APEX FROZEN FOODS LTD.

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

Date: 01-06-2022

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 Q4FY22 Earnings Conference Call held on May 26, 2022 -Reg

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, kindly find enclosed transcript of the Q4FY22 Earnings Conference Call, which was held on May 26, 2022.

The aforementioned Earnings Conference Call, as per the transcript enclosed, incorporates mainly the highlights of financial results of the 4th quarter & year ended March 31, 2022, 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.

Yours faithfully
For Apex Frozen Foods Limited

Apex Frozen Foods Ltd. ★Kakinada★

S.Sarojini
Company Secretary

Encl: a/a

"Apex Frozen Foods Limited Q4FY22 Earnings Conference Call"

May 26, 2022

MANAGEMENT: MR. CHOUDARY KARUTURI – EXECUTIVE DIRECTOR, APEX FROZEN FOODS LIMITED.
MR. P. DURGA PRASAD – SENIOR ACCOUNT MANAGER APEX FROZEN FOODS LIMITED.

Moderator: Ladies and gentlemen, good day and welcome to Apex Frozen Foods Limited Q4FY22 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 touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Choudary Karuturi - Executive Director. Thank you and over to you, Sir.

Choudary Karuturi: Good afternoon everyone and thank you for joining us on the Investor Call for the Quarter and Full Year Ended March 31st, 2022. With us on the call today is Mr. P. Durga Prasad – Senior Accounts Manager and Stellar IR our Investor Relations Advisors. 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.

We will quickly take you through the updates for the quarter and we can move on to the Q&A session after that.

Before I go through our financial performance for the year, let me give you a small update on the current environment in the sector. The reefer containers that we use for transporting our finished goods to our customers continue to be a challenge for our industry. While the situation has eased the freight costs that we have paid, for the large part of the year, have been at their highest points. The silver lining in this is the fact that the demand for shrimp continues to be strong and increasing in all our major markets.

Our product mix has also seen an improvement with the ready-to-eat and value-added products increasing their share in our overall revenues. To cater to this demand, we are also increasing our capacity for our ready-to-eat products from 5000 metric tonnes to 10,000 metric tonnes per annum. Our new state-of-the-art facility located at Ragampeta near Kakinada has been designed to handle this expansion. And hence we do not expect this to be a CAPEX heavy expansion. However, we will need to invest in some additional machinery to bring in the new ready-to-eat line on plug and play basis.

For the fiscal 2022, our average realizations have seen a strong uptick on the back of the improved product mix, as well as general price improvement in most of the markets that we operate in.

Our European Union business too, has seen a strong momentum being built up. And this is a margin accretive growth for us.

On the demand supply side, let me give you a few updates regarding our key markets.

While several smaller outbreaks of COVID, causing minor localized disruptions to the distribution and on the overall consumption, delivery, which is required at the destinations. The larger food service markets in the USA saw a revival of demand. We saw strong demand in the later part of the year from multiple destinations across USA. And while we have the requisite products to service this demand, we continued to face challenges, getting the equipment, which is required for shipping out our finished goods to these destinations.

We are happy to report that the situation has eased considerably in the last couple of months. And while the current geopolitical situation is uncertain, we are hopeful that the transportation issues will ease out this year. And we did sign with the help of quite a few shipping lines, we signed new service contracts so that we could get access to more equipment in this year. And they are also providing accordingly.

In the European Union, our baseline products continue to see growth. Our ready-to-eat products are currently in the process of regulatory certification. And we are hopeful of improving our product mix in the EU region with the clearances coming in.

These two markets continue to remain key for us while we try and capitalize on any opportunistic demand from markets like China. Our key focus remains with the U.S. and the EU markets where we believe we still have a tremendous potential both in terms of volume growth as well as improving our product mix in these regions.

Now, coming to our business performance during this quarter and the year gone by, as we have been communicating the issues relating to sea transportation has had a direct impact on our shipments. Thereby our sales volumes, our revenue had a cascading impact on overall financial performance.

We have had to limit our production in line with the container availability because of lack of equipment and availability to our company and as well as because of the lack of proper shipments. Overall capacity utilization remained flat, year-on-year at 41% in FY22, as the company limited it's production, considering the prevailing sea transportation issues.

As we had updated you in the previous call, the RoDTEP that replaced the MEIS scheme, has reduced the export incentives for us. We have only recognized a small portion of the RoDTEP incentives, in this financial year, to the extent of the scripts that were available with our company.

