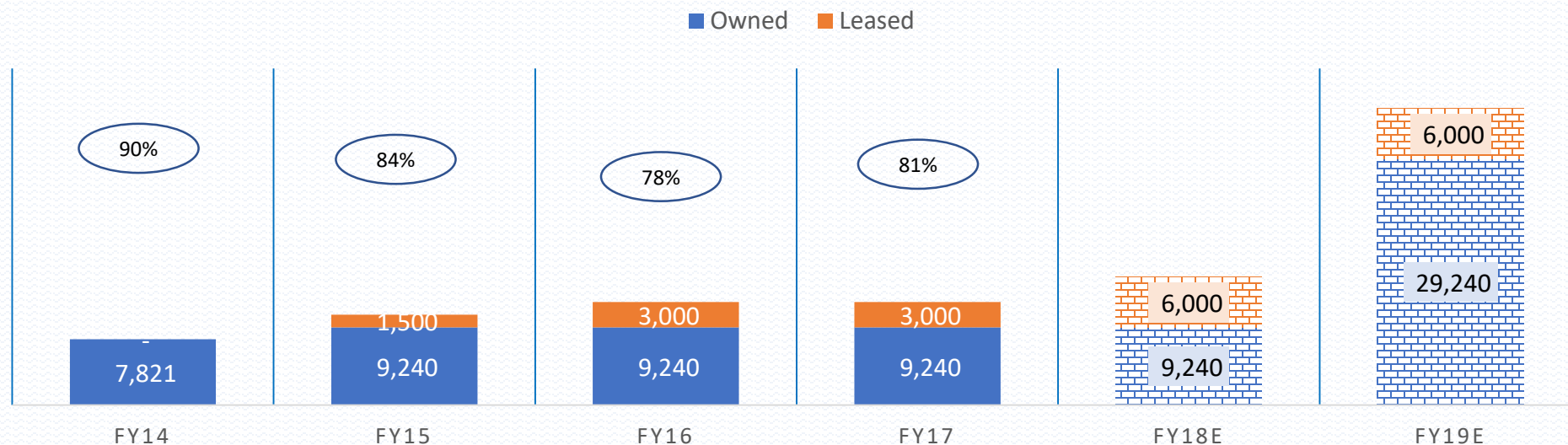


Source: MPEDA

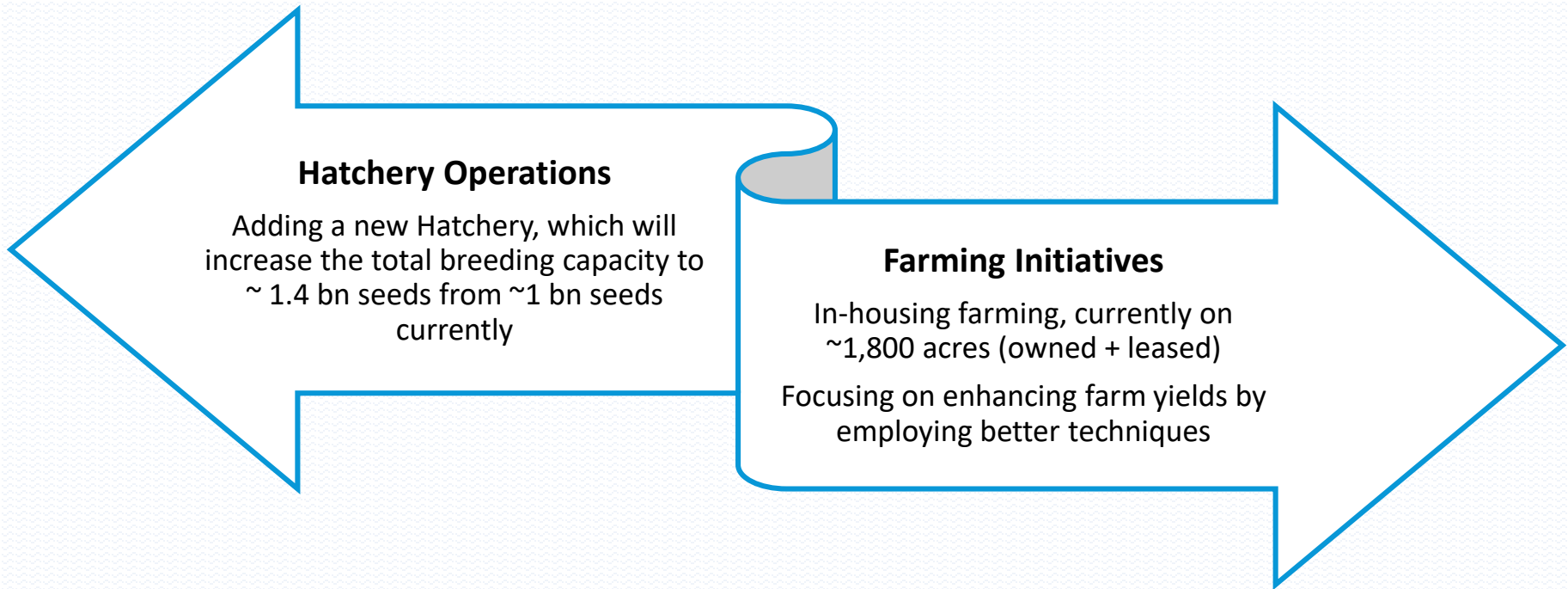
# Planned Expansion, to Cater the Growing Demand

