APEX FROZEN FOODS LTD.

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Date: 28th November, 2023.

To
The General Manager,
Department of Corporate Services,
Bombay Stock Exchange Limited,
PhirozeJeejeebhoy Towers,
Dalal Street,
Mumbai- 400001.
Scrip Code : 540692

To
The General Manager,
Listing Department,
National Stock Exchange of India Limited
Exchange Plaza, Plot No C/1, G Block,
BandraKurla Complex,
Bankdra (East), Mumbai - 400 051.
Scrip Symbol : APEX

Dear Sir/Madam,

Sub: Transcript of Q2&H1FY24 Earnings Conference Call held on 21st November, 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 Q2&H1FY23 Earnings Conference Call, which was held on 21st November, 2023.

The aforementioned Earnings Conference Call, as per the transcript enclosed, incorporates mainly the highlights of Un-Audited financial results of the 02nd Quarter and half year ended 30th September, 2023 and other related information which is already in public domain and/or made available/uploaded on the Company's website.

Please take the same on record.

For **Apex Frozen Foods Limited**

KARUTURI SUBRAHMANYA CHOWDARY
Digitally signed by KARUTURI SUBRAHMANYA CHOWDARY
Date: 2023.11.28 17:05:39 +05'30'

Karuturi Subrahmanya Chowdary
Managing Director
DIN: 03619259

Encl: a/a

"Apex Frozen Foods Limited
Q2 and H1 FY 2024 Earnings Conference Call"
November 21, 2023

MANAGEMENT: **MR. CHOWDARY KARUTURI – MANAGING DIRECTOR AND CHIEF FINANCIAL OFFICER– APEX FROZEN FOODS LIMITED**
MR. DURGA PRASAD – FINANCE – APEX FROZEN FOODS LIMITED
MS. MADHAVI – OPERATIONS – APEX FROZEN FOODS LIMITED
STELLAR IR ADVISORS – INVESTOR RELATIONS ADVISOR– APEX FROZEN FOODS LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Apex Frozen Foods Limited Q2 and H1FY24 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 call is being recorded.

I now hand the conference over to Mr. Chowdary Karuturi, MD and CFO. Thank you and over to you, sir.

Karuturi Chowdary: Thank you. Good morning, everyone, and thank you for joining us on this investor call for the second quarter and first half of FY24. With us on the call today is Mr. Durga Prasad from our Finance Team, Ms. Madhavi from our Operations Team and Stellar IR Advisors, 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. Now let me begin by going through the numbers for the quarter.

The net revenue for Q2 FY24 came in at Rs 242 crores, a decrease of almost 22% YoY, led by lower volumes by almost 13% YoY and lower realization by almost 10% YoY. Lower volumes were led by continued subdued demand from our key market, which is the USA. The total volumes sold by our company stood at 3084 metric tons in Q2 FY24 as against 3,565 metric tons in the Q2 of last fiscal. While promotional activities by retail and food service companies, that is the distributors for restaurant chains, are being carried out, the impact of such activities has been quite gradual. From the company's end, we have initiated setting up a wholly owned subsidiary in the USA for support with regard to logistics and also development of the market in USA and the rest of North America, which is the primary focus to support customers as well as both on the logistical front and to plan programs.

On the other hand, sales of markets such as the EU are doing quite well. In fact, sales to EU market have posted a strong growth of almost 63% YoY and almost 100% QoQ in Q2 FY24 and a growth of almost 50% in first half of FY24. Consequently, the share of EU in overall sales mix increased to 40% in Q2 FY24 and 28% in first half of FY24, making it a more diverse sales mix.

Now coming to the realization part, as you might be aware of, the global shrimp prices have been tapering down due to the weak demand and the supply scenario. Further, in our case, lower ready to eat products contribution, led by change in geographical mix, which is a higher share of EU, where the RTE products are not sold yet, also impacted the overall realization in Q2 FY24. As a result, the average realization for the period Q2 FY24 came in at Rs 738 per kilo as against Rs 820 per kilo in Q2 FY23. However, there has been some improvement in the prices when compared sequentially. Our average realization increased 6% QoQ despite lower share of RTE in Q2 FY24.We hope the prices remain firm and remunerative for the shrimp industry players.