Despite this, the net revenue grew by 14% year-on-year in Q4, FY22 and 12% year-on-year in the financial year 2022. Mainly on the back of robust growth in realization which was on account of better product mix and stable shrimp prices globally.

Volumes increased from 11,702 metric tonnes in fiscal 2021 to 12,067 metric tonnes in fiscal 2022. Importantly, growth in ready-to-eat products was at 39% year-on-year that helped it to grow to 2,364 metric tons. The share of high value-added RTE products, ready-to-eat products increased to 20% in FY22 compared to 15% in FY21.

Coming to the profitability while the overall availability of containers is improving slightly, as we move in the current quarter, fourth quarter, we are still having to pay very high premium rates for freight rates for booking our containers, even our current service contracts had to be signed at a higher rate compared to last year, for shipping our finished products.

Like we mentioned on the previous quarterly con-call, this is slightly offset by the increased realization as well as the support which we have received from our customers to the best extent possible, in terms of additional pricing, as well as reimbursement of additional freight costs during the Q2 and Q3, especially, and Q4 to a certain extent.

Nonetheless higher operating and other expenses led to lowering of EBITDA margin from 11.9% last year to 9.9% in fiscal 2022. EBITDA for the fiscal 2022 came in at Rs. 921 million primarily driven by the increased transportation costs. For the full year 2022, selling and admin expense, which also houses the transportation cost increased by 44.06% to Rs. 1,270 million rupees.

Depreciation and interest cost remained at reasonable level when compared as a percentage of income. The PAT for the fiscal 2022 stood at Rs. 411 million which is lower than the previous year, which was at Rs. 443 million.

The Board has recommended a dividend of 25% of the face value that is Rs. 2.50 per share, for the fiscal 2022.

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

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Yogansh Jeswani from Mittal Analytics. Please go ahead.

Yogansh Jeswani: We mentioned about the expansive plan for ready-to-eat from 5000 to 10,000. So two questions here , as you said it won’t be CAPEX heavy, but if you could still give a ballpark figure of how much are we are expecting to put in for this?

Choudary Karuturi: CAPEX will be approximately around USD $1 million.

Yogansh Jeswani: And how much time will it take to setup this capacity and ramp it up? And that also disturb the current running capacity of this 5000 tonnes or will it come separately and won't hamper the production of this.

Choudary Karuturi: See the line is expected to be coming into production in the month of September, basically, by the end of Q2 it is expected to be up and running. There will not be a significant disturbance to the existing line, except for a few days, which will not really hamper the production. And we will be able to make up that time subsequently once the new line comes in. So, it's not really going to be a major impact.

So, we are expecting it to be up and running in the month of September. Basically, our commercial production should start by then, since the equipment is already in the process of manufacturing currently, as we speak.

Yogansh Jeswani: Then I think I guess the real benefit of this increased capacity will come in the next year season only because I think by Q2 the season will be over. So, we won't be able to get benefit out of it.

Choudary Karuturi: Well, the ready-to-eat benefit for the expanded capacity, we will be able to see the higher realizations for additional volumes during Q3 and Q4, but may be at lesser rate compared to Q1 and Q2 for sure. But our focus from Q3 as per the current plan will be to increase our sales volumes more in ready-to-eat, then the ready-to-cook like what is happening in the present scenario. So, the product available for Q3 and Q4 will mostly be focused, it will be more used for the ready-to-eat finished products at that time.

Yogansh Jeswani: My second question is on the overall industry scenario, what is the trend or traction you are seeing that demand in Q1 and going into Q2? And also, we see increased interest from all these players in terms of putting up capacities. And we have also, despite running at 40% to 50% utilization, we have further taken a 5000-tonne ready-to-eat capacity addition in plan. So, going forward, how do we see this volume growth to pan out and what in your opinion is driving this increased demand, and how will the overall industry compete because the demand as we see, hasn't grown for last couple of years at this aggressive level, while all the players have got aggressive in terms of expansion at the same time. So, , if you could share if there is any triggers that you are seeing for the demand?

Choudary Karuturi: Firstly, in our case the expansion is happening in ready-to-eat basically, which is already being utilized to an optimum capacity as our current ready-to-eat sale share is at 20% compared to last year. So, there has been an increase of almost 5% compared to last year. So, we have the understanding that the potential for increasing our ready-to-eat sales is still there, and we want to exploit that. And we also have the backing of our customers. So, that is the reason we have planned for the expansion with regard to ready-to-eat.