- New processing plant in Ragampeta, East Godavari, with a total capacity of 20,000 MTPA, of which;
  - 5,000 MTPA will be towards Ready-To-Eat (Value Added Products)
  - The plant will have a cold storage capacity of 5,000 pallets
  - The plant is expected to be commissioned in Q2FY19
- Meanwhile, leased capacity has been enhanced from 3,000 MTPA to 6,000 MTPA, effective from 1<sup>st</sup> Apr'17

Capacity expansion, to cater the growing demand – MTPA capacity, % utilisation



# Backward Integration, to Ensure Quality and Cost Control



*Backward integration allows flexibility in shaping production plan based on customers' needs*



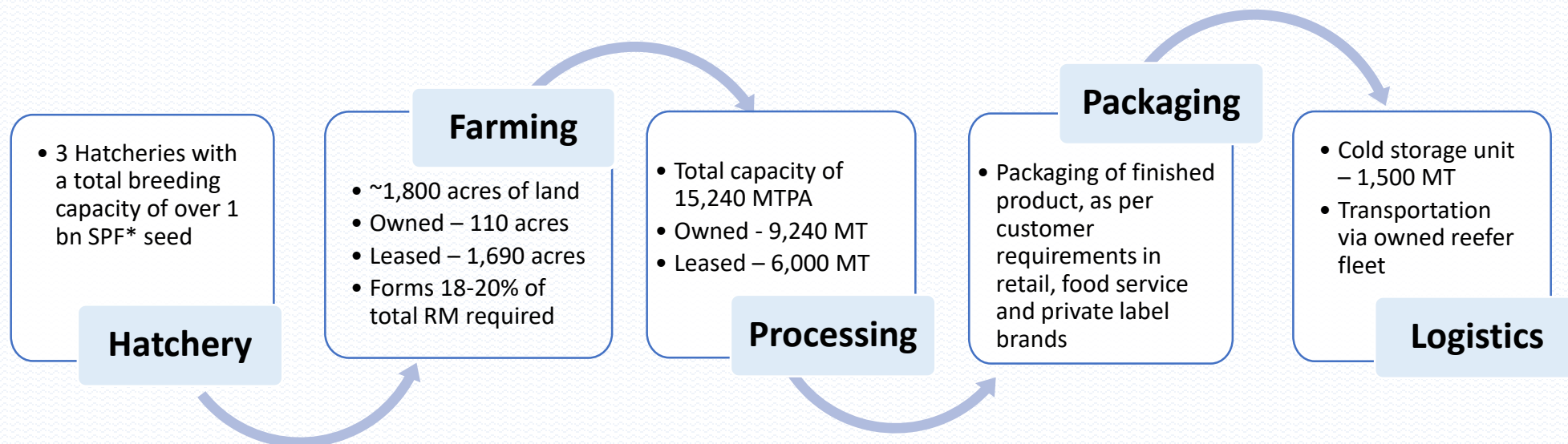


03

Our Core Strengths



# Integrated Operations Enable Economies of Scale



*Leading Producer-Exporter of processed, ready-to-cook, Shrimp in India*

\* Specific Pathogen Free





# Strategically Located – Close to Farms as well as Ports

Andhra Pradesh accounts for ~70% of the total shrimp farming in India



Our facilities are in proximity to one another, enabling smooth transition of products to the next stage

- 10 - 200 kms from the farms
- ~20 kms from Kakinada port
- ~150 kms from Vishakhapatnam port



# Long Standing Relationships with Reputed Brands

Our key distributors...

Chicken of the Sea  
frozen foods

OCEAN WORLD  
VENTURES

Pacific Seafood

...The end customers (Retail/Food Service Companies)

Walmart

WinCo  
FOODS

Kroger

Sysco

US.  
FOODS



*Long-standing relationship directly with customers - one of the significant growth factors*

# Quality Control Certifications act as Entry Barrier



## Industry knowledge, relationships and experience of the founders has enabled sustained growth



**Karuturi Satyanarayana Murthy, *Chairman and Managing Director***

- Founding Promoter of the company and has an experience of over 20 years in aquaculture industry
- Responsible for making strategic decisions and decisions relating to business development and overall administration
- Active member of the Rotary International Club



**Karuturi Subrahmanya Chowdary, *Executive Director***

- Promoter of the company with experience of 12 years in aquaculture industry.
- Played a significant role in the development of our business
- Involved in the business operations and marketing activities of our Company.

## Deep knowledge and operational experience makes the first line of management strong

### **Ch Vijaya Kumar,** *Chief Financial Officer*

- Aged 41 years, is a CA with a B.Com from Andhra University
- Handles the finance function for the Company

### **G. V. Raghava Raju,** *Purchase Manager*

- Aged 46 years, he has 25 years of experience as a Purchase Manager
- Responsible for qualitative raw material at competitive prices from farms in and around Andhra Pradesh

### **H. Rajashekhar,** *Operations Manager*

- Holds a degree in Bachelor of Fisheries Sciences from University of Agriculture Sciences, Bangalore and an MBA in Intl Business
- Has over 20 years of work experience in sea-food processing industry

### **DR. T. Rambabu** *Farms In-charge*

- Aged 43 years, holds a Ph.D on Microbial Diseases of Shrimp and Pond Environmental Quality, ICAR SRF project fellowship and M.Sc. In Aquaculture
- Has a strong research background





