APEX FROZEN FOODS LTD.

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Date: 20th February, 2023

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/Madam,

Sub: Transcript of Q3FY23 Earnings Conference Call held on 15th February, 2023.

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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 Q3FY23 Earnings Conference Call, which was held on 15th February, 2023.

The aforementioned Earnings Conference Call, as per the transcript enclosed, incorporates mainly the highlights of Un-Audited financial results of the Quarter ended 31st December, 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**

SATYANARAYANA MURTHY KARUTURI
Digitally signed by SATYANARAYANA MURTHY KARUTURI
Date: 2023.02.20 19:56:19 +05'30'

Satyanarayana Murthy Karuturi
Executive Chairman
DIN: 05107525

"Apex Frozen Foods Limited
Q3 and 9M FY 2023 Earnings Conference Call"
February 15, 2023

MANAGEMENT: **MR. CHOUDARY KARUTURI – MANAGING DIRECTOR AND INTERIM CHIEF FINANCIAL OFFICER– APEX FROZEN FOODS LIMITED**
MR. DURGA PRASAD – FINANCE TEAM – APEX FROZEN FOODS LIMITED
STELLAR IR ADVISORS – INVESTOR RELATIONS ADVISOR– APEX FROZEN FOODS LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to Apex Frozen Foods Limited Q3 and Nine Months FY'23 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing ' * ', then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Choudary Karuturi, Managing Director and Interim CFO, Apex Frozen Foods Limited. Thank you, and over to you, sir.

Karuturi Choudary: Thank you. Good afternoon, everyone, and thank you for joining us on the investor call for the third quarter and nine months of the year FY'23. With us on the call today is Mr. Durga Prasad from our finance 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. We will begin the call with key industry trends, followed by operational and financial highlights for the quarter gone by.

On the demand front, demand from our major markets continues to be subdued due to inflationary pressures that are being witnessed across the world and in developed markets, in particular. In specific with regard to the US markets, the inflationary pressures have caused a blip in demand as a general increase in costs has meant that some of it had to be passed on to the customers.

Overall, however, Ready-to-Eat and Ready-to-Cook frozen shrimp as a category is growing. And if we are hopeful that the inventory build-up in the system would be clearing and make way for fresh demand to be released. Promotional activity in both retail trade channel, as well as food service channels should also help in pushing the demand for the product.

Specifically, about the US market and also our current status with regard to the retail chains, we have been getting positive responses already as they are looking for newer orders, for newer product requirements for which they are currently negotiating with us so that we can fill in the requirements for the upcoming quarters.

And with regard to the EU market, the business in the EU has been very steady. And in fact, we have improved on that front with our volumes, which we have picked up with EU. And we are very confident that we will be continuing to grow our EU market share in a much aggressive manner. However, we are still awaiting for the approval of the Ready-to-Eat products for the EU market as the status remains the same as it was for the past 3 years.

But the positive sign, of course, is that the EU health authorities have visited India, and we are hoping that now they are going to decide about approving newer facilities out of India in the next 1 to 2 months. So, we are now much closer to getting our approval for our EU markets with regard to Ready-to-Eat products. So, however, the demand from retail section of the EU market has been very steady, as we had mentioned earlier. And we are continuing to increase our EU business much better than earlier periods.

With regard to the Chinese market, which was around 3% of our sales. With the opening up of the Chinese economy and the removal of a lot of COVID-related restrictions, we definitely see a revival in demand, and it is going to pick up much better over the next couple of quarters, for sure, as they clear up their Chinese spring festival or Chinese New Year period holiday once they are getting completed later into this month. So they are placing their orders also. And we are confident that we'll be picking up much better over the next two quarters.

On the supply side, as we had mentioned in our last call, we had challenges in procuring specific sizes of shrimp to meet our orders. This situation seems to be easing to a certain extent. And we are hoping that the harvesting of the stock that has been sown in this season, the seed, which has been sown in the season will further add to the availability of desired sizes for our key markets from March 2023. Till then farm gate prices do continue to remain firm on the back of lower supply.