Now, of course, with regard to your question about overall industry increasing its capacities, adding new lines or additional facilities, it is all the individual company's strategy and based on their, the support what they receive from their customers globally. And of course, it is their strategy or their thought process of how and why they are planning up their expansions. But whereas in our case, as we have mentioned, we see a large potential in increasing our ready-to-eat sales furthermore, that is the reason we are adding this second line in our case. So, we have a good justification for our increase of 5000 metric tonnes in the ready-to-eat sector to take care of our company's future growth in that segment thereby, having better realization as well as better margins from there on.

So, that is the situation with our company, but in general, it would be those individual company's strategies and their partnerships with their customers, and how their customers provide them the confidence. So, I wouldn't really be able to comment about them. But for us, our demand has been there, it's just that we couldn't really exploit our demand last year, because of the constraints with the logistical issue. That's why we couldn't really reflect it into our sales, but we don't have that problem in FY23, because we have geared up well in advance for that and we have been doing very well so far.

Yogansh Jeswani: Then in that case, do you expect in FY23, you will be able to do deliver volume in the range of 20,000 tonnes to 21,000 tonnes?

Choudary Karuturi: We would looking at approximately between 60% to 75% utilization of the overall capacity of 34,000 metric tonnes by the end of FY23.

Moderator: Thank you. The next question is from the line of Nitin Awasthi from InCred Equities. Please go ahead.

Nitin Awasthi: I have a few questions from my side. Firstly, what was your RoDTEP booked during the quarter?

Choudary Karuturi: The RoDTEP net is 4.76 crores was booked, I mean the total net incentive which was booked was 8.45 crores out of which 4.76 crores was the new scheme, the RoDTEP scheme.

Nitin Awasthi: And this was pertaining only to this quarter or was this pertaining to earlier quarters also?

Choudary Karuturi: The total RoDTEP which was booked is 4.76 crores, net off, because we only have booked to the extent, I think, we have mentioned that in our opening remarks too, we have only booked to the extent of our licenses which we have basically obtained. So, we have not booked those, in fact a significant amount is still stuck or rather not yet been booked in to as income because of the license has not yet been received. And so we also have to keep in mind of the validity of the licenses being restricted to one year, unlike the past. So, that is the reason we have only booked to the extent we received the scripts basically.

Nitin Awasthi: So, do you quantify the amount of pending RoDTEP to be booked?

Choudary Karuturi: The pending RoDTEP still yet to be received till the end of March 31st, it is a little over Rs. 15 crores approximately, only the RoDTEP –

Nitin Awasthi: What are the hatchery sales during the quarter?

Choudary Karuturi: The seed sales was during the quarter was Rs. 3.5 crores.

Nitin Awasthi: Freight charges, could you quantify where they were, if you can give us some examples of maybe two destinations, one in China, one in the U.S. where they were in the Q4 and where are they currently?

Choudary Karuturi: Can you repeat the question please?

Nitin Awasthi: Towards freight charges, if you could give us with examples, let's say for two destinations one in China, one in the U.S. of where the freight charges were during the quarter Q4, and where they currently stand.

Choudary Karuturi: The current freight charges, I think we shall speak at least to the extent of USA. We have signed new service contracts between USD $14,000 to $16,000 from major destinations, compared to the previous quarter or last year's contracts were between $9,000 to $11,000. I am just giving you a range. Of course, these are the main land, main destinations, the prime destinations. Of course, internal destination there would be additional costs for sure.

Nitin Awasthi: And during Q4, what was the range?

Choudary Karuturi: $9000 to $11,000.

Nitin Awasthi: So, you are saying the freight charges are still going to go higher this year?

Choudary Karuturi: They have gone up so far. But I think as we have also mentioned in our opening remarks, as we are going into the calendar year 2022, mostly the first four or five months, we could also see easing of capacity, easing of availability of equipment. And we have also understood from certain meetings, which also have happened at the government level that we can basically expect freight rates to be reduced further in the next three to six months. So, we expect a lot of reduction. But at this point, we are not able to say to what extent, but we know as the equipment is more available more freely, which is the case now, in this quarter, we could see very well that the equipment is better available than compared to the earlier quarters. And also we are seeing an easing of freight rates, that's what we also been informed from the government channels over the last two three days.

