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
kkd@apexfrozenfoods.com
CIN: L15490AP2012PLC080067

Date: 14th June, 2019

To
The General Manager,
Department of Corporate Services,
Bombay Stock Exchange Limited,
Phiroze Jeejeebhoy 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,
Bandra Kurla Complex,
Bankdra (East), Mumbai - 400 051.

Scrip Symbol : APEX

Dear Sir's,

Sub: Transcript of Q4 & FY19 Earnings Conference Call held on 27.05.2019-Reg.

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Pursuant to the Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, kindly find enclosed a transcript of the Q4 & FY19 Earnings Conference Call which was held on Monday, 27th May, 2019.

The Earnings Conference Call held on 27th May, 2019, as per the transcript enclosed, incorporates mainly the highlights of financial results of the Quarter and Year ended 31st March, 2019 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,

For **Apex Frozen Foods Limited**

Apex Frozen Foods Ltd.

S.Sarojini
Company Secretary & Compliance officer

“Apex Foods Limited
Q4 FY2019 Earnings Conference Call”

May 27, 2019

MANAGEMENT: **MR. SUBRAHMANYA CHOWDARY – EXECUTIVE DIRECTOR – APEX FROZEN FOODS LIMITED**
MR. VIJAYA KUMAR – CHIEF FINANCIAL OFFICER– APEX FROZEN FOODS LIMITED

Moderator: Good Day Ladies and gentlemen and welcome to the Q4 & FY2019 Earnings Conference Call of Apex Foods Limited. 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. Subrahmanya Chowdary. Thank you and over to you, Sir!

Subrahmanya C: Thank you Margreth. Good evening everyone and a warm welcome to our post-earnings conference call for the quarter and the year ended March 31, 2019. I have with me on call Mr. Vijaya Kumar, our CFO, and Stellar IR advisors, our Investor Relations advisors.

We hope that you all have received our Q4 FY2019 investor presentation and have gone through the same. We have also uploaded it on the stock exchanges and the company's website for your reference.

Before I begin discussing the financial performance allow me to give you a broad overview for the year gone by.

As also mentioned on the last conference call, a little lower 75% of our business is driven by the United States where the winter has been harsher and longer than normal for the past two consecutive years now. This led to a muted consumption and consequently piling up of inventories at the customers end.

This coupled with overproduction in supplier markets like India led to a correction in shrimp prices which began from around January/February of 2018 and continued for most part of calendar year 2018. On an average the price correction has been to the extent of 15% to 18% year-on-year and fiscal year 2019.

Consequently, the lower prices dampened shrimp production in India leading to a mismatch in the demand supply situation for certain sizes whereby causing order fulfillment times for some of our orders to get drawn out. However, with the shrimp production being anticipated to be lower this fiscal than in FY19, we expect the situation to correct in the near future.

Meanwhile we continue to put in our best efforts to optimally utilize our capacities by foraying into new markets like China and also by working on developing value-added products for our existing customers in the existing markets.

Going forward, we believe that our value-added focused product portfolio and upcoming capacity for ready to eat products would help in the enhancing the company's performance.

Apart from the aforementioned, a relatively volatile foreign exchange rate in the past fiscal also had an impact on our profitability on account of working capital facilities obtained during the year which were predominantly in foreign currency.

Now I would like to share updates on our capacity expansion:

The new processing plant at G Ragampeta will have an installed capacity of 20,000 metric tonnes per annum; the work has almost been completed, the equipment had been installed and cabling work along with the control wiring is been presently done. Certain civil works pertaining to non-technical areas which were delayed earlier are also progressing well. We expect and are looking forward to inaugurating the plant towards the end of the current quarter that is Q1 FY20. As per the capex incurred, outlay of almost 90 Crores has been utilized as on March-19.

Secondly, on our new hatcheries: we have invested in two new hatcheries - one is in Srikakulam district, northeastern side of Andhra Pradesh and the second one is near Ongole which is on the southern side of Andhra Pradesh. We have received the audit approvals and expect to start the commercial production soon. With these two new hatcheries coming online the total breeding capacity stand at 1.2 to 1.4 billion specific pathogen free seed depending upon the number of cycles being run.

