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CIN: L15490AP2012PLC080067

Date: 22<sup>nd</sup> August, 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,  
Bandra (East), Mumbai - 400 051.  
**Scrip Symbol : APEX**

Dear Sir/Madam,

**Sub: Transcript of Q1FY24 Earnings Conference Call held on 17<sup>th</sup> August, 2023-Reg.**

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Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, kindly find enclosed a transcript of the Q1FY24 Earnings Conference Call, which was held on 17<sup>th</sup> August, 2023.

The aforementioned Earnings Conference Call, as per the transcript enclosed, incorporates mainly the highlights of Un-Audited financial results of the 01<sup>st</sup> Quarter ended 30<sup>th</sup> June, 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.

Thanking You

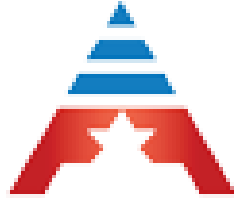
Yours Faithfully,  
For **Apex Frozen Foods Limited**

KARUTURI  
SUBRAHMANYA  
CHOWDARY

Digitally signed by  
KARUTURI SUBRAHMANYA  
CHOWDARY  
Date: 2023.08.22 16:24:28  
+05'30'

Karuturi Subrahmanya Chowdary  
Managing Director  
DIN: 03619259

Encl: a/a



“Apex Frozen Foods Limited  
Q1 FY 2024 Earnings Conference Call”

**August 17, 2023**



**MANAGEMENT: MR. CHOWDARY KARUTURI – MANAGING DIRECTOR  
AND CHIEF FINANCIAL OFFICER – APEX FROZEN  
FOODS LIMITED  
MR. DURGA PRASAD – FINANCE TEAM – APEX  
FROZEN FOODS LIMITED**



**Moderator:**

Ladies and gentlemen, good day, and welcome to Apex Frozen Foods Limited Q1 FY '24 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '\*', then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Choudary Karuturi. Thank you, and over with you, sir.

**Karuturi Choudary:**

Thank you Neerav. Good morning, everyone, and thank you for joining us on this investor call for the first quarter of FY24. With us on the call today is Mr. Durga Prasad from our finance team and Stellar IR Advisors, who are our Investor Relations Advisor. 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.

Let me begin by going through the numbers for the quarter first. So, the net revenue came in at INR 253 crores and grew by around 20% quarter-on-quarter in line with the seasonality factor whereby the volumes stood at 3,447 metric tons, which is a 21% quarter-on-quarter growth. In comparison to the same quarter of the previous year, there was a volume decline of 8% year-on-year and realization decline of 14% year-on-year to INR 697 per kg. This can be attributed to a high base with regard to the Q1 of FY23, which was also a highest ever quarter, but importantly, due to the subdued demand from our key market USA.

Just to reiterate, on the balance sheet side, our debt continues to decline as we judiciously use our surplus cash flows to deleverage our balance sheet. Our working capital cycle too is seeing good improvement. The achievement underscores our commitment to improving our financial health and of course, underscores our prudent management of resources.

With regard to the demand centers from our company, the U.S. food-at-home inflation and food-outside-home inflation numbers remained pretty high. This had a dual impact, the demand fell while the retail prices remained high, causing inventory buildup at distributors and stores. Based on the customers, we understand that the promotional activities by retail and food service companies are being carried out albeit gradually to reduce the high-cost inventory that they were carrying from the past.

So, we understand that the situation is easing slowly and should be better in the next couple of quarters, towards by the end of the calendar year as we look forward for the holiday period. Hopefully, the consumption also would be improving during that time for the holiday sales considering that most of the lower-priced products are available at the disposal for the consumer base. Once the inventory backlog is cleared, which is in the process, and we are cautiously optimistic that we should see a revival in the demand.