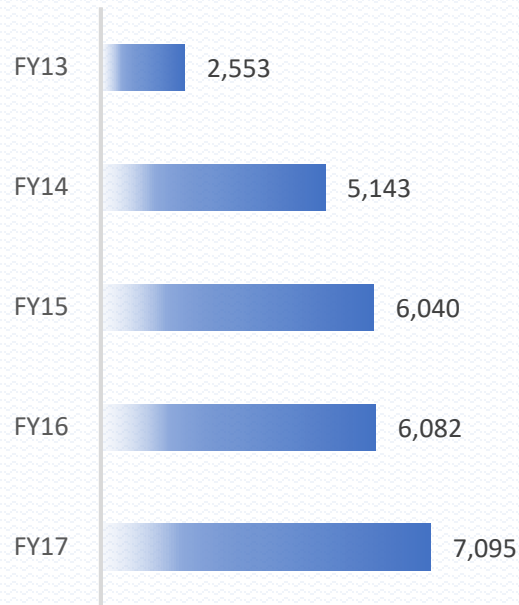
06

## Annual Financial Highlights



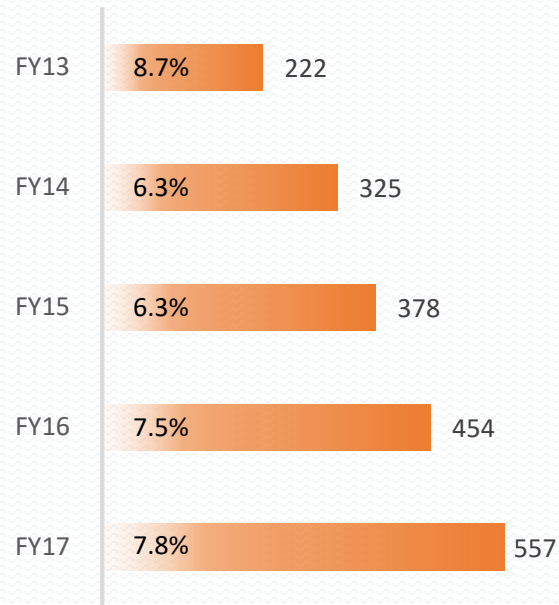
# Robust Growth in Revenue and Profits...