That is largely on the business updates from us.

Now our CFO, Mr. Vijaya Kumar will explain the financial performance for the quarter and the year ended March 2019, post which we would be happy to take the question and answer session.

Vijaya Kumar: Good evening everybody. I am hereby presenting you the highlights of the last quarter and full year ended March 2019. We will begin with financial year 2019 key highlights.

The company reported total income including net revenue and other income at Rs.896.2 Crores as against Rs.1018.5 Crores in the last fiscal. The volumes sold stood at 13051 metric tonnes when compared to 14146 metric tonnes in full year FY18. The average realization was Rs.687 per kg in FY19 versus Rs.720 per kg in FY18, a drop of 5% year-on-year.

At the EBITDA level, the company reported a profit of Rs.111.1 Crores as compared with Rs.129.9 Crores in the last fiscal. The absolute EBITDA was lower by 14% year-on-year and the EBITDA margin came in at 12.4% in FY19 versus 12.8% in FY18. Profit after tax stood at Rs.60.8 Crores as compared with Rs.79.1 Crores in the last fiscal, a drop of 23% year-on-year. PAT margin came in at 6.8% in FY19 versus 7.8% in FY18.

The board has recommended a final dividend of 20% of the face value that is Rs.2 per equity share for FY19.

Now coming to Q4 FY2019 key highlights:

The company reported total income including net revenues and other income at Rs.167 Crores as against 206 Crores in the same period of last fiscal. The volumes sold stood at 2616 metric tonnes when compared to 3006 metric tonnes in Q4 FY18. The average realization was Rs.638 per kg last year is Rs.685 per kg in Q4 FY19.

At the EBTIDA level, the company reported Rs.17.6 Crores as compared with Rs.27.9 Crores in the same period of last fiscal. EBITDA margin contracted to 10.5% in Q4 FY19 versus 13.5% in Q4 FY18 (which included a one-time gain of Rs.5.6 Crores on account of change in accounting policy for MEIS). Profit after tax stood at Rs.8.4 Crores as compared with Rs.17.5 Crores in the same period of last fiscal. PAT margin stood at 5% versus 8.5% in Q4 of last fiscal (also benefited from the aforesaid gain).

Going forward we expect demand to improve and our capacities to continue to be optimum utilization. We continually try to reduce our cost through backward integration and enhance our product offering to customers via value addition thereby improving profitability of the business.

That is all from our side. I would now request the moderator to open the call for question and answers. Thank you.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Praveen Sahay from Edelweiss. Please go ahead.

Praveen Sahay: Thank you for taking my question. Sir firstly for this quarter how much is the volume?

Subrahmanya C: For this quarter alone the volume is 2615 metric tonnes.

Praveen Sahay: As you had mentioned that the 15% realizations drop is for the entire year. So currently in the first quarter how is that as compared to the average of last year? Is there any improvement or is it at the same level?

Subrahmanya C: Good question. As you have noted even in our opening remarks regarding the market situations which were primarily of course due to supply issues. Because of the correction, significant correction in the pricing last year that had impacted the farm level pricing also which thereby also had an impact on the farmers' stocking plans. Since the supply also is kind of constrained in the first quarter as far as the volume is concerned and of course there is a mismatch in sizes now, the demand which is there has been increasing and unit value per kg has been increasing marginally in the past one month. Slowly it has been moving up. It has been firming up to be precise. It has moved from stable to firm to be precise. The revenue been increasing in past one month that is more because there is a drop in supply and the demand still continues, whatever is the regular demand but it still continues.

Praveen Sahay: Okay. So due to a demand supply mismatch, the prices also improving; can you give a number to that?

Subrahmanya C: Roughly it is around 40 cents per kg USD so far what we have noticed but that is again an average since you asked for a number it is an average number based on many sizes and different products which are involved.

Praveen Sahay: Can you give some color on the farm gate prices how is that going?

Subrahmanya C: The farm gate prices have also moved up by almost Rs.20 to Rs.25. Comparatively, if we look at it when we compare this to last year, now the farm gate prices also have moved up. One reason is there is more demand than the supply in India and the other point is, since the overall supply is also now reduced when compared to last year in this period and because of the gradual improvement in the overseas selling price, the raw material price also has improved and has gained up almost by around Rs.20; I think Rs.20 to Rs.30 has gained.