In the backdrop of the demand and supply factors playing out, we have been seeing an easing of on several other fronts over the past nine months, improving payment cycles from the government with regard to our stabilizing of export incentives and the receivables from the government and all the steps we have taken from a cost and working capital cycle improvement has helped us improve our cash flow from operations.

With this, we have strengthened our balance sheet by reducing debt by almost Rs 43 crores in nine months FY'23 to Rs. 122 crores as of 31st December 2023, which includes Rs 2 crores of long-term and Rs 120 crores of short-term borrowing. And in the subsequent quarter, we are further reducing based on the positive cash flows, which we are having, and our receivables being received much sooner.

We believe that we have culminated the capability, building phase with the installation of the machinery of the additional 5,000 metric tons per annum, which is regarding the Ready-to-Eat. With no major capex lined up, the return ratios are likely to improve as it has in the nine months of the current financial year, with near to 10% return on equity and 12% return on the capital employed. We also have had some setbacks with regard to the higher priced inventories also along with the higher priced raw material, which we did mention, which was primarily sold in the Q3 of FY'23.

Now, let me now take you through some of the operational and financial highlights of the Q3 FY'23 and nine months FY'23. The total shrimp sales in nine months FY'23 grew by 6% year-on-year to 10,193 metric tons, while the average realization grew by 10% year-on-year to Rs 798 per kilo, translating into a net revenue growth of almost 16% year-on-year to Rs 813 crores. EBITDA grew by 12% year-on-year to Rs 82 crores. Due to lower finance costs, PAT grew higher by 18% year-on-year and stood at Rs 399 million, leading to improved return ratios.

Within these sales for the nine months, our Ready-to-Eat segment registered a growth of 20% on a year-on-year basis from 1,912 metric tons in nine months of FY'22 to 2,305 metric tons in 9 months of FY'23. Ready-to-Eat product share increased to 23% versus 20% with an upward trend, thereby validating our decision to expand the Ready-to-Eat capacity from 5,000 metric tons per annum to 10,000 metric tons per annum at our new processing plant G. Ragampeta.

In Q3 FY'23, shrimp sales grew by 1% year-on-year on account of winter demand in key markets of U.S.A. and EU and supply constraints in specific sizes. Profitability was impacted on account of higher raw material costs, even as global shrimp prices were tapering off, as well as, as I mentioned, some of the higher cost inventories, which was there in earlier quarters. And as well as some one-time provisioning of expenses to the tune of almost Rs 1.35 crores to Rs 1.5 crores.

We are hopeful that with the easing of inflationary pressures being seen, the trend continues and has a positive impact on the demand centres for our products. On the supply side, we continue to remain hopeful that the present upcoming harvest season, actually, which is from March onwards, will ease out the supply side challenges that we have been having over the past few months.

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

Moderator: The first question is from the line of the Depesh Kashyap from Invesco Asset Management.

Depesh Kashyap: Yes, I just wanted to understand your inventory a bit better. So you have given 2 statements in your opening remarks. Firstly, on your gross margins, you said it is lower because you had a high-cost inventory. And secondly, on the supply side, you said that you faced challenges in securing the specific size of order. So if you can please clarify the lower volumes in this quarter, was it a demand side issue or a supply side issue?

Karuturi Choudary: We have mentioned that we did have both, one is high priced raw material which was there in the Q3 of this year, because of the shortage of supply, as well as some of the inventories which we had from higher-priced raw material of the past quarters of this year, for example, August and September, especially our raw material pricing at that time was also high, if you remember, so that is also one of the reasons that there was a dip in profitability. The main factors that's what we had mentioned.

Depesh Kashyap: No, sir, basically, you're already sitting on inventory, right? So why the volumes were lower this quarter? So it was majorly due to the low demand, right, but you also have the supply issue was there?

Karuturi Choudary: Yes. Low demand was, of course, definitely, our order book has been much lesser compared to the earlier quarters for the Q3. And we are just now picking up our Q4 order book and for the next year, I mean year 2023. So definitely, lower demand also has restricted our volumes, which we could sell. At the same time, as you would know, that we procure our products, which are not feasible from our existing inventory to procure them from the market on a regular basis. Yes. So not every product in the inventory is good to go for the specific orders which are received by the customers as for different times of the year.