Coming to the profitability, we are pleased to share that some of the costs that had surged unprecedentedly high post the pandemic has now corrected. This along with our cost control measures have helped improve the profitability with the EBITDA margin higher by 300 basis points QoQ to 8.1% in Q2 FY24.

On the balance sheet side, I would like to reiterate that our debt continues to decline as we judiciously use our surplus cash flows to deleverage our balance sheet. In the first half of FY24, we reduced our debt further by Rs 7 crores to Rs 83 crores as on 30th September 2023. The debt to equity ratio remains favorable at 0.17 times. 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.

When it is comes to the demand centers for our company, in the case of the USA which is still our major market, we understand that the situation is easing slowly and as we had mentioned, it should be better in the next couple of quarters more towards the end of calendar year as we look forward to the holiday period sales when most of the sales during any year happen. However, the consumption also would be improving during that time as mentioned considering that most of the lower priced products are also available at 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 which we are currently foreseeing happening around the last quarter of the fiscal year and look forward to a better year or a better fiscal for the next year basically. So, typically towards the end of this current fiscal year, we are positive that things would be changing a little bit on the demand side with the consumption happening in a better way during these holidays sales.

That was with regard to the US market and also in the US market, the retailers where most of the promotions have taken effect are definitely having a good impact with regard to increase in volumes and of course, our retail customers are also planning for the next calendar year, as we speak and they are also planning the program with regard to the US market.

And with regard to the EU as we have been mentioning to all of you, we are eagerly waiting for the approval of our new facility so as to be able to export our high value ready to eat products to this very lucrative market and this has been pending in fact, for the past more than three years and this is more of a deliberations and negotiations between the European Union Council and the Indian government which is, we are hoping actually, we are seeing some positive signs and we are hoping this gets completed positively before the end of this current fiscal at least so that we can start exploiting the potential of the ready to eat products even in the new market too where our customers are positively waiting so that we can go ahead and look at that business.

In the EU market also, we definitely foresee some good sales happening during the holiday times, in the upcoming holidays and as per the information received from our customers, we are looking forward to that so that the overall impact on the consumption, which would create a better opportunity going into the next fiscal year. In the terms of the Chinese market, we have been encountering a very slow demand from there, same as the rest of the other markets, mainly with regard to the inventories which are there in that market and hopefully the Chinese Spring Festival or the Chinese New Year which is upcoming in the month of February, similar to the holiday sales in the rest of the world, we do look forward for some good consumption during the Chinese New Year time as we go towards that in February, when most of the consumption happens in China.

And we are looking positively for that even though China is not part of our major markets. But still that is -- most of which will take care of the commodity shrimp and the global supply which has been created.

In terms of shrimp supply, at the global level, of course, Ecuador 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 see an opportunity 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 stocking at the ponds and also the availability of the shrimp supply. This is with regard to the supply part.

Lastly, in conclusion, I would like to add that to address these challenges and to ensure the optimum utilization of our facilities, we have taken steps to explore other markets, new markets, which also we have explained mainly focusing on the markets outside USA and focusing more on Europe and other East European markets, along with the UK market as well. This strategic move will not only diversify our revenue stream, but that would also enhance our resilience in the face of the market fluctuations, which are currently prevailing.

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, of course, raw shrimp within the country, which I just explained, especially considering the complexities surrounding shrimp production in India.

Thank you very much, and I now open the floor for the 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 Sidharth, who's an individual investor.

Sidharth: So in the annual report 2023, it shows that during the period from 2021 to '23, the company has exited from almost 1,500 acres of shrimp farming, okay. So I would like to know what is the rationale behind it? Is it to cut operating cost?

Karuturi Chowdary: Mr. Sidharth, this was explained, of course, in the past, that was mainly due to the issue regarding the management because the farms were spread out over various areas and as it was getting quite difficult to manage and profitability also and since the supply of shrimp was quite very much available during that time, this was during COVID time when this had happened primarily, especially in the year 2020, most of the farms were exited. And that was at that point of time when it was really a challenge also. So, we couldn't really continue that, and we have decided to exit out of those operation.