## Total Income (Rs mn)



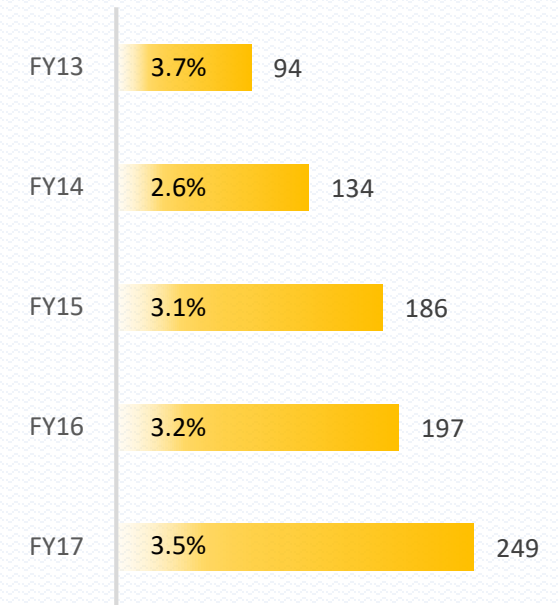
Grown at a CAGR of 29%

## EBITDA (Rs mn) & Margin (%)



Margin expansion led by growing in-house farming and share of VAP

## PAT (Rs mn) & Margin (%)

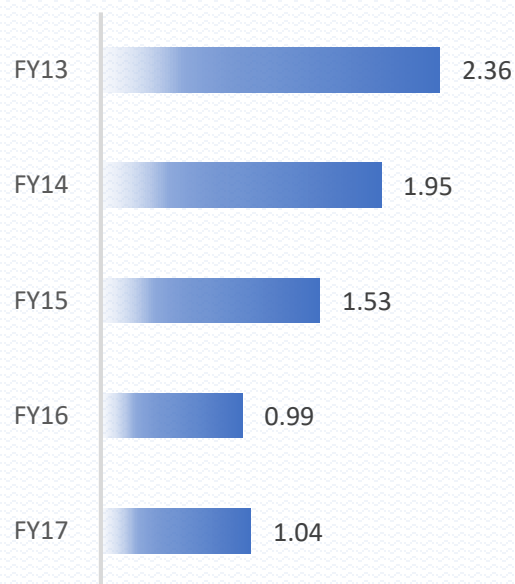


Grown at a CAGR of 28%

Note: The above data is as per Restated Financials of the Company

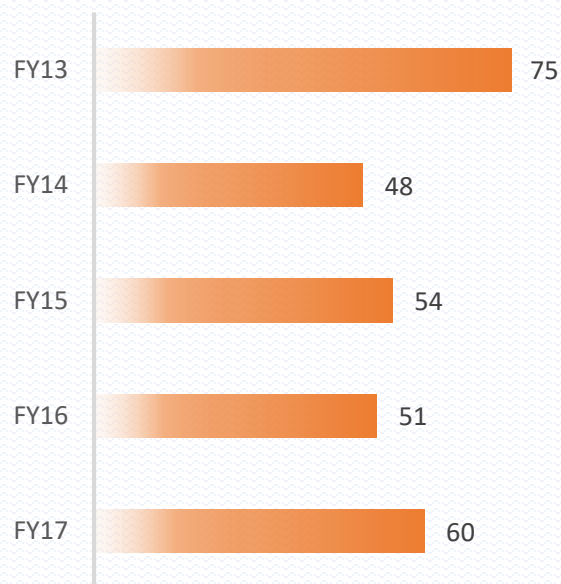
# ...Led by Strong Financial Discipline, Leading to...

## Net Debt to Equity (x)



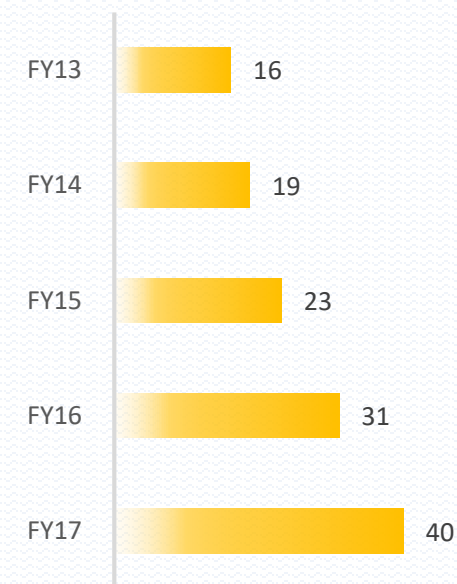