Praveen Sahay: Also if you can give some number to as you had mentioned there is a mismatch in the demand and supply and as the farmers has gone away from the cultivation due to the price correction last year so how much of percentage terms from the last year to this year the acreage has got affected in the country?

Subrahmanya C: We would not be actually able to put a number to the extent of acreage, which is affected because it has got to do with various permutations and combinations of the pricing which they harvest and the tonnage which they do per crop and the number of crops they are actually able to do. I will also correct your remark where you said that the farmers have totally moved away - they have not totally moved away but have actually put a pause like they have extended, for example if they would have been stocking typically in April and May months, they are now postponing it to May and June; so that is the point. So overall in the total tonnage, on the whole country wide we look in the current year as of now based on the situation now we should still wait to see how the second crop progresses, how the stocking has happen, but as of now we estimate approximately around minimum of a 100,000 metric tonnes across the country could be impacted but in one way is also good because that also enhances the pricing for the demand which is there and as I mentioned the supply is the key part since the excess supply also had brought down the price in the past. Now that supply shortage approximately, I mean I cannot give you a absolute number approximately we could have an impact of around 100,000 metric tonnes in the whole country which was producing more than 700,000 to 730,000 metric tonnes.

Praveen Sahay: I will come in the queue Sir. Thank you.

Moderator: Thank you. The next question is from the line of Manav Vijay from Essel Mutual Fund. Please go ahead.

Manav Vijay: Thank you for the opportunity. Just wanted to ask a couple of questions, first of all, so on a quarter-to-quarter basis where sales have declined by around 24% so for the sales decline was uniform across all the three months or there was any sharp contraction that happened in anyone particular month?

Subrahmanya C: Good question. That sharp contraction would happen in January typically because as you know the holiday time is a time when the sales they do not take place in its normal course. So typically up till the third week, second week or third week of January of course the buyers also the customers will be coming back from their holidays and then they will take account of the situation and accordingly they will be planning up their business for that year. So typically the first month of the calendar year would have an impact because it is only around almost by the second week and third week where most of the customers will be coming back into the market.

Manav Vijay: As per you, the second month and your third month were actually normal; it is possibly impact of actually the first month because of which the sales dropped?

Subrahmanya C: I said yes it is mostly, yes major impact your question was which month was having the major impact in last year.

Manav Vijay: January.

Subrahmanya C: Yes that was January, correct the first month of the calendar year.

Manav Vijay: Okay, but Sir in quarter three when we actually conducted the call and the call was connected on actually 14th of February. So in response to a question that you as to how Q4 will pan out versus Q3. You had mentioned that on a quarter-on-quarter basis we should certainly have an increase in sales, now well January month…

Subrahmanya C: No, actually it was flattish. We said it was going to be flattish for the year. We are not expecting a significant increase. We can just check but we said more of that it would be flattish or we never suggested is going to increase actually.

Manav Vijay: You said that it would be either flattish or there could be a slight increase in sales on a quarter-on-quarter basis. Now when January was bad and seven months are actually normal then sort of to understand that on what assumptions that kind of a guidance was given?

Subrahmanya C: See, we still did have I think you also remember the last con call which we are referring to that we have also mentioned and is still continuing to, that we had our pending orders of the past which were still in line to be executed and because of the mismatch in the sizes of the supply we could not execute them. If you remember that was also being referred to in Q2 concall; that has been continued. That was based on that information and we expected things to be improved, but unfortunately it got stretched further and by the time we were executing our existing orders because there was a mismatch of the sizes earlier and finally when the sizes were coming that also did not come as per our expectations. So when we have told that it is going to be flattish typically for the last quarter that was more on the basis of that we will be at least maintaining due to the backlog. Unfortunately, since the supply was not matching to our sizes which we were having so that is the reason we could not actually execute in the same manner as planned. Even now we have pending contracts which we are not able to execute as planned because of the mismatch in sizes. However now we are aligning our sales in relation to the supply and thanks to the reduction in supply this year that we are also seeing a good improvement in the overall prices.