Sidharth: Could we have a broad idea with regards to what is happening with Ecuadorian shrimp production, if it's declining or if it's increasing?

Karuturi Chowdary: I think we did mention in our opening remarks, yes, the supply from Ecuador has been there, quite consistent. And as of now, we hear that they are having issues with regard to the viability at the farm level with regard to costs. They definitely have higher costs. And where the global shrimp pricing is, it is having an impact.

We are definitely looking to see the net impact of this, the Ecuadorian supply level more into the year 2024. And we strongly believe that they have realized the actual amount of market space, which is available for such a supply. I mean, whether it is feasible or not, whether the market space can actually accommodate.

And with the current situation, we are also looking forward for cost corrections on their end. And we are confident that, that will definitely have an impact in kind of easing out the production attitude and approach, which Ecuador has taken.

Moderator: The next question is from the line of Nitin Avasti from Incred Equities.

Nitin Avasti: Sir, just one question regarding the recent development in Ecuador. There has been a massive change in the government policies towards the shrimp industry. And the industry tried to represent and said that power subsidies are required for the companies to sustain profitability.

But the government has scraped, and now at least the data, which they are putting out, said that this is going to be a 10% cost impact. Are we seeing that right now because the law has gone through, the subsidies are revoked by the government. Are we seeing Ecuador on the back foot and ask for higher prices just to make up for a 10% cost price?

Karuturi Chowdary: Yes, Mr. Nitin, which I just responded to the earlier participant, too, with regard to the viability at the farm level. Whether it is related to the withdrawal of the diesel subsidy, which was there for many years from the government of Ecuador, or other supports, which was extended by their government to the industry in the country of Ecuador. End of the day, definitely, it will be having its impact on the viability at the farm level. And well, we are not yet seeing that at this time. And as I mentioned earlier, also to the other participant is that we are expecting the impact to be there more into the calendar year 2024, which is just in a few months because the new production planning, which will also be happening now.

So definitely, on the future production or the future stocking of shrimp at the pond level definitely, there should be an impact with the way the cost escalation will be there and certain supports not being there from their respective government will definitely have an impact. And that is more to be seen and watched for, I mean, into the calendar year 2024, for sure.

Moderator: The next question is from the line of Aman Madrecha from Augmenta Asset Managers LLP.

Aman Madrecha: I joined the call a little late. So sir, just wanted to know how is the scenario on the supply side on the domestic front? Like since the last 2 years, the farmers are reeling with low farm gate prices. And because of higher feed prices also, there are various ups and downs that are happening. So like some sense on how are the farmers are dealing with the facts about shrimp farming that is going on the last 2 years would help? And how are the farm gate prices behaving recently or like over the past few months?

Karuturi Chowdary: Yes. So, with regard to the farmers in India, it has been a scenario everywhere around the world, the costs -- the higher costs definitely have been a mood spoiler for the farmers as such to look at on an aggressive manner, which was the case in the past. But now there has been corrections and changes of strategies in the way they stock in their ponds.

So compared to the past, that aggressiveness is not there. But however, they are going in a more slow and steady basis where they are waiting and watching the scenario. And currently, of course, the prices have been around the same as they were in the earlier quarters, not much of a significant change.

It has been hovering around an average of around Rs 300 plus or minus, Rs 10 approximately. I'm just giving an average between all the sizes. This is of course, for the company. But that, of course, which was a mix of all the sizes, which were available in the market. And so the average prices also have been the same almost pretty much not -- during the year, current year, that is 2023 and no significant increase or reduction.

And the farmers' overall approach has been quite slow. But as we can see and as our companies have been reiterating from the past that the supply environment or the mood of the farmers or the primary producers definitely has been a little bit subdued especially during the current year, it is moving in tandem with how the global demand is because whether it is from the US market, the EU or the Chinese market overall, the major markets for India. And of course, this year also the farmers' approach are rather slow.