Nitin Awasthi: And how about you had in the past also practically exported a lot with China, when the supply shoots up and India and given that the prices in China seems good right now. And the freight rates I am assuming should be much lower than this. Would that be a tactical play which is open in calendar year '22?

Choudary Karuturi: You are talking about our exports to China, sorry.

Nitin Awasthi: Yes, correct.

Choudary Karuturi: Yes, our exports to China have been very less and we have only we are doing on a limited scale. And from the beginning, we have been informing time and again that it is more about opportunistic sales, where we will do when there is a significant advantage, so that is the reason we have minimalized our sales to China in general. And we are focused more on our major markets which are there. But yes, to your question, the freight rate is definitely lesser, in general, the freight rate is lesser compared to the U.S. and Europe. That is, definitely it is true. But end of the day, it is mostly commodity product, as you would know, very well.

Nitin Awasthi: Lastly, we have been reading more about the electricity crisis in Andhra Pradesh, I want to know the impact of that on the company? Are there frequent power cuts happening and what is the alternate source of power that you are shifting to or is there a price hike in the power tariff and how is that going to impact your P&L as a whole?

Choudary Karuturu: Well, we did have a bit of issues during the last month and early this month. But those issues have been eased out. We were running at kind of restricted load up to the extent of 50% only from the grid, and we were using the supply from our backup gensets. But however that crisis has kind of been easing out. And over the past two weeks, we don't really have any issues and the grid supply is available at 100% rate to all our facilities like how we have had similar to the earlier situation. So, right now we don't have any problems. We did definitely have problems for almost three to four weeks, mostly towards the end of last month and also early this month. But now it all eased up, eased out. And we are no longer having issues from the grid supply, as such.

Nitin Awasthi: So, you are saying even your cold storages were running on generators for 50% of the time.

Choudary Karuturi: We would say, our facilities in total were running at 50, during the time when they were running. Cold storages wouldn't plan at 50% of the grid supply, it is mostly when the processing is done during the day shift 50% will be taken from the backup gensets that is correct. Cold storage is anywhere which are, I mean during the night time, anywhere, the standalone cold storages do not run on backup genset, they are very much sufficient to be run on grid supply entirely.

Nitin Awasthi: So, we will be expecting very high-power cost in the coming quarter?

Choudary Karuturi: As we have mentioned, the backup generators were run for a few weeks for almost 50% but thanks to the state government, understanding our sector's requirements of 24 hour power supply, they have eased the restrictions and currently of course, the state government for the past almost two weeks, two and a half weeks almost has been providing us 100% from the grid supply. For sure during that short period of the current Q1 definitely we have had additional costs towards power generation using our backup generators, because we were sourcing diesel from the market and accordingly generating electricity for that period or for limited number of hours in a day.

Moderator: Thank you. The next question is from the line of Lokesh Maru from Nippon India Asset Management. Please go ahead.

Lokesh Maru: I wanted to check around this was quite encouraging that you have mentioned in fiscal year '23 we will be using our capacities at 60% to 70%. So, that is basically a jump of at least 50% of what we had done last year. So, my understanding is that we have been doing between 12,000 to 14,000 metric tonnes of shrimp for last three to four fiscals. So, when you take that leap of you know from 12,000 to 20,000 or let's say 24,000 tonnes in this fiscal so, what is your procurement strategy portion since we are more into direct from farmers since you procure directly from farmers a large chunk of our shrimps. So, in this fiscal how would you go about procuring the extra quantum?

Choudary Karuturi: The earlier participant wanted to know about the capacity utilization and he was asking whether we could be producing around 20,000 tonnes, we have also mentioned that we are looking at towards 60% to 75% in this year. So, far we have been producing well and because of no restrictions being there for shipments because of the easing of equipment problems, which was the major constraint for us last year to produce more and we had to cap our production, because the sales was not happening. This year, those gaps are not there. And hence that is the reason basically we have, we are estimating, we are anticipating that we will be able to utilize this capacity to the fullest.

Now with regard to the procurement yes we are going to procure mostly from the farmers, primary producers located not only in the State of Andhra Pradesh like in the past from other states also Orissa, Bengal and Gujarat too. And we are also getting offers from other States like Karnataka also. So, we are focusing on basically increasing our raw material requirements procurement also utilizing even the networks which are being improved and rather increased using our seed sales too from our hatchery. So, that way we are pretty confident of even sourcing the product from various farmers, directly from the farmers and with the support of some of the feed dealers, who are located in these states.