Depesh Kashyap: Secondly, the ratio of the RTE products has fallen in this quarter, which has led to lower realization. So I wanted to understand that your new plant has still not got the EU clearance, right? And you have already increased the capacity from 5,000 to 10,000 tons. So how are we going to utilize it? Because you said the US demand is weak and EU still going strong, but EU we don't have approval to sell, right? So how are you going to utilize this capacity?

Karuturi Choudary: So, as I was saying, with regard to the RTE, since we are adding the second line, we had to shut down the facility for some period. So that also definitely impacted our true capacity of RTE products during that period as you cannot do installation of production lines in an existing facility while the production is being done. So that definitely has hampered our Q3 production ability, but that has been restored to normalcy in Q4 as we are planning to start our trial production also towards the end of this month, especially in March, we are going to do a trial production.

Now, with regard to where these products are going to go to, we are still having our major bets on the US market. But definitely, when the EU approval fully are received by us by April or May we are expecting it to be completed because they finished their visit recently, as I mentioned in the opening remarks, so once the approvals are received, we will also be diversifying to the EU market to the RTE products.

But however, we are very confident that we would be utilizing the minimum of 5,000 metric tons from the US market alone, apart from that it will be split between the US and other markets, too. So, except Q3 and some period of Q4 because we were adding the additional line and production cannot be continued because of that we have had some shortage of production done in Q3, which definitely affected our shipment volumes of Q3.

Depesh Kashyap: Lastly, sir, if you can just comment on how the first crop is looking like if you can give a Y-o-Y comparison for that?

Karuturi Choudary: Yes. With regard to the first crop, we have had basically all the farmers very enthusiastic with regard to their pricing, the farm gate pricing being very stable. And so, they have been stocking the field in a very aggressive manner, not only just in Andhra Pradesh, this time because of the areas in West Bengal and Orissa which did not go for second crop in the calendar year 2022, have also gone for an early first crop this year in 2023 compared to the earlier years because they were having empty ponds basically for a significant period towards the end of 2022, as they didn't go for the second crop.

So all put together, the crop, stocking-wise, it has definitely been in a very good way by all the farmers because they are encouraged by the stable pricing, which is there, not only in the state of Andhra Pradesh, but across India. So stocking-wise, it is good. So we are quite positive about the supply improving in the month of March, starting with smaller sizes, and subsequently moving on to medium and larger sizes too.

But we also expect medium and large sizes from other states, not just from Andhra Pradesh, but other states also towards the end of March. So that way, we are quite positive about the upcoming first crop of 2023 calendar year.

Moderator: The next question is from the line of Nitin Awasthi from InCred Equities.

Nitin Awasthi: I wanted to understand the inventory a little bit more. So currently, we would be sitting on about sitting on Rs 200 crores of inventory, if I'm not wrong?

Karuturi Choudary: No, the inventory has been reduced. It is currently around Rs 175 crores currently. It has been reduced. Yes, a good chunk of inventory has been utilized for the business during Q3, especially, and we are continuing to utilize the remaining inventory in the current quarter, as well as so we want to bring it down significantly before the peak of the season starts in calendar year 2023. So we are putting in all our efforts.

Nitin Awasthi: So, by Q1, you are expecting exhaustion of the inventory, if I'm not wrong, Q1 FY'24?

Karuturi Choudary: Yes, yes, we are. Definitely, especially the older products and the higher-priced products, especially, yes, definitely, of the earlier periods.

Nitin Awasthi: Sir, any write-downs on this inventory because the correction in the global shrimp prices?

Karuturi Choudary: No, we have not done any write-downs. Because they are done at cost. And of course, their value at cost or at sales price, whichever is lower. So definitely, there could be some items which could be based on whichever is lower, we did on net realizable value only. So it will be taken into consideration.

Nitin Awasthi: Okay. So this is actually at net realizable value only?

Karuturi Choudary: Yes.

Nitin Awasthi: Sir, finally, on your trade receivables as of now, what would be the standard?

Karuturi Choudary: The trade receivables?

Nitin Awasthi: Yes.

Karuturi Choudary: The debtor days are of 45 days.

Nitin Awasthi: But absolute amount outstanding with the debtors? Receivable from the debtors?