As a result of the slowdown in USA, our exports to China increased and therefore, our overall realizations saw a decline since the margins on our Chinese exports are relatively lower considering the nature of the products that we ship to the Chinese markets. And our exports to the EU continued. However, just like more developed markets, there is still some hangover of



the inflationary pressures. However, we have been working and we have been quite reasonably successful in growing our sales to the EU market especially locking in some contracts with supermarket chains who were not there with the company in the earlier years. This in a way also is the result of our focus to diversify our markets too. So that we are working in that direction and we definitely cater European markets -- and European countries market as well as the United Kingdom market is the key markets for us. And we are slowly seeing steady growth there in terms of volume.

At the global level, of course, Ecuador's shrimp supply continues to add some pressure on realizations. However, from a competitive positioning perspective, India is still ahead, both on costs as well as value added products. We are hopeful that this combination of factors eases out over the next couple of months. And we should have a better second half of the year, of course, subject to the supply situations with regard to the stocking at the ponds and also the availability of the shrimp supply.

To address these challenges and of course, to ensure the optimum utilization of our facilities, we have taken steps to explore the new markets, which I have just explained mainly focusing on markets outside USA and focusing more on the Europe and UK market as well. This strategic move will not only diversify our revenue stream, but also enhance our resilience in the face of the market fluctuations.

However, it's important to note that while we are entering these new markets, we remain cautiously optimistic about the overall market scenario. This applies to both demand trends and supply of raw shrimp, which I just explained, especially considering the complexities surrounding shrimp production in India.

In conclusion, while the past year has presented its share of challenges, we remain committed to adaptability and growth. We are actively navigating the various market dynamics by expanding into new markets and working on improving efficiencies of our operations. And thank you very much, and I now open the floor for the questions.

Thank you.

**Moderator:** Thank you very much. The first question is from the line of Yogansh Jeswani from Mittal Analytics. Please go ahead.

**Yogansh Jeswani:** Thanks for the opportunity. Sir, we have been working on expanding our RTE capacities by 5,000 metric tons. In one of the presentation slides, it's mentioned as end of May '23, it got commissioned. So, could you just share a little bit more about on this in terms of production that we saw during Q1 or the entire production of it will get streamlined from Q2 onwards for the year FY24? How much are you expecting to do from the RTE.

**Karuturi Choudary:** As you mentioned and it is the fact that we have commercialized the production towards the end of May and almost in June, we started the commercial production. The impact of that, of course, is more to be effective from Q2 onwards. And in the present scenario, the way the markets are and that we have emphasized in the past, too that our focus definitely will be to utilize that capacity in a much optimum manner even if it means that in the reduced market scenario, we



would definitely focus on utilizing the capacity more. So, the RTE products are mainly taken by the retail markets or supermarkets, and it is less by restaurant chains or food service markets. And with that, we are actually working with some of the retail markets very carefully to ensure that, we lock-in the RTE products for the sizes which we have available in our supply market and we are confident of using them. In fact, as I said, the focus is also to use that mostly even in the reduced scenario, we want to do.

And that is how the present situation also is that the orders what we are taking are mostly pertaining to RTE thereby we can increase the production by utilizing the existing capacity, but also the expanded capacity of additional 5,000 making it total 10,000 metric ton capacity, and also earning better value for that product or for the production whatever we are doing.

And yes, and we are also now more confident, we just understand that the EU market also is opening up because in context to RTE for the past three years, we were disabled literally. We were handicapped to supply to the EU market. And now we have some positive news that they are going to approve our new facility too. So that way, that is very positive news for us, for our company as such so that we can also tap that market, which even though, it is our next biggest market after the US, we could not do any of the RTE.

So, both of them, our capacity coming into play as well as this new market opening up positively very soon is going to help us in utilizing the RTE capacity of 10,000 metric tons to an optimum level of at least 7,000 tons to 8,000 tons going forward. That is the optimum utilization at the best and we look forward to use it in phases based on the market conditions and of course supply also.

**Yoganish Jeswani:**

All right. So, the approval that you just mentioned about on the European Union markets. Any time lines on that? By when do we expect to get these approvals?