So, , we have a well laid out plan with regard to that. And most of our focus will be on procuring directly from the farmers only.

Lokesh Maru: And given the drop in volumes but at the same time, given the increment in our revenues, it looks like the increase in share of ready-to-eat has a huge role to play there. So, on an average what would it be the premium that we fetch on ready-to-eat as compared to ready-to-cook? Is it like 10% 15% or so?

Choudary Karuturi: Realization wise additionally almost 12% to 15% minimum will be there. So, if we look at it, actually, I will rather say in absolute number it is almost $1 to $1.5 minimum additional realization per kilo but of course, there would be some additional costs, but anyway the realization alone we are looking at $1 to $1.5 minimum, it's almost minimum 15% to 20% that will be there.

Lokesh Maru: So, basic expectation is round about 50% addition in volumes and round about when we increase our share in ready-to-eat it is going to be quite wonderful year to look at, right?

Choudary Karuturi: Well on the ready-to-eat because we are having the capacity of expansion also being made available for the second half of FY23, we are definitely confident on that. And the capacity utilization definitely the shipment being done with all the equipment support from the shipping lines who have been supportive of us for the past two months. We are also concentrating as you rightly said in the earlier question regarding the sourcing, procurement. So, the raw material crop also would have bearing on our utilization, as you know, it is your capacity utilization is primarily got to do with the raw material and, of course, our ability to do shipments on a continuous basis.

So, one, the sales part everything has been resolved both on capacity wise, capabilities wise, equipment support wise everything has been taken care. And now we are focused more on ensuring proper supply. For sure that increase of 50% should be there.

Lokesh Maru: Last question from my side, so after we have resolved the freight issues, can we expect the higher utilization and the volumes this quarter itself? Like from starting April or do you expect the incrementally positive impact to reflect from mid-May or so like what is the period that you are looking at?

Choudary Karuturi: Actually, volume wise the improvement has been there significantly from day one of FY23.

Moderator: Thank you. The next question is from the line of Manan Shah from Money Bee Securities. Please go ahead.

Manan Shah: You mentioned that we will see a significant volume growth this year, how would our geography mix change for the current year, how are you expecting that to change?

Choudary Karuturi: Apart from our increase which we are projecting as of now to, of course we are in the beginning of the financial year. But we are projecting an increase both in our primary markets in the U.S.

in the main market. Apart from that we are also looking forward to increase our market share within the European Union also with additional countries and customers, not just the existing five markets of Belgium, France, Germany, Netherlands and the United Kingdom, but we are also looking forward beyond. And we are working out with the respective customers in those markets. So, we look forward to even increase not only in the U.S. market, but also in the European Union, other countries as well as newer customers and newer countries with which we have not dealt with so far. We are working with them and we are confident of conducting the business with them in this year, starting with them this year itself, with new markets and news customers.

Manan Shah: Would Europe continue to remain at 17% to 18% or are you expecting this to go up to say 25% to 30%?

Choudary Karuturi: Well, Europe's going up to 25% to 30% is also dependent on our volumes to U.S, as I said it is also growing parallel. We did not mention anywhere that we would be looking, stagnating our business with U.S. and increasing it in other markets. We have said that we will be increasing volumes in U. S as well as European Union. So, maybe we should be looking at, if we have the regulatory approvals for our ready-to-eat products, we definitely can look at our business to European Union and other markets also increasing to 25%. Right now, we are constrained with regard to that which we have been informing on our calls time and again because of the issues pertaining to the regulatory process, which is not made available to any new factories, new plants over the past two years.

Manan Shah: You also earlier mentioned in the call that you expect the volumes to ramp up significantly in the H2 of FY23. And at the same time you expect the realizations to fall and you will be concentrating more on ready-to-eat. So, did I hear you correctly?

Choudary Karuturi: No, we didn't say that, we will be increasing our volume significantly in H2. Typically, shrimp exports majority of the volume is done in H1, usually. However, the earlier participant was asking specifically about the utilization of the second line of ready-to-eat or 5000 metric tonnes whether it would have any impact in the H2 of the current fiscal, where we have mentioned that definitely it is going to have an impact, because we would be concentrating more on utilizing our capability or rather sorry, our capacity of ready-to-eat in a much more aggressive manner even if we are you know basically, that will be our priority once the second line comes, that was the answer at that point of time. And of course, volumes are totally dependent of course on the raw material availability etc. So, that will be there as, as the crop success also happens, definitely, that will be there on both sides ready-to-eat as ready-to-cook.