Karuturi Choudary: The actual amount with regard to the receivables from the debtors is Rs 129 crores

Nitin Awasthi: Sir, last question from my side. About the Chinese market, in-between at least in December, there was a fear going around in the industry that many shipments which have gone to the Chinese market, they were refused and the discount on the prices were asked by the Chinese importers and Indian exporters because they don't have a presence in the domestic market as a domestic back office in China. They were forced to take these cuts, haircuts, you can call them on their absolute value per container. And how is the situation now?

Karuturi Choudary: Well, that situation was there. But, of course, our company, as you know, our presence in the Chinese market, even though it is around very low percentage, but we didn't have much of an impact because of that. But yes, our company also did give a little bit of discounts in few shipments, but majority of the shipments were done without any discounts. And subsequently, the business has resumed to normalcy.

And currently, the Chinese importers are continuing to buy at the current market prices without any issues or problems with regard to receiving of shipments and paying of payments as far as -- since January or towards the end of December, there has not been any issue actually. The issue which you are referring to is more pertaining to the middle of Q3 and early part of Q3, which was a fact. But our company did not get much affected with regard to the customers with whom we are dealing with.

Moderator: Next question is from the line of Ronak from Equirus Securities.

Ronak: Sir, my specific question is regarding that the farm gate prices are increasing, whereas we can see that the international prices are still weak. So, can you give some guidance on the gross margins in upcoming 1 or 2 quarters or in mid to long-term, how you are seeing that? Any ballpark number, sir?

Karuturi Choudary: Actually, the farm gate prices have increased from a very low -- when it went to a very low pricing towards the end of Q3 and early part of Q4, but that has stabilized. What we meant was that the pricing of the farm gate pricing was not significantly increasing based on, of course, there is a margin difference between what the international pricing is on some products. So this is the time where it makes sense for companies like us to focus more on definitely, our game plan of doing more of value-added products definitely helps us out because doing commodity products doesn't really support with these increased farm gate prices. But definitely, they have increased from a very low point, which they have gone to. And now they have stabilized to a level that they're very enthusiastic prices for the farmers also to go for good seeding.

With regard to gross margins, specifically, we don't expect it to be significantly dropping. And compared to our earlier quarters, and it is going to maintain around the same levels.

Ronak: And sir, second question is regarding in latest budget, the government has announced some policies. So are we seeing any specific benefits which can be flown into the business of our company?

Karuturi Choudary: Well, the budget announcement is, of course, specifically were mainly for duty concessions with regard to import of inputs, both at the hatchery and feed industry, shrimp feed industry. So definitely, those benefits will impact in a positive manner, it should be affecting, to that extent. It is not that all the inputs which are used in the hatchery and the feed sector, even though we are not into the feed, but on a general basis, it's not that all the inputs are imported.

So it's not that the reduction in duties will have a major impact, but definitely to that extent of the usage of those feeds or sorry, the fish meal, which is imported from overseas to the extent of their usage, definitely, it will help in reducing the cost of the feed and seed, and we are quite positive that it will definitely help the primary producers going forward. But as I mentioned, it is not that all the costs involved in the hatchery in the feed are not at a concession. It's only the imported inputs, which are, of course, of a minor percentage. Definitely that much impact will be shown for sure, we are positive of that point as they take effect. And as the newer consignments of such inputs make into the country, definitely, it will help in reduction of cost and thereby such cost savings, unless there is any other adverse effects, but any such cost savings, basically, we are hopeful will be passed on to the primary producers or farmers, and they will benefit out of that. And thereby reduce, we can remain competitive in the global market when such costings are passed on to the customers and consumers thereafter definitely.

Moderator: Next question is from the line of Varun Ghia from Dimensional Securities.

Varun Ghia: If you could provide some guidance on the utilization levels for the next year given the overall demand scenario? And secondly, if you could provide a breakup of revenues customer-wise, like from restaurants, retail chains and distributors?

Karuturi Choudary: Yes. Sure. With regard to the utilization part of next year, as we are nearing completion of our addition of our Ready-to-Eat cooking line towards the end of this month, and we are starting our trial production towards the end of this month, and we'll be taking it up more aggressively in March.