There have been changes in the farmers' approach of the sizes and the stocking densities, which they have been planning, which was the case from the beginning of this year. This whole year, we have been evaluating the scenario, the current market scenario and they have been changing their strategies. Many farmers have actually reduced the number of stocking densities, which are there for the ponds. And they have been making changes to their farm production planning as per the market conditions.

But overall, the mood of the farmer is rather subdued because of the current market dynamics, and that definitely could be looking on a positive side once the demand at least picks up a little bit more into the next year as once the global backlog of inventories which are sitting at the consumer end are consumed over the next few months between now to almost till March, that should have some positive sign created for the farmers, too.

And of course, we are also waiting and watching how the Ecuadorian supply would be there. But overall the farmers' interest is rather subdued. And they have changed their approach and their strategy with the number of shrimp pond, the size what they harvest or more precisely the number of days they would conduct crop cycle. These kind of factors have definitely been affected, and they have been changing their strategy based on the market dynamics to be precise.

Aman Madrecha: Okay, sir. That was helpful. Thank you.

Moderator: Thank you. The next question is from the line of Yogansh Jeswani from Mittal Analytics. Please go ahead.

Yogansh Jeswani: Hi, sir. Thanks for the opportunity. Sir, a couple of questions. Like you were just mentioning about how the industry in India is managing with the volatility in crop cycle and how farmers are being very cautious. Now given the old processors have put up capacity, and therefore, last two to three years, we have been struggling. So, as an industry or as a company, what all can we do to safeguard ourselves? Are there any more efforts that are going into it towards better utilizing these capacities?

Karuturi Chowdary: With regard to the industry in general or go more towards company specific , each company has taken decisions with regard to capacity expansion, considering their market scenarios or their business environment, hopefully, in context to that.

And with regard to our company specifically, we focused mainly on the ready-to-eat capacity expansion, which was the 5,000 metric tons, which, of course, unfortunately, we did mention in our opening remarks, one of the major point which is affecting our ready-to-eat product volume growth is the access to the EU market with regard to that product.

Even today, as we speak, our new facility, which has opened not just ready-to-eat, but the ready-to-cook capacity also, that is the entire 25,000 metric tons, including the ready-to-eat expansion, which happened last year, is not available for the EU market.

Even in the present dire situations, the EU has played a crucial role in bolstering our business, making it our second-largest market. However, as on date due to the lack of the regulatory approval and which we have been waiting continuously for the past three years, almost 25,000 metric tons of our capacity is not available for business to EU. That is not just ready-to-eat, but ready-to-cook also. That is specific to our company.

And now in regard to the general overall industry scenario, yes, various companies have taken up capacity expansions, which we are confident that it must be more based on their business strategy and how the different markets, which they plan to or the different products which they are planning to export, whether it could be ready-to-cook, ready-to-eat or even further value-added with regard to breaded, etc. So, it depends on how those decisions have been taken and how their investments are being made.

But we are pretty confident that the capacity expansion decision would be more in line with the way how their company's business has been going and since we cannot generally, I mean, answer about how the rest of the companies have evaluated or decided on their capacity expansion plans.

But as mentioned, specific to our company, this was the scenario. And unfortunately, we are caught between the procedures, which has never been in the past, so much delay for various reasons between government-to-government negotiations and various other issues which are there.

But we are still positive. The last response which we got from the EU health authorities is also is that the discussions are on and they could get finalized along with the free trade agreement discussions also, which have happened between India and EU.

So, once that happens with regard to the free trade agreement and also our factory approvals getting completed, and it will be our company as well as our country, India, in general, to have a better advantage because currently, our products to the EU market are subject to duties between 4% to 9%, which is in the case of ready-to-eat products is 9% duties are there. And in the case of ready-to-cook, it is 4%.

So, these duties also once they are addressed with regard to the free trade agreement, with the EU market, that will help us overall with regard to our sales, and look forward to the market of European Union as a major market for our company for sure.

Yogansh Jeswani: That was a really helpful answer. Sir, secondly, like you mentioned that there are duties on RTE and RTC in European markets. I mean, we have seen that there are some news articles floating around that there could be duties on the US side of the business as well. So what is your view on it? Are we expecting some duties to come in on the US business as well?