*Improved D/E led by...*

## Working Capital (Days)



*...largely stable working capital...*

## Book value (Rs/share)



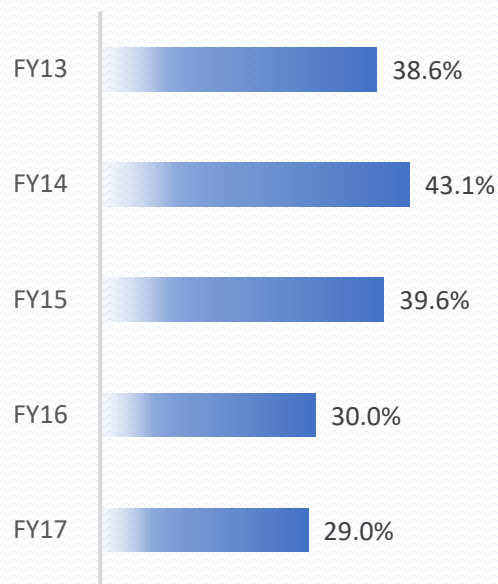
*...and growing surplus profits*

Note: The above data is as per Restated Financials and based on calculation as follows:

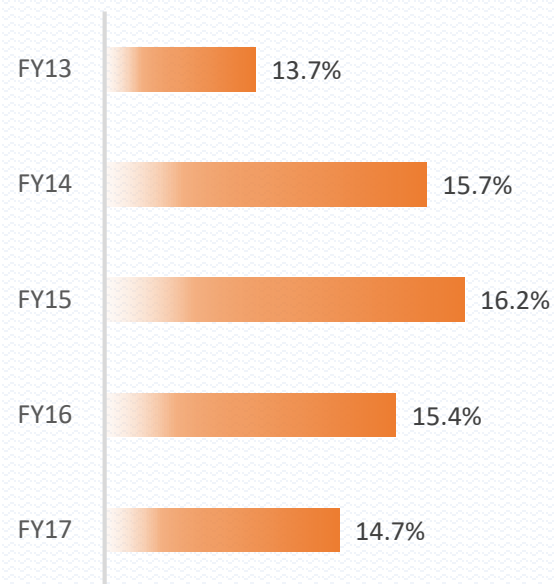
1. Net D/E = (Total debt – Cash & equivalents)/Networth    2. WC days = Inventory days + Debtor days – Creditor days    3. BVPS = Networth/Total no. of outstanding shares