Currently for the nine months, of course, we have utilized almost 47% of our total capacity. But the thing is now with this added line, we are quite positive that we will be focused more on Ready-to-Eat products, and we will be utilizing at a much higher rate of the Ready-to-Eat capacity of 10,000 metric tons, which will be completely available from the middle or rather, let us say, from the beginning of the financial year FY'24. So we are quite positive of utilizing them.

And our focus will be to increase the utilization more in the Ready-to-Eat and higher value products, even if it is at the cost of a reduction in capacity utilization of Ready-to-Cook so that we can, not only look at revenue, earnings of the company, but also the margin retaining, as well as expansion and margin growth. So we are quite positive, and we are also very aggressive about the upcoming crop.

So definitely, we are positive with regard to the capacity utilization. Of course, USA will remain our major market to support such capacity utilization. But however, we will significantly be increasing our other market shares, too, EU, as well as other markets, not just China and other markets also.

So we are quite positive about it with regard to these changes, which are being done in our infrastructure within our 2 facilities, main facilities, as well as the supply side scenario. Of course, completely supported by our existing customers, as well as new customers, which we are bringing them on-board from other markets, too, which we are expecting them to conduct business with us within the next 1 to 2 months, which we are quite positive.

So overall, Ready-to-Eat, we are very confident that we will be looking at between 50% to 60% minimum in the first 6 months. And thereby, we want to push it up to 75% of utilization on Ready-to-Eat alone for FY '24, especially. So even as I mentioned, even if it is at lesser utilization of Ready-to-Cook because in the whole interest of the company, we feel we should utilize more of the Ready-to-Eat. So that is on that part. But with regard to your second question was also on the Customer-wise, of course, major market share was from the US, as you know. But within both retail and food service, currently, in this year, FY '23, we have been having a split between both retail and food service customers, food service, mainly restaurant chains, of course, through their distributors. It was almost half and half. This is mainly in the US market.

But in the EU market, the business what we do to the EU, majority has been retail, almost 70% has been retail. I think around 30%, 35% only has been with food service in the EU market. And this year, we feel we are confident based on the inputs what we got so far from our customers that we will be able to increase our retail business much further this year.

So of course, we are not prioritizing one over the other, but definitely, we are putting in our efforts to improvise the overall volumes spread between the retail channels, as well as the food service sector also. So we are doing our efforts to increase on both sides.

But on the EU side, we are somehow more positive or more inclined towards retail. As you know, in markets like China, it's all commodity-based, it mostly goes into distribution. But the U.S., we are putting in efforts for both. So, we are maybe for some parts of the year, depending on the seasonal consumption, retail could be much higher. But during summer when the sales are more through the restaurants, food service also picks up. But overall, it is split between both of them for us, for our company, specifically.

Varun Ghia: Okay. And by when do you see the EBITDA margins going back to the 11% - 12% plus?

Karuturi Choudary: Well, as we increase our utilization of our production capacity, and as we see the demand also picking up and we are pretty confident that the inventories, which have been definitely high in number as the destination, and as they are being consumed, we are quite positive for the upcoming summer.

Definitely, we are expecting prices to be more stable. Of course, even though the product supply is also there, but mainly the inventories as they ease out, I think we expect another 3 to 4 months. But the summer of USA and European markets definitely will give a boost for sure for the consumption in general, and we are expecting demand also to pick up.

So thereby, as the pricing also goes up and since our company specifically focused on the Ready-to-Eat and higher-value products, we are pretty confident in the middle of next year, we should be able to do it as we push more of those products, especially. So we are expecting that.

And as we focus more on that, I'm pretty confident we can maintain it on the overall average margins, like you said. But it depends how soon we are able to move most of our share through Ready-to-Eat and more through value-added higher-value products more towards the middle of the next year.

Moderator: The next question is from the line of Bala Murali, an Individual Investor. Mr. Bala Murali, may I request you to speak through the handset, please.

Bala Murali: Regarding the Ready-to-Eat segment, in this quarter, we have seen a significant drop in the volume, sir. So going forward, how it will be and how -- even the upcoming capacity also coming? So is it possible to increase the volumes?