Karuturi Chowdary: There's a petition in the US government to levy countervailing duties not just on Indian shrimp, but the petition has been filed on India, Vietnam, Ecuador and Indonesia.

In regard to Ecuador and Indonesia, there has been an additional petition with regard to the antidumping duty also on those two countries, which has not been the case until now. So, in the case of India and Vietnam, the petition is about countervailing duty, which is more about the subsidies or any sort of incentives being given by the respective countries to their industry to support their industry.

And of course, depending on whether such subsidies or any sort of incentives or any drawback or anything, whether they are countervailable or not is a separate topic, which will be deliberated and discussed by the Indian government as well as the US government. I mean, the respective country governments and the US government.

As I said, they are planning to levy countervailing duty, along with antidumping duty on Ecuador and Indonesia. So, they have been around even 10 years ago, at that time we actually got out of it. So, there was no countervailing duty affected subsequently after the proceedings and various arguments between the governments and the industry at that point of time.

So, we should see, how this will go along in the year 2024 because most of the proceedings are going to start. Actually, they are underway right now, and they are going to be coming more to a concrete stage or the final stage in the early part of 2024 and later. I mean by middle of 2024, we should have a better clarity with some preliminary duties being levied, if any, I mean, whatever they're going to be levied sometime in March 2024.

And finally, the decision about whether to levy these duties or continue them will be taken up more towards the later part of the year 2024. But as you can see, India and Vietnam are going to have countervailing duties based on the final decision of the US government, the US Department of Commerce.

They are more in relation to any sort of subsidies or incentives which are received by the industry. And if they are countervailable, then the duties will be levied. Otherwise, they may not be levied. So, it is dependent on discussions, deliberations and workings between the governments, the respective governments as well as the industry and the government of the US.

With regard to Ecuador and Indonesia, the biggest change will be that they will also be having additional antidumping duties. For now, the petitions have been filed in the US government. So, see how this will affect with the way that I've mentioned with two types of duties being Ecuador and Indonesia, which was until now from the US side, whether it is a level-playing field for the rest of the players like India, Vietnam example or whether it will be in a different way, we'll have to watch as nothing has been formalized or finalized yet and still it is just in the initial process stage.

But currently, as we mentioned, we think it's going to be more of a level-playing field for all markets. And the impact of it should be looked at more on -- I mean, of course, on the market side in the USA, mostly because it is a US-specific subject of additional countervailing duties at all and it's not going to affect globally.

It means other countries are not having that same issue. So, we should see how things will pan out over the next few months or rather next few quarters. We'll have more clarity on this hopefully by the next quarterly concall possibly. That's what, we are expecting.

Yogansh Jeswani: Got it, sir. That was really helpful, sir. One last question from my side and I'll get back in the queue. So, like you mentioned about the European Union audit of our facilities. So, in terms of the entire process, where are we exactly? Have they visited our facility so far? Or that is pending entirely? And is there...

Karuturi Chowdary: No.

Yogansh Jeswani: And if they have visited, what was their observation?

Karuturi Chowdary: So, with regard to that, the approval process is pending more because of the delay on the European Union side, and it is more of a diplomatic or political rather decisions which are pending between the governments, between the EU Council and Brussels and the Indian government. And it has less to do with visiting our facilities as all the facilities which have been constructed and commissioned for production in the past three and half years almost have been approved by the Government of India as following the EU norms and having everything in order.

However, the decision has been kept pending at the EU Council side, which as we mentioned, it is more of a diplomatic negotiations or rather, it's more of a government-to-government deliberations. We don't have the full clarity on that. But end of the day, the decision has nothing to do with any visit pending from the EU side, it has got more to do with whether or not facilities have to be approved by the EU, and we don't know, I can't comment about what the EU Council is looking for to get from Government of India.

To be precisely answering your question, we don't know what they are looking for. So as I said, it is more of a trade-level discussion. And in those discussions apart from the approvals of shrimp processing industries in India, there is also FDA discussions which are in place. All this are going on right now. So we don't know what are the finer points of those negotiations between the government-to-government deliberations.