# ...Enhanced Profitability for Stakeholders

## Return on Net Worth (%)



## Return on Capital Employed (%)



*Consistently generating high Return Ratios*

Note: The above data is as per Restated Financials and based on calculation as follows:

1.  $RoNW = PAT / \text{Average Networth} * 100$

2.  $RoCE = EBIT * (1 - \text{tax rate}) / \text{Average Capital Employed} * 100$

# Profit & Loss Highlights

<b>Profit &amp; Loss (Rs mn)</b>	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>	<b>FY16</b>	<b>FY17</b>
<b>Total Income</b>	<b>2,553</b>	<b>5,143</b>	<b>6,040</b>	<b>6,082</b>	<b>7,095</b>
Raw Material	1,895	4,013	4,890	4,675	5,492
Manufacturing cost	151	225	270	406	513
Employee Expenses	104	226	258	233	249
SG&A Expenses	180	353	244	314	284
<b>EBITDA</b>	<b>222</b>	<b>325</b>	<b>378</b>	<b>454</b>	<b>557</b>
<i>EBITDA Margin (%)</i>	<i>8.7</i>	<i>6.3</i>	<i>6.3</i>	<i>7.5</i>	<i>7.8</i>
Depreciation	25	45	4	49	63
Other Income	2	3	3	1	2
Interest	56	80	96	104	112
<b>Profit Before Tax</b>	<b>143</b>	<b>204</b>	<b>282</b>	<b>302</b>	<b>384</b>
Tax	49	70	96	105	135
<b>Profit After Tax</b>	<b>94</b>	<b>134</b>	<b>186</b>	<b>197</b>	<b>249</b>
<i>PAT Margin (%)</i>	<i>3.7</i>	<i>2.6</i>	<i>3.1</i>	<i>3.2</i>	<i>3.5</i>

Note: The above data is as per Restated Financials of the Company



# Balance Sheet Highlights

Standalone (Rs mn)	FY15	FY16	FY17
<b>Shareholder's Funds</b>	<b>560</b>	<b>753</b>	<b>968</b>
Share capital	240	240	240
Reserves & Surplus	320	513	728
<b>Non-current liabilities</b>	<b>103</b>	<b>131</b>	<b>225</b>
Long term borrowings	94	119	210
Deferred tax liability	8	10	15
Long term provisions	1	2	-
<b>Current liabilities</b>	<b>989</b>	<b>904</b>	<b>1,382</b>
Short term borrowings	777	642	847
Trade payables	115	161	309
Other current liabilities	35	31	44
Short term provisions	61	70	181
<b>Total Laibilities</b>	<b>1,651</b>	<b>1,788</b>	<b>2,574</b>

Standalone (Rs mn)	FY15	FY16	FY17
<b>Non-current assets</b>	<b>523</b>	<b>632</b>	<b>857</b>
Gross block	599	756	1,023
Less: acc. Depreciation	76	124	187
Net block	523	632	836
Other non-current assets	-	1	21
<b>Current Assets</b>	<b>1,128</b>	<b>1,156</b>	<b>1,717</b>
Inventories	503	596	638
Trade receivables	502	415	828
Cash & cash equivalents	16	18	46
Short term loans & advances	107	127	205
<b>Total Assets</b>	<b>1,651</b>	<b>1,788</b>	<b>2,574</b>

Note: The above data is as per Restated Financials of the Company



For further information, contact:



**Mr. Subhramanya Choudary**  
Executive Director  
[ir@apexfrozenfoods.com](mailto:ir@apexfrozenfoods.com)



**Ms. Pooja Sharma**  
[pooja.sharma@stellar-ir.com](mailto:pooja.sharma@stellar-ir.com)