Manav Vijay: Sir second question from me. Sir you have sold approximately 13000 tonnes this year so last year you had given a guidance of around 1400 Crores sales happening in FY20 now since the expansion is delayed so I do not think that number is happening so if you could give as to what kind of volumes you believe are doable in FY20 and if Rs 687 is the average realization in FY19, what number is possible in FY20?

Subrahmanya C: Good question. With regards to the volumes we are gearing up for our new capacity addition of 20,000 metric tonnes. Naturally when we have mentioned a guidance in the early part of last financial year where we said that we look forward for in April 2020 is around 1400 Crores of topline, we have of course not anticipated that a significant amount of farmers not going for stocking and the supply getting affected. That was one part and also we expected that we would be able to complete our work with regard to our capacity expansion also within the time. Unfortunately, the civil works for certain areas got affected but are all being completed now, they are being done and were putting the equipments which are pretty much connected and installed. So because of that there was a delay with regard to the project, the affect of capacity expansion being shifted to second quarter of the current financial year. With regard to the volume, of course, we are looking at a optimum utilization we are still continuing to look forward to utilize almost 70% which we had planned, we still are keeping our bets on the second crop, where we expect now the farmers to go even on a conservative basis they are planning their stocking because all of them have dried up their ponds. So we are really looking forward for a supply to be improvising because it is much lesser than what it was two years ago. So based on the supply we look forward to utilize our capacity and with regard to the unit value which you have mentioned per kg yes it was Rs.687 per kg now that was of course based on an average exchange rate of 69, 70 because it went, the rupee also depreciated to 73, 74. So keeping aside the exchange rate, in dollar terms, we are going to see an improvement in our unit value realization which was around $8.6 per kg for last financial year we are looking forward to definitely it will be higher than that. So we have been looking forward for higher I will not comment much on the rupee value realization per kg, but on the dollar terms of course more because of the value added the ready to eat and the value added products even in the ready to cook and also the overall general price correction which is happening on the upward direction in the present scenario in the market we look forward for higher dollar earnings per kg on the unit value basis.

Manav Vijay: So in terms of dollar is it possible to have let us say if it all the value added stuff close to 10% increase in dollar terms and leave aside the INR fluctuation?

Subrahmanya C: Minimum that is a minimum, with all these factors combined that is a minimum of 10% or $8.6 is definitely looking forward per share.

Manav Vijay: Sir last year FY2019 we have had around 16000 tonnes of capacity, we produced 13000 you will have 20000 metric tonnes more capacity this year so the leased capacity might go as and when it will go, so this 13000 tonnes can you do around 20000 or 25000 tonnes in FY20 depending upon let us say the visibility that you have from your customers?

Subrahmanya C: Good question. On the customer's side we might really not have issue on the visibility of the sales point because now we will also be having the ready to eat products - the value added in the cooked form - which is a major USP for us going forward; but on the supply our company is not in a position to immediately say how the supply is going to come. Here of course definitely depending on good second crop output which definitely we are looking forward to not just in the state of Andhra Pradesh but also the other producing states in India and yes if we get the output definitely we should be able to do that sales because anyway we have the markets and now because we are also adding our additional ready to eat line. So definitely on the sales front there is no issue now this year we are keeping our fingers crossed more on the supply side.

Manav Vijay: Sir I want clarity on the capex side. Sir 90 Crores is what you have spent on the new facility and the two hatcheries that also now are operational so you have spent 27 Crores on debt am I correct?

Subrahmanya C: The shrimp hatcheries were constructed in the last financial year itself it has already done.

Manav Vijay: Yes, this is completed.

Subrahmanya C: So at least I would say in last 12 to 15 already it is 18 months that is 120 Crores of Capex has been done. Let us say the processing is a separate part and the hatcheries are a separate part right.

Manav Vijay: Correct, so now what is the guidance for FY20?

Subrahmanya C: For capex.

Manav Vijay: Correct.

Subrahmanya C: Capex in FY20, we may have approximately another 15 to 20 Crores max because whether it is any sort of enhancement on a marginal basis we have done for the existing processing project or we look at additional pre processing facilities which it will be aorund 15 Crores in FY20

Manav Vijay: So we have five hatcheries in total and you mentioned that these hatcheries have the capacity of 1.2 to 1.4 billion SPF seeds correct me if I am wrong. Now these five hatcheries are good enough for this the total requirement of seed that you have?