Manan Shah: And when we are adding another 5000 metric tonnes, so we would be converting our existing capacity. So, there wouldn't be any increase in our overall capacity from 30,000 metric tonnes, right?

Choudary Karuturi: Our overall capacity will be increased from 29,000 tonnes to 34,000 metric tonnes from October 1st, 2022.

Manan Shah: So, this 5000 will be additional.

Choudary Karuturi: Yes, it is additional, yes.

Manan Shah: And can you tell me what would be the inventory of the finished goods that would be sitting on at the end of the current year? Finished goods inventory, because I believe as of September we were sitting on close to 2000 metric tonnes of finished goods inventory.

Choudary Karuturi: It's around 2700 metric tonnes approximately.

Manan Shah: So, we still continue to hold almost one quarter of finished goods inventory.

Choudary Karuturi: That was the end of fiscal, last March that which we are now been utilizing very well for our shipments in the Q1 of the current financial year.

Manan Shah: And just last question from my side. How confident are you I mean, we have been facing this container issue for quite some time now, and you are guiding for a significant upside on the volumes. And I understand that we are not too much constrained on the capacity side. So, how confident are you in achieving these numbers and can the container again play a spoil spot in the current year?

Choudary Karuturi: No, I think I have, we have mentioned this to you earlier just a little bit ago earlier that with regard to infrastructural constraints, have all been addressed. And we do not really foresee any problems at all with regard to equipment for doing shipments from the beginning of this fiscal FY23. And we are very much confident with regard to doing shipments on continuous basis and not having products held up with us for longer days. And hopefully, we are looking at reducing our inventory days also in the upcoming quarters as the shipments are going to happen and we have signed our service contracts with the shipping line. So, there is no issue on that. We are very much confident and everything is very clearly written on paper because as I said, we have signed agreements, there is no issue on that.

The capacity as I have told earlier, to earlier participants also we are planning and we are quite sure about it unless there is some major disturbance or disruption in the raw material, we do not expect any problems. And we are very much confident of giving our best performance of our company's lifetime.

Manan Shah: So, should we also expect our short-term borrowings to come down in FY23?

Choudary Karuturi: We should be also because it also depends on our realization of our benefits which we are getting held up also at various stages, as you see, which I have mentioned to the earlier participant about the incentives which have not been made available available to us fully because of the delay from the availability of scripts and all that. Yes, definitely our short term working capital days will come down, definitely, because we are able to do it in a much lesser time period. So, over the next few quarters, we expect that also to come down.

Moderator: Thank you. The next question is from the line of Akhil from Robocapital. Please go ahead.

Akhil: So, regarding, coming back to the margins and since you have given such positive commentary on it, I just want to know that the company should easily get back to double digits in FY23?

Choudary Karuturi: That's what definitely we are expecting because as we have mentioned to the earlier participants, that our FY23 volumes have been going good from day one. So, we are definitely looking at double digit growth.

Akhil: And going forward maybe two to three years down the line, what would be the margin target, maybe it would be 13% or higher.

Choudary Karuturi: Well, for now, we are looking forward between the 10% and 12% actually, which as far as going to 14% and all that is concerned, we also have to look at our cost increase and rationalizing of those costs and as well as unit value realization is also increasing quite significantly from the demand side. So, it is also based on that, but we definitely as we focus on utilizing optimally our capacities mainly on the RTE front, which we have been saying, mentioning time and again, we should be looking at it over the next few years. But at this point, as of now, I think 10% to 12% is something which is very much we are sure of maintaining and continuing with that.

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

Dipesh: So, you have given a very strong growth guidance right. So, I just want to understand do you see any risk that given the food inflation we are seeing in your U.S and Europe, do you see any risk on growth on options, because the price of shrimps is also going high right, going around $10 plus per kg. So, any risk to the consumption in those markets do you see.

Choudary Karuturi: Actually, the prices of the shrimp also has corrected as we speak, both on the sales front as well as on the raw material side to be precise, actually, whatever correction is needed to happen, they did happen and the prices are stable. So, with regard to the demand, being maintaining the stability, which you are also aware about other factors like other country's production coming in, whether it is Ecuador, or anybody else. So, those also matter over a period of time, but right now, the prices did correct and they are not as high as they were in Q3 or Q4 to be precise, so they have stabilized, they have rather corrected and stabilized.