**Karuturi Choudary:**

We were actually waiting for the past two years literally, actually more than two years. But we just had a report which got released from them and the EU. We got information that, they have seen the positives of the systems in India, and they are now better confidence with regard to the Indian facilities. And thereby, we understand that they are going to approve all those new facilities, which have not been approved since end of 2019.

Until last year, we didn't have any clue, but now once the report is out from them and we expect them to go through that process very soon. And now even we are also pursuing with the Indian government. Hopefully, before the end of this Q2 or in the early part of Q3, we should have that. That's what we are positive, because after the latest report from the EU health authorities has come up.

**Yoganish Jeswani:**

Okay. Broadly, we have to think about it, in terms of the Indian industry/ shrimp industry, how many players would you think would have an approved capacity from European Union? Are those numbers too few and that market is just opening up or there are fairly bigger players who have exported?

**Karuturi Choudary:**

No, see, the market has been there all the time. It is our existing customers, who are currently sourcing those products from some other countries, some of the nations as Vietnam or Indonesia



or some extent from Bangladesh, for example, they have been doing that. And they were looking forward for our products like they already buy ready-to-cook products from our company, and they also wanted to add the RTE products also from us, because they know that, we have the certification processes, and we have a consistent relationship which we have built with them.

Unfortunately, because of the pending regulatory approval process, which was like hanging in the air between the two governments India and EU commission that got stalled. And both the customer as well as the various customers in the EU as well as our company were eagerly waiting for this to get over so that we could also get these products because currently, we are already delivering to all the retail supermarket requirements. And we started adding more, but we were severely handicapped with regard to shipping out ready-to-eat products there.

So, the market was already there. So, it's not like it's a new market which is being created. But with our competitiveness in general and also the consistent quality, which our company has and dependence of our customers on our products and the confidence which they have in our products. We were working with them. And it's not like it's a new market and we are tapping up something new, that market is already existing.

How we grow it once we start supplying with the customers is altogether a different topic, but that market is already there in the EU. Currently the supermarkets are already holding cooked products, ready-to-eat from other supplying nations actually.

**Yogansh Jeswani:**

I agree with you, sir, that European market exists. What I meant to ask was in terms of Indian suppliers, how many Indian facilities would be out there who are approved by European Union for RTE products?

**Karuturi Choudary:**

Yes, ready to eat, I think maybe almost around 40 to 50, maybe I'm just giving a ballpark number, but they were there even before 2019, but it just depends on where the suppliers or the processing facilities are focused on. So, if a significant part of these facilities are focused on, I remember these facilities are located all over in India, and it depends which markets they are focused on.

If they are mainly focused on US or also some of those facilities produce mainly the sea caught wild caught shrimp which they produce as salad shrimp for other markets like Middle East or Europe also. But when it comes to aquaculture products from Vannamei and say Black Tiger to a certain extent. I think almost, yes, now currently there should be a little over 50 also already facilities are there. But it's just that different facilities are focused on different markets, different export markets.

**Yogansh Jeswani:**

Okay, sir. And one last question from me and then I'll get back in the queue. If we look at the trend of last couple of years, we did see that in US, we faced extensive high competition from Ecuador, and we did lose some market share to them and our expectation as an industry was that as and when the China market opens up Ecuador business will ship back to them and the US business will come back to India.

So are there any signs of that happening or are we still seeing that Ecuador is still giving us good competition in US given the fact that demand is still low and prices are still very competitive?



**Karuturi Choudary:**

The thing is Ecuador is supplying and they have increased their production to beyond 1 million metric tons of raw material, which is I think they're almost looking at 1.2 to 1.5 million metric tons this year. That's what we hear from various news and articles published.

At the same time, we did expect that once China opens up, Ecuador will be looking to go back to China and we would be looking at, we will be having more space in the US. But the way things are currently, the focus is now less of how we are going to beat each other on a competition basis, but the focus is more of promoting and increasing the consumption of the shrimp for which in the recent past there have been discussions happening of a global marketing effort between the countries of Ecuador and India and other Asian countries too.