Subrahmanya C: Mr. Manav the first and foremost point the company's hatcheries today are not only catering to the company's farmers only. So the hatcheries are for captive consumption of course for a significant part, but they are also going to take care of farmer's requirements whereby we can plan programs with them with regard to the sizes, which we need. We have faced a very big trouble in the year FY19 with regard to size mismatch. So we are planning to utilize the hatcheries total capacity of 1.2 to 1.4 billion approximately even to outside parts also. So we will be doing a arrangement with them where we give them quality seeds and we buy quality shrimp in the sizes which we need from them.

Manav Vijay: FY18 we had approximately 1800 acres of own farmland what was the number at the end of FY19 Sir?

Subrahmanya C: It is remaining the same. We have marginally reduced by around 50 to 70 acres but it is approximately around the same. We are not increasing any further with regard to farming by the company at this point, but we are actually focusing on getting the produce for the company by supporting the farmers or the primary producers by means of supplying them quality seed and other inputs at the farm instead of the company getting directly involved, instead we are taking the support of the farmers by extending our support of course.

Manav Vijay: FY18 we had a duty drawback of Rs.21.6 per kg which in FY17 was Rs.32 what were the similar rate for FY19?

Subrahmanya C: Similar rate as last year it was similar level there were no change in the government policy.

Manav Vijay: And is there any expectation for FY20 that it can alter or it can or it should remain similar?

Subrahmanya C: We would not know what the government is planning as it is totally a government policy then we look forward what the new policy will be from the government.

Manav Vijay: Sir just last question from my side also the MEIS benefits that you had is it possible to quantify then as you just calculate them on a percentage of sales or per kg basis - how these benefits are calculated?

Subrahmanya C: It is around 7% of FOB value but it keeps changing because of the license sales which is done based on the market demand and supply of these licenses. Hence it is not always exactly 7%, it also varies.

Manav Vijay: Sir finally two requests from my side. Going forward in your PPT if you can separately mention the export incentives that you earn and also the geography wise sale break up that would really be helpful Sir.

Subrahmanya C: Your comments are noted and we will ask our team to implement in the next quarter.

Manav Vijay: Thank you and all the best Sir.

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

Dipesh Kashyap: Thanks for the opportunity. Just continuing on the previous member's question can you please quantify the export incentive in this particular quarter how was that?

Subrahmanya C: The export incentive for this quarter is 1.13 Crores.

Dipesh Kashyap: 1.13 Crores that looks very less. I think last year is 19 Crores.

Subrahmanya C: No, I am sorry, it is 11.3 Crores. I am sorry.

Dipesh Kashyap: You also please quantify like what was the average procurement cost this particular quarter from outside farms.

Subrahmanya C: In the outside farms Dipesh it was around Rs.307.

Dipesh Kashyap: So that prices of the raw material have actually come down right so that is why their gross margins drastically improved is that the correct understanding because last year pricing it was Rs.330.

Subrahmanya C: But, Dipesh you are also aware that our average pricing is based on many different sizes spread over with a range of Rs.250 to Rs.300 per kg so it also depends on the sizes which we were producing and selling at that point of time. For example if we are not able to get the supplier the sizes which we have told, we would still continue to produce to make our sales with the product which is available. The smaller sizes pricing was also lower. When we do that, naturally that is the reason the raw material cost also was lesser during the quarter because the small sizes have actually taken a toll on the realization, that is one part and the other part is also the cost attributed to that.

Dipesh Kashyap: Sir the next question is basically our sales have declined by 19%, but if I look at the Indian exports that actually grew by in the volume terms grew by 9% so what did we actually underperformed in the market?