Dipesh: So, the price correction has happened because of higher supply or lower demand or is there any other reason for that?

Choudary Karuturi: Because of the significant delays in the logistics part shipments overall, not just for our company or our country as such, but overall, the delays in deliveries, which were supposed to happen last year, as they all reached, they have been reaching, definitely the correction was imminent, and that was the main reason. The product availability overseas also has improved compared to the eight months ago or 12 months ago. So, definitely that has improved and the correction accordingly has happened.

Dipesh: And lastly, the 10% to 12% margin guidance that you are giving that is including the RoDTEP incentives, that you think that will come this year or that is without that?

Choudary Karuturi: That will be coming it is just that it would happen over the next I mean, but to the extent we account for it to be precise

Dipesh: The Rs. 15 crore number that is pending you expect it to come and that should help you margins?

Choudary Karuturi: Yes, I mean, but it depends. So, as I said, we expect even the receipt of the scripts also matters with regard to that, because we did not want to account for it, which we did a year ago with regard to MEIS and we faced a little bit of issues. So, we have accordingly amended our policy with regard to accounting, the RoDTEP scheme.

Dipesh: And lastly, I think Andhra Pradesh government, as one question was asked that they have increased the power cost right. So, , I think the farmers are also facing difficulty because of their increased cost, the seed prices are up and your electricity costs are also increased. So, do you think any disruption in supply also in a second crop because the first crop was already good. So, second crop can be weaker than the first crop.

Choudary Karuturi: The second crop stocking has been happening overall, there is not much of disruption on that front, but because regarding the electricity charges, representations have also gone from the farming community side to the government and they are positive in considering because Andhra Pradesh aquaculture is a segment which cannot be ignored as such and definitely the farming community also has represented.

With regard to second crop not taking place actually, so far the seed sale has been, seed movement also has been good. And it's continuing even the second crop is being planned. Of course the costs definitely have gone up but you even recently, there was some cost reduction also by some of the input suppliers with regard to farming, irrelevant of who they are. But end of the day there was also some cost reduction also has happened. So, I am pretty sure the farmers are not discouraged to totally not take up the second crop like you are trying to cite as such, in fact they have been positive they have been again going for stocking again.

Moderator: Thank you. Ladies and gentlemen, due to time constraints, this will be the last question which is from the line of Shahnawaz Nawaz an individual investor. Please go ahead.

Shahnawaz Nawaz: In past, I have attended several meetings of yours and I understood that the shipping cost was only problems for you. Now, I have done a small analysis with your competitor that Avanti Feeds. So, my observation is your overhead costs to the sales, what you are doing is very high, it is 4.7% of sales whereas your competitor is spending only 2.5%. So, there itself I am observing Rs. 15 crore to Rs. 17 crores, I mean, because that revenue is not coming in. I mean there is a productivity problem with your employee or utilization problem?

Second question is, ready-to-eat is a great opportunity and you want to convert most of the things into future. And the ratio you want to increase I mean to say ratio of ready-to-eat. What percentage margin is really going to make the difference because even if I compared with respect to last financial year result where you have utilized hardly 10% to 15% and this time, you are saying 20% of your sales from the ready-to-eat. But still PAT is coming down and your competitor not facing the problem because their margin is good, the revenues also increased. So, I mean, I just I want to understand this part. I am not very clear on this actually, listening, Q2 also I have listened to you, whatever numbers you are saying is absolutely very less, it is not even industry standard. I mean with this aqua industry and plus you have advantage of ready-to-eat. And in that if the margin is not that hardly 3% to 4% margin PAT is there, it's not the industry which is making sense. Can you please throw some light on this?

Choudary Karuturi: Yes, Mr. Shahnawaz, the first question is regarding overhead costs. Our overhead costs also include our hatchery operations in our business, that is one part. And it is not just restricted to processing and export of shrimp number that is one part. Of course, I am not getting into the details of the percentages or comparisons as such, because each company operates on its own strengths and weaknesses. Now, in our case, our overhead also includes with regard to our operational expenditure with regard to our hatchery also, that's one part.