The idea is to increase shrimp consumption now given the new lower cost at which the product can be purchased. And when we are comparing the amount of consumption which is happening per capita with regard to meat, I would say poultry and where we are placed. Earlier the pricing was quite high, at least until last year. Now with all this new supply coming in and pricing also softening, there are discussions to actually put a joint marketing effort to overall increase the shrimp consumption.

Of course, there have been, I mean, I'm just answering your question indirectly because there have also been discussions mean, I'm just answering your question indirectly, because there have also been discussions about increasing it in India overall, but again, it takes a lot of time for India, but other countries which are already existing, they're consuming, it is definitely, it can be looked at.

So when it comes to China, they are also actually sitting with quite good inventories and by the way, most of the inventories which I have also mentioned in the opening remarks, which are there in most of the importing markets, whether it is USA, Europe or China, they are definitely all high priced products, which we need to understand that none of the distributors or the importers or the sellers of such products in those markets are willing to just, you know, reduce the prices because there is a new flow or the flow of newer product which is coming at lower pricing is available.

So, definitely the inventories which are there were a concern and as those inventories are getting cleared, it helps. Second thing is the inventories which all of them hold, most of them are higher priced and definitely when the higher priced inventories are getting cleared, the space will be created for newer product as well as when the newer product is coming at a lower price, whether it is from India, Ecuador or whichever country, definitely that is going to support.

And added to that, these kind of joint marketing efforts which are in discussion and hopefully they take place with the support and contribution of all the different producing nations. Overall consumption of shrimp is the current focus. We are looking positively at that part. But in China, currently it's still kind of slow. And this has, Ecuador did shift a little bit to China, I mean, post their opening.

But overall, as we mentioned, earlier in the opening remarks, the inventory levels were quite high. And as they get consumed, we should see a better space made available in all these markets



going forward in the next few months. At least that's what we expect big time between the holidays towards the end of this year till and when it comes to China, more than the holidays, it is the Chinese Spring Festival, which is around February, which is a big period for consumption. So that's what it is.

**Yogansh Jeswani:**

That was really helpful. Just one last thing. On the overall shrimp industry, typically Q2 is a better quarter for all the shrimp processors. So going forward do we expect some improvement in the business and how is the overall cropping been with this quarter? And what's the trend like?

**Karuturi Choudary:**

Like you said, , typically the tropical climate and the period of May, June, July, August are a good time for production to happen. That is why historically we always see Q1 and Q2 that is typically the first half of the year being better performance period during a financial year. That's what we see in our industry.

And in this year, however, Q2, there are some issues which we kind of foresee with regard to supply. The stockings have been kind of not aggressive like they have been in the past. Remember always that it is the demand which motivates the supply, right? So, naturally when the demand is slow or it has been kind of going at a slow pace, definitely that will also have an impact on how the supply is made available or created.

So definitely the slower demand during the end of last financial year and during the Q1 of the current financial year has its impacts or ramifications on how the supply is being made available. And we do see that there are farmers who have been going for stocking. The delayed rains or rather delayed monsoon in the south of India also gave us a good supply continuously for the past two to three months, at least two months especially.

And the sizes were also growing. We have bigger sizes which have been made available, which was not the case earlier because of the dominance of Chinese demand in the past. So most of the farmers were focused on smaller sizes, which is not the case now. They're also focusing on medium and larger sizes, which is a big change in the approach and attitude of the primary producing community.

And so in the Q2, we see that there could be some issues on the supply side as the stockings are not the same like they were in the earlier year or the past few years because of how the demand has been. But definitely, the farmers or primary producers who have been consistent in their activity have been stocking. So that way, we are okay. We expect product to be there for sure.

But we wouldn't say that we will be doing the same numbers or same volume rather like what we did in the first half of last year.. So definitely it will be a little bit subdued in relation, as I said it's in relation to the demand. The demand, the supply moves in tandem to the demand. So that is the current status.