Subrahmanya C: Well, of course India's volume is based on newer capacities by various companies in general and of course we do not have the data for FY19 as of now unless you have access to it but as of now we have not received any data from the Government of India from Marine Products Export Development Authority with regard to the actual growth. So we do not have the data but in general the country's production and its business is more dependent on various capacity expansions; In our case, of course we did not have any signciciant capacity expansion in the past two years and within the existing capacity itself when we have had lack of supply of the sizes which were required and we had to go for even smaller sizes which not only affect the realization but it also affects the productivity in general. It is like dealing with more number of pieces per hour when we go for smaller sizes. So that of course have had an impact on our business in general with regard to the volume drop of around 1000 metric tonnes finished product for the full year last year and this year of course we are continuing to perform as we expect to have the best of the availability of raw material and now of course the main important point is we look forward for a more aggressive supply of the sizes which we need at least from the second quarter hopefully because all the farmers are looking forward to stock again after they have dried their ponds after them harvesting in the months of February, March and April all the smaller sizes. They are looking forward to re-stock again waiting for the summers to see it a little bit.

Dipesh Kashyap: No I just wanted to understand like one of our listed players has shown 80% growth in the processing division; I understand they have a new plant and everything but our capacity utilization has actually drop from 80% in the last quarter to 70% this quarter so was it any supply issue or any plant specific issue that you saw in this quarter which may not get upgraded next quarter?

Subrahmanya C: Sorry, can you repeat the question?

Dipesh Kashyap: I am saying that one of our peers reported like 80% growth in their processing division and I understand that they have a new capacity but our capacity utilization actually dropped in this particular quarter. So was there any supply related issue that we face, company specifically we face that like others were able to do well and we actually decline the utilization.

Subrahmanya C: I think I have been repeating it but I guess that maybe it has not given out a clear answer that the whole point of supply mismatch with regard to the sizes has actually impacted the company's utilization. When the size is required for the orders which are there with the company are not available there is a limit to what we can perform because if we utilize that capacity for something new and then even if the supply was there we would not able to complete our orders. So the major issue was the supply related part but of course predominantly got to do with the mismatch in sizes, but in general there was a supply issue. Now of course without any capacity expansions any capacity enhancements actually we do not look at any major utilization because of the supply shortage. But now with the capacity expansion and also in a different scope of products, I mean additional scope for ready to eat and cook products, even in the ready to cook also more seasoned products, we look forward for better business, better realizations better margins.

Dipesh Kashyap: Sure. Sir your new capacity, new plant will actually come on-stream on end of 1Q FY20 right and when will the commercial operation start another two, three months?

Subrahmanya C: Yes, we are actually looking for completion by the end of this quarter; there have been some civil works which got overstretched since most of the technical area is being completed and it is being ready for by this month end; we look forward to start trial in July. So that is in the second quarter sometime in July, August we should look forward for commercial production then onwards we should see the utilization based on the supply scenario of course.

Dipesh Kashyap: Sir any comments on the current run rate like how this quarter is going as the capacity increase will happen by the next quarter. So, how is the current utilization is going on in this particular quarter, because the supply side is still the same right?

Subrahmanya C: With regard to the last quarter of last year and the first quarter of this year it has been pretty much the same. It is just that the sizes has changed - last quarter last year we have had more small sizes and now we are looking at medium sizes to get harvested in this quarter more as we speak in the present month and next month. And I am pretty sure once the new capacity comes into place we should look forward to…

Dipesh Kashyap: I am asking this because your first quarter of FY19 your utilization is about 97% which has dropped to 70% in 4Q so I just wanted to understand whether 1Q FY20 will be even with 4Q or 1Q of last year. So do you think the utilization will actually improve in this quarter?

Subrahmanya C: It is actually irrelevant of how the Indian financial year actually framed from April to March; supply of course is based on the weather condition, the climate conditions and the right time to stock and also the availability of water resources. So supply for the first quarter of first financial year, for every financial year is typically good, generally good. So we can definitely look forward to a very good utilization of the existing capacity own and leased combined similar to last year's Q1. It is nothing to be compared to the Q4 of last financial year that is what you are asking.

Dipesh Kashyap: Thank you Sir all the best.

Moderator: Thank you. The next question is from the line of Nimesh Shah an Individual Investor. Please go ahead.

Nimesh Shah: Thank you for the opportunity Sir. I just wanted to understand that by adding this new capacity are we targeting any new market as such?