Then regarding the ready-to-eat, if you consider last year and compare it with this year, last year, we also have had the advantage of completely accounting the income pertaining to the scheme of MEIS which was made available for the seven months of last year. However, in the FY22 we did not account for the replacement scheme which came and that is RoDTEP we did not account for all the incentives which was made available to us because of the delay which was happening almost to the extent of Rs. 15 crores odd was not even accounted for because of a non-availability of the scripts in a timely manner, before the end of fiscal year.

So, with regard to the margin, as such, this is also part of it. The incentives also do definitely play a role when you are comparing these two years.

Shahnawaz Nawaz: The competitors are able to maintain top line and as well as the bottom line as well. And that is why my question was, you said hatchery, is really hatchery a cost for you? Because the difference what I am seeing is huge. What I am seeing is 4.7% and 2.5%, that gap is big, in my opinion, I don't know maybe you will be understanding better. In my opinion the gap is huge actually. Or is it going to remain the same in future as well, when I mean, in proportion when the sale is going up, you are able to utilize more capacity whether the proportional overhead again will go at we accommodate the 4.5% and it will go again up? How is that overhead cost is going to come down?

Choudary Karuturi: As I have mentioned, of course, the hatchery business is also part of this, with regard to the hatchery significant if you ask me yes, there are three facilities which are operating by themselves so, naturally the expenditure related to that also get added up to the company's books under the same as our auditors did not consider it as a separate segment.

Now, with regard to increase in sales, yes, the sales volumes have increased sales are increasing, but however, the margins which are also the incentives also which play a role were not accounted for. And we cannot really comment on how any other company had accounted for as you have stated very clearly how we have accounted for. Since you have a clarity on that, definitely, you will be able to understand, but we cannot really comment on any other company or like you say other peer companies or regarding that point, but as such, our side, we have mentioned, our margins should have been much higher this year. But because of the delays in realizing the margins regarding the new scheme, almost to the extent of Rs. 15 crores odd was not even accounted for. So, that itself would, I think, show you the numbers. And that Rs. 15 crores of course, difference Rs. 15 odd will be getting added into the current financial year FY23 apart from the additional incentive this year

Shahnawaz Nawaz: My last question, so FY23, I assume 5000 is your existing capacity, let us say that the recent 5000 you may not be able to use just assume. So, whether this 5000, enter quantity, you are going to utilize this capacity 100% this year?

Choudary Karuturi: No, I think we are currently in our current for 5000 metric tonnes what we are currently utilizing, we have sold out almost 20% of our total capacity, we are utilized for our RTE ready-to-eat. Now in the second half of the year, we are adding another 5000 metric tonnes.

Shahnawaz Nawaz: That is fine, I mean I know you are adding you the capacity of 29,000 but you are using 12,000 only hardly 40% of your plant is getting used. What I am saying is whatever capacity of 5000 your existing facility, are you going to use 100% this financial year at least?

Choudary Karuturi: I think you didn't understand we are using almost 50% of our ready-to-eat capacity. You are confusing between ready-to-eat and the total capacity. Our ready-to-eat capacity is only 5000 metric tonnes. And currently we are producing more than 2500 metric tonnes of the ready-to-eat.

Shahnawaz Nawaz: My question is whether this financial year entire 5000 capacity which is existing I am not speaking what you are going to start from September. With 5000 metrics tonnes capacity what you have existing, ready-to-eat 5000 metric tonnes for the entire financial year?

Choudary Karuturi: We would be utilizing 5000 metric tonnes of ready-to-eat capacity of the 10,000 metric tonnes capacity which will be available by the end of the current fiscal year FY23. If that is what you are asking us, yes. We will be utilizing 5000 metric tonnes of ready-to-eat capacity of the 10,000 tonnes which will be available by the end of the year, I mean, basically from the second half of the year FY23 that is correct.

Shahnawaz Nawaz: And margin difference, what is the margin difference between normal ready-to-cook and readu-to-eat?

Choudary Karuturi: It is almost like $1.5 additional realization will be there but added to that additional cost also will be there, but you can consider anywhere between 30 to 50 cents extra per kilo. I am giving you a rough number. But we can you know, that is the difference between ready-to-cook and ready-to-eat.

Moderator: Thank you. Ladies and gentlemen, as this was the last question for today, I would now like to hand the conference over to the Management for closing comments.

Choudary Karuturi: Thank you one and all for making it to this quarterly concall Q4FY22. We do hope that you continue to stay safe. And for any additional queries about our results or regarding the company's ongoing business updates please do reach out to ir@apexfrozenfoods.com. Thank you and have a good day.

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