**Moderator:**

Thank you. Next question is from the line of Ranodeep from MAS Capital. Please go ahead.

**Ranodeep:**

Yes, thank you for the opportunity. I wanted to understand the dynamics of the shrimp sector as we've seen labor charges going up and so has been the feed prices. But on the other hand, the





selling prices have been going down. So when you see these trends reversing and what are the projections in near term?

**Karuturi Choudary:**

In the current year, of course, as we have been giving a conservative outlook even though we did plan in a big way for the current year in the late part of last year i.e Q4, however, with the way all the inflationary pressures coming in and all the issues which have been happening in overseas markets, the demand definitely affected the selling prices naturally.

And the demand, should we say, was it a slowdown of the demand or whether it was more supply and more product made available thereby, basically the demand did not pick up or rather it did not go on par with how the supply was being made available for various reasons and multiple factors, whether it is the stoppage of the money which people were receiving in markets like US from the government post during COVID, whether it is those factors like that, or whether the supermarkets and other food service chains were having inventories of other more expensive products like crab, and they were more focused on, promoting those products.

Whatever, end of the day, it did affect the demand of our products, the shrimp products definitely for multiple reasons. Now when this has happened definitely our pricing has come down. Now when it comes to the production side we wouldn't be able to comment much on the feed prices because you just mentioned that, but when it comes to labor costs, of course, we are focused on how we produce efficiently and we manage our costs to the best possible.

And given the scenario, the biggest affected party in the whole supply chain in the current market trend is the primary producer, the farmer. Definitely, the primary producer is the one who has been at least having the most part of the margin in the entire supply chain. And their margins would get affected definitely.

And they are also rationalizing their costs and bringing down the way they are changing their strategies, which we did explain in the earlier concalls too, that as the market demands each of us, whether we as a processor and exporter or whether it is the primary producer.

We all have to look at our costs and kind of, you know, bring them to a lower level, whatever we can bring them. Like, so, for example, if the stocking density at the pond level is coming down, naturally the energy requirements or the amount of feed which is used or the labor required, naturally all that will be coming down. And also, slowly, Indian side, when the costing actually of the labor really increases significantly.

Already some of the farmers, our primary producers have already moved to automatic feeders and all that, and which is, by the way, very dominant in countries like Ecuador. India also has been moving, but quite slow in that direction with regard to automation and reducing dependence on manpower. We can't zero the manpower, but it will be there. And same is the case with regard to processing where we do bring in newer equipment to produce the products in a much efficient manner, just not freezers and cookers also the material handling equipment.

So, the idea is that we can have any sort of inefficiencies due to the manpower and thereby increasing our cost to mitigate that we would be focusing on these sort of measures and as the demand picks up, even the farm gate prices also will be picking up.



But for now, everybody has been come to an understanding that this market is to be maintaining at around these levels for the near term, near future. So, thereby, within that market scenario within those pricing, within the farm gate prices whether it is a primary producer or we as a processor we are working on in bringing down our costs.

And if you see our costs actually have come down, the reason being we used to have a lot of casual workers also who were there and now we have minimized those workers and whoever are there and we are trying to do better with lesser number of people, otherwise, we cannot bring down our cost since you pointed out the cost of labor.

So, it has not increased significantly, but at the same time, we are also focused on bringing out better efficiencies out of them. So, thereby, we can kind of keep the cost to a reasonable level. But we still have to look out for an increase in the demand from the overseas markets. Until then, we have to carefully plan our production with the current infrastructure and manpower available with us.

**Ranodeep:**

Sure fair enough. My next question “Is Russia emerging as a big market for us to export Shrimp.” I think a few months ago, we had some reports where Russia was looking at importing 8,000 tons of Shrimp. So, is Apex looking at Russia as a big market, if yes, any news on that?