This approval has nothing to do with any visit pending from the EU Council in the past three and half years. This has more to do with the decision making to be done at the EU and nothing to do with the facilities as such.

Yogansh Jeswani: Got it. That was really helpful, sir. Thank you and of course all the best.

Moderator: Thank you. The next question is from the line of Jagdeep Walya from Clockwine Capital. Plase go ahead.

Jagdeep Walya: Hello, sir. Thanks for taking my question. Sir, I just wanted your thoughts on how do India and Ecuador compare as far as cost of production is concerned if we consider ready-to-cook shrimp?

Karuturi Chowdary: First thing, Mr. Jagdeep is that in the case of ready-to-cook also, Ecuador is mostly into commodity products produced as of now, which mainly into the commodity-based products, they are mainly focused on head-on whole shrimp to China, head-on shrimp and headless shrimp certain extent to their main markets, of course, is China and European Union with regard to head-on shrimp. And they also produce headless shrimp, which is the next part from the basic category of finished products.

And off late, they have been looking at producing other ready-to-cook products. Also by the way, they're also producing some ready-to-eat products also. However, with regard to the costs, because of mainly with regard to the manpower resources, which are constrained in Ecuador, they are trying to depend on machines and trying to get that production into place using machines. But if machines could have taken up various value-addition activities with regard to shrimp products, that could have been done long ago.

And because that affects the overall yields which has to be achieved with regard to producing these products from raw material stage to the finished end products, final products. So, the yields would be impacted, actually. And overall, definitely, because of lack of proper manpower resources available to them and they are constrained with regard to the scale of the volumes, which they can produce with regard to more value-added products with regard to ready-to-cook or also ready-to-eat, they are definitely constrained.

Their major products, which they export, is in head-on, shell-on mostly. And for the volumes which they have been producing over the past few years (2-3 years) also, that wouldn't be possible if they are not producing head-on, shell-on, which is the baseline product and need to do any further activities other than freezing the shrimp as it is without doing anything.

So that makes it easy for them to handle such volumes. That's how it was the case until now, until a few years. But now with the volume growth and at the farm level production which Ecuador is going through, and it is quite difficult for them to produce these other ready-to-cook products as well as ready-to-eat products. So it is becoming a challenge for sure.

Cost of production for them is, because of the lack of manpower resources and depending more on -- I mean, if they want to do it, they are trying to address it with machines. Definitely, it is going to be more expensive compared to the Asian-producing countries, whether it is India, Vietnam, Indonesia or Thailand. They are at a much better place because of the access to a vast amount of skilled labour pool or the manpower resources, which are accessible to these countries.

Jagdeep Walya: Excuse me, sir. On this point, broadly, you are saying that, there is constraints on the availability of labour in Ecuador to produce read-to-cook product. Then how have they gained so much share in the U.S. market? I can understand they're doing well in China market. But how have they gained so much share in the U.S. market if they're not competitive on production for read-to-cook products?

Karuturi Chowdary: U.S. market is not a new market for them. One of the major point, which the selling points for them to the U.S. market and of course, the transit or the sailing time, which you -- if you notice this carefully, from India to U.S., if it takes around minimum of four to six weeks of sailing time, which means for goods shipped from U.S. -- from India to U.S.A., if it is four to six weeks; for Ecuador, it is one week.

Jagdeep Walya: Got it.

Karuturi Chowdary: So one of the reason why -- that is more on the sales front, where the preference from some customers looking at to -- let us say, for some of the customers to look at the Ecuadorian market for these products was mainly on that front. But however, as we mentioned, they are constrained with regard to producing large-scale or large volume products in more of the products which are required for U.S. market. They are constrained. They have for the production level, what they have of more than one million metric tons.

If they focus or if they want at least 50% of their production to be more of value-added products, it is definitely a challenge for them. That is from the beginning, not today, but for many years, they have been mainly focused on head-on, shell-on shrimp, which is whole shrimp, which is not much of value addition involved. But in the last two to three years or four years, as their production started increasing at the farm level, they have been focusing on other products, too.