Subrahmanya C: Mr. Nimesh we have actually started selling out of other than the traditional markets of USA and Europe in the last financial year itself. Of course it has not really worth mentioning because its share was hardly 0.7% but we are working with the other markets already even before the new capacity coming into play. So we look forward to utilizing those markets too, but a significant business will still continue to be with USA but once the new capacity comes in and mainly the ready to eat capability comes into play, we really look forward to enhancement of business in Europe also. So in terms of China and South Korea which we have mentioned in our last con call we did have certain business with China which was less than 1% in the last quarter last year. We will continue to explore other markets to take care of the capacity utilization but major capacity utilization will still be happening to the US market because as such USA is the largest consumer of the shrimp in the type of products which we are looking forward to do business with. So definitely it will have the major role in our business, but however we are looking to diversify more into other markets too.

Nimesh Shah: Sir regarding the new plant what is the bifurcation of ready to eat and ready to cook in terms of capacities?

Subrahmanya C: The total capacity will be 20000 metric tonnes in which 5000 metric tonnes will be ready to eat, and 15000 metric tonnes will be ready to cook

Nimesh Shah: Yes, what level of utilization you are looking for in our first year?

Subrahmanya C: As of last year we thought we would be able to utilize an optimum of 70% for the full year, but however as we have noticed – one, is the delay part which had happened and two, the supply which is major factor this year; so we need to really see how the supply will pan out in the next two to three quarters because that is the key part for us to have a significant growth in business. But we were originally projecting it to be around 70% of the total capacity utilization so we should see how it goes up subject to the supply conditions it is all dependent on the supply.

Nimesh Shah: My next question on the supply side. So what kind of season we are looking forward for our crop so whether it will be medium size and bigger sizes or the small one again how is it, basically what is the deficit in the market?

Subrahmanya C: See there has been multiple factors for the supply to get impacted. One is price - the commensurate price was not available for the primary producer or the farmers to look at the restocking or rather taking a delayed decision of stocking and also the issues related to certain syndromes, which were there at the farm level which were impacting the productivity or the growth operation as such because naturally when the growth gets affected the cost also gets escalated. So these factors were the reason where the primary producers across the country have been constrained in the way they were doing farming. So they have been doing on a lower scale this year as I mentioned to one of the callers earlier. We in general expect a minimum drop of at least 100,000 metric tonnes in the current year so that is the issue in the country as a whole. So but again now the farmers are looking forward to stocking but in a conservative manner unlike the past. We look forward for a good productivity of their farms and we can expect them to go for another crop before the end of this year.

Nimesh Shah: Sir next question is on the China consumption story so recently I was reading some article stating that China would surpass the US and would be the major market. So are we seeing any traction on that side?

Subrahmanya C: Yes the China market of course is a bigger consumer than the USA but however it is mostly commoditized product and China by itself also has a significant domestic aquaculture which is taking care of its interests so it is only the deficit of Chinese domestic productions which is mostly being imported into China so had Chinese domestic production being going good they would be more dependent on their own domestic product than actually looking for importing of production outside from other countries. But otherwise yes China is definitely a big consumer of shrimp because then USA for its population which is there and the format in which our company has been targeting that is mainly the value added products we do not see much of potential in China and we will continue to explore other markets like USA and Europe and other North American and sort of African countries to mainly for the products which we are targeting to produce.

Nimesh Shah: Thank you Sir. That is it from my side all the best for the future.

Moderator: Thank you. The next question is from the line of Manav Vijay from Essel Mutual Fund. Please go ahead.

Manav Vijay: Thank you for the call once again. I just have one question what is the policy on hedging that we follow?

Subrahmanya C: The Company covers its forex risks of the forward to the extent of 50% maximum, usually it hovers between 30% and 50%. However if you look at it when depreciating rupee scenario such hedging proves to be a disadvantage. In an appreciating rupee scenario definitely the hedging does play a positive role however in a depreciating rupee scenario from Rs.65, Rs.66 to Rs.73, Rs.74 it is a significant volatility which the business also cannot exactly gauge all the time so we would have around it was approximately 35% of last year previous year we almost had 50% but in a depreciating scenario we actually pulled back from covering any forward risks because a depreciating scenario is more advantages to the company without covering any forward risks. So that is the scenario last year it is lesser by around 30%, 35% but earlier year which was much, it was much higher.