**Karuturi Choudary:**

Yes. In the case of Russia, there are certain issues with, I mean, post Ukraine war and in the present crisis with Russia. But yes, there have been inquiries from Russia. But at the same time, the way the payment terms work, we did not really go for it in an aggressive manner. And one company saying that they are likely to buy 8,000 metric tons. It's basically over a period which they focus on whether it's 8,000 or somebody says 5,000 tons, it's over a period.

And it all depends on how markets react and which we all know in today's situation inflation is everywhere in all the areas. So, I don't know how well they are actually reacting to the market conditions. But currently, we are open, and we have been discussing with some players in Russia. But we have not made any great strides with regard to growing the Russian market.

That's because our focus was more on the Europe side. And now we are also having some East European countries, which have been sending us enquiries. But major importing markets for Shrimp products will be USA and China followed by EU. These will be the major ones and rest all of them for volumes wouldn't be a significant market as such, but still we are focusing to diversify.

We are not leaving any markets untouched. As I said, I mentioned even East European areas we are looking at where we can be a decent or reasonable volume if not very high volumes. So, we have been approached and we are also making establishing contacts. That's how we are working on currently I mean even though you mentioned Russia is more responded with regard to East European countries.

**Ranodeep:**

Sure, sure. My last question, sir. I mean have you seen incrementing market share gain at a global level. See, overall, we understand that the demand shrinkage that has happened. At an overall basis, have we gained market share, and if you can just give us a statistic in terms of what is our market share on the global side?



**Karuturi Choudary:** I'm sorry, your question was related to India growing its market share. Is that what you said?

**Ranodeep:** No, sir. At a global basis, what has been India's market share that was the first question. And have we seen any incremental growth of India's market share going up at a global basis. My next part of the question was, what is the market share of Apex at a global basis?

**Karuturi Choudary:** The first question, India's market share did not grow because you also need to understand we got staggered down at 1 million or lesser metric tons of production. And parallelly, when you also hear that producing nations like Ecuador are increasing 1 million or beyond 1 million, 1.2 million, 1.5 million metric tons. The question of India increasing its market share actually does not arise.

There are only two ways we increase our market share, either we increase our production, thereby, we supply to existing markets as well as other new markets or the other way is the rest of the players in the world, other producing nations fall down in their production.

In the present case, we are all aware is that Ecuador has been increasing its production and whereas our production kind have got stagnated or rather quite saturated at a certain point. So the question of increasing our market share doesn't really take place. That is to answer your first question.

In fact, point here is to maintain the current market share is the key aspect. That is the immediate requirement where one of the earlier -- I think the earlier participant has asked whether we are actually -- how do we ensure that our market at least maintains so because that is more key, especially when you have a country like Ecuador increasing its production.

So that is one part. Second part is regarding the company when you asked, did we increase our market share. Our volumes overall have dropped compared to last year's quarter and this year, supply is also kind of slow and overall demand is slow. But however, because, say, our primary customers in the U.S. have been slow or they have not really purchased much from us.

We did not stop there. So, we actually of course, we might be realizing as a value and we might be having lesser margins than we do some products or baseline products to markets like China or rather we do the medium-sized products to European market. We are still diversifying so that at least our fixed costs get absorbed.

That is the background where our market share to countries like EU and U.K. have been increasing even if the U.S. market share has fallen down for us. I think I answered both of your questions, both in the perspective of the country as well as our company.

**Ranodeep:** Thank you so much for patiently answering and giving a detailed overview. Thank you and wishing you all the best of luck for the next quarter.

**Moderator:** Thank you. As there are no further questions, I would now like to hand the conference to the management for closing comments.



**Karuturi Choudary:**

Yes, thank you. So, thank you very much to one and all for making in to our call of the Q1 FY24 and we thank you for your patience for hearing about the updates. And for any further queries and verifications, you can always reach out to us on e-mail address [ir@apexfrozenfoods.com](mailto:ir@apexfrozenfoods.com). And thank you one and all. Have a nice day.

**Moderator:**

Thank you very much. On behalf of Apex Frozen Foods Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines. Thank you.