But as we mentioned and we reiterate, there have been challenges until now in scaling up the production of value-added products even in ready-to-cook, not only in ready-to-eat, even in ready-to-cook, which means peeled products, etc, for markets like U.S.A. or Canada or European Union.

Jagdeep Walya: I got your point, sir. Got it, sir. Sir, how does the cost of labour compare between Ecuador and India?

Karuturi Chowdary: We don't have specific information with regard to cost of labour in Ecuador. But because of the access to overall manpower, human resources in Ecuador being lesser, and also the policies with regard to the socialist government, which is present there, there have been challenges in the way they could scale up their volumes in the required products of certain markets like the U.S.A., for example.

We understand they are also looking at getting them processed in other countries of South America because of lack of availability of labor. So even though we don't get into specific numbers with regard to the question you have asked about the exact cost of labor, sorry. But overall, it is a challenged environment for them. And definitely which was the main advantage for the Asian countries. So that is a challenge for them. And we think that is keeping them constrained for sure in literally exploiting the market potential in the Western markets.

Jasdeep Walia: Got it, sir. Sir, just final question, sir, what's the employee cost as a percentage of sales for your company? I can see the numbers, which come under the employee cost line item, but is there any contract labor element which is appearing in other expenses?

Karuturi Chowdary: No. the major part of costs , of course, is the employee costs. Contract labour is included in the other expenses. For a half year, it is Rs 2.24 crores & for the quarter it is 1 crore only

Moderator: The next follow-up -- sorry, the next question is from the line of Vaibhav Kapoor, who's an individual investor.

Vaibhav Kapoor: My questions have been answered. Thank you.

Moderator: The next follow-up question is from the line of Sidharth.

Sidharth: In the FY '23, the total number of employees working in the company had declined quite significantly. My question is, can Apex, as a company, achieve optimum utilization of 70 – 75% percentage with the present number of employees? Or do we have to hire more people?

Karuturi Chowdary: With the current strength, achieving 70% - 75% will be difficult with the products, which the company looks forward to export or process and export. Definitely, when we are looking at achieving a 70% to 75% capacity utilization, of course, depending on the markets and supply, keeping that point aside, yes, there will be addition of employees also when it comes to such a stage. We cannot do just with the current employee strength or current worker strength precisely.

Sidharth: Like you did mention about you being in talks with the leading importer in Japan. So like is there any update?

Karuturi Chowdary: Sorry, that was not our -- we didn't say we have been in talks with a leading importer in Japan.

Sidharth: But for the addition...

Karuturi Chowdary: No, no, that was not our company. Maybe that was -- I don't know. It was not from Apex.

Moderator: The next question is from the line of Nikhil from UM Capital.

Nikhil: I have two questions. Question number one is how do you see the impact of the super El Nino expected next year? Will it hurt our business? Or will it hurt the businesses in the Latin American countries? That's one. And second question is how are we placed in terms of the availability of the fish meal and others, so basically, the imports?

Karuturi Chowdary: To answer your first -- yes, to answer your first question, we have understood from some of our industry players in Ecuador that they are expecting some big impact with regard to El Nino in Ecuador, especially in Latin America. Like you rightly pointed out, in the Latin America producing nations, which includes Ecuador, which is one of the largest producers of shrimp products in our industry as of today.

And we do understand from various information available, from their statements being made, that El Nino could impact them in a big way. That's what we understand. But we do not know the extent of such an impact going forward as of now. But we have been told or we have been informed from various channels that they are looking to have quite a big impact with regard to El Nino on their operations at the farm level and at the production stage. That is what we understand. And that is regarding your first question.

The second question, we do not have much to answer about the shrimp feed cost or the fishing meal cost, the input cost in the shrimp feed activity as our company is not in shrimp feed manufacturing. So please excuse us on that part. Okay. I think that answers the questions.

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

Karuturi Chowdary: So thank you, one and all, for making it to our Q2 H1 FY '24 quarterly con call. And for any queries, you can always reach out to us on the e-mail address, ir@apexfrozenfoods.com. And thank you once again, and have a nice day. Thank you.

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