Manav Vijay: Let us say today we were actually selling in quarter one so for how any quarters or let us say months of sales are we covered on the forex side because foreign currency movement is something that is very, very difficult for anybody to have a correct prediction we as business man, we as entrepreneurs, should be concentrating more on the business rather than the cost speculation which has no meaning?

Subrahmanya C: But as we know in our case in our industry case also in general if you see it with regard to our company first I will answer to your first question which is typically we cover up to six months typically not the entire business that is where I said we are only covered by 35% so it is part of the business it is covered we still leave part of it for the spot market or pricing.

And now as you had rightly mentioned the focus is not really on hedging but as our industry goes it is based on the realization per kg in INR, they depend on the foreign exchange fluctuations where the market conditions also prevails like how today if we have to pay an ex price to the farmer it is based on the realization of the overseas price so even the $10 can be Rs.650 or Rs.720. So it is dependent on those factors which also has its relative impact apart from the overall supply-demand scenario. So the situation is such that we have covered approximately around 35% of our last year's total but we take a maximum exposure of like six months we do not look forward to cover more than that, but that also was primarily we have reduced our exposure because of the depreciating rupee.

Manav Vijay: Sir just one last question from my side is that last year if we exclude the other income our sales were down by around 12% whereas our inventory is actually up by 5%, I am actually talking about a point-to-point basis from FY18 to FY19. So just wanted to understand that what happened on the inventory side why inventory should move up when our sales were down and we were constraint on the supply side?

Subrahmanya C: First thing, the other income is largely foreign exchange difference but because of the accounting standard we mentioned it separately. So it is inclusive so when you look at it, it is part and parcel of our realization of our export business. Now when it comes to the inventory you have asked about the increase in inventory when compared to last year. Is that what you asked?

Manav Vijay: Sir my question is very simple that our sale declined in FY19 versus FY18 whereas inventory moved up and we were in a situation where the supply was constrained because of which you could not actually do the required sales that you wanted to do so why inventory should move up in that scenario?

Subrahmanya C: Inventory did not move up. Changes in inventory is not just our finished product inventory it also has got to do with our farm work in progress and the hatchery output those are all in that, in fact our inventory is lesser. Our raw material costs have come down because of our utilization of our finished product inventories, which were there with us. Had that not been the scenario our raw material cost would be much higher so we have actually utilized our inventory compared to last year. Of course what numbers we are seeing is, it includes the farm and hatchery working capital requirement.

Manav Vijay: Thank you very much.

Moderator: Thank you. The next question is from the line of Parthiv Swami an Individual Investor. Please go ahead.

Parthiv Swami: Good evening. I just wanted some clarity on the revenue guidance for FY20 I apologies it has been answered but if you can please clarify it Sir?

Subrahmanya C: First thing I think we have clarified already that we are looking at optimum utilization of our capacities by volume terms. Now with regards to revenue guidance, I have also mentioned to one of the earlier callers that yes last year we have given guidance for FY20; however, considering this year's supply scenario, we are not exactly able to give guidance with regards to the value terms. Yes, we look forward to utilize our capacity even the new capacity which is being established in the ready to eat which is of course the value added product which basically means an enhanced unit value realization. So we look forward to utilize optimally but as mentioned this is all got to do more with supply and this year we may see some constraints in supply in general. But that could also enhance the unit value realization in general because the lesser the supply the more the demand would be and with that the demand-supply equation will be balanced. So as such we are only giving a guidance for now about optimum utilization of our capacities for the current year FY20; we are not giving any guidance on the value side with any absolute number; please do not mind.

Parthiv Swami: Thank you. Thanks a lot.

Moderator: Thank you. Ladies and gentlemen due to time constraint that was the last question. I now hand the conference over to Mr. Subrahmanya Chowdary for closing comments.

Subrahmanya C: Thank you everybody for attending our concall on the Q4 FY19 results and as well as the annual results of the FY19. For any further queries you may please contact us at ir@apexfrozenfoods.com and we look forward to speaking with you in the future. Thank you very much.

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