Karuturi Choudary: In this quarter, the Ready-to-Eat volume was mainly reduced, which we had explained to the earlier callers also, is mainly because of the shutting down of the capacity of the company for a period towards the end of Q3, as well as part of Q4 because we were expanding our lines of the Ready-to-Eat.

We cannot be running the existing facility while the expansion was happening, so because of safety norms and to maintain hygiene in the production. So we had to shut it down, and that is one of the reasons why we could not really produce Ready-to-Eat products in a significant manner in Q3, but we see it definitely increasing now in Q4 as things got all set up.

And definitely, Q1 of FY '24, we are very confident that we are going through much more production than what we did in Q1 of FY '23 for sure. So, we are going to increase utilizing both the total capacity of 10,000 metric tons when it is completely available in the month March FY '23.

Bala Murali: A small follow-up on that, sir. So, in the beginning of the Q4, the existing capacity was under down. So is it operational now?

Karuturi Choudary: Yes, it is. Now it is operational. As I said, towards the end of Q3 and beginning of Q4, we had to do partial shutdown as the new capacity was being installed. So that definitely created a handicap for some period with regard to Ready-to-Eat production. That is one of the primary reasons where our Ready-to-Eat products sales and even before that, the production also got a little bit handicapped. But that's been restored.

And this quarter, we are getting it back to normalcy. Now it is restored. And towards the end of this quarter in March, we'll have the entire capacity of 10,000 available completely.

Bala Murali: And one more thing, could you please quantify the margins for the Ready-to-Eat and Ready-to-Cook, what could be the difference? Or if we can provide individual margins, would be very helpful.

Karuturi Choudary: On an average, we look at it approximately in a normal case, it will be anywhere between $0.50 to $1 per kilo. But in a subdued demand, even if it comes down, it is around $0.25 to $0.30 per kilo minimum difference will be there between Ready-to-Cook and Ready-to-Eat. So at any given point of time, we have around $0.50 per kilo difference on an average because it includes multiple sizes, but on an average, if you see as a general thumb rule $0.50 per kilo additional margin would be there.

Bala Murali: And one more thing on the import duty, which was reduced on feed raw material. So it is mainly beneficial, and it will be absorbed with the primary producers and it's beneficial to them. Can we also have any benefits from that ?

Karuturi Choudary: When it is benefiting the primary producer, it is definitely encouraging them to look at good farming and also increasing the production, hopefully, and that definitely helps the company also in one way so that we could have a stable supply situation.

Bala Murali: And regarding the supply, sir, as I see on the ground, most of the primary producers have aborted farming recently because of these lower prices of shrimp and higher feed cost. How is it now on ground?

Karuturi Choudary: The farm prices were stabilized. They have increased, the farm prices are very encouraging to the farmers, and they have been stocking good for the past 45 days. They are continuing to stock even as we speak and from all across all states, not just Andhra Pradesh, but Orissa, Bengal, everywhere they have been doing it. And as I said, the current pricing is very stable, and it has been encouraging for the primary producers or the farmers to go for stocking.

Bala Murali: And lastly, on this incremental revenue from this 5,000 MT additional capacity of Ready-to-Eat. Could you please give any guidance on that?

Karuturi Choudary: So, the increase in revenue with regard to that, if we utilize the 50% of the additional capacity, approximately that gives us additional around Rs. 200 crores of revenue on export sales alone, if we are utilizing in the first year. And thereafter, it is going to be picked up much higher for sure. But we see an incremental revenue of minimum of Rs. 200 crores only to that aspect.

Moderator: The next question is from the line of Lokesh Maru from Nippon India Mutual Fund.

Lokesh Maru: I wanted to understand from you the trajectory for farm gate prices on one hand and the realizations in the US on the other hand, as in, if you could provide some trajectory for last 3 - 4 months, how things have been panning out on this pricing front for maybe as an example, it could be 60 pieces per kg for that category of shrimps?

Could you help with some numbers to understand what was the scenario back in August? How it turned out? What was the bottom of these prices on farm gate side and the realizations and maybe anywhere in October and eventually now where they are? It would just help to understand the scenario a bit.

Karuturi Choudary: Yes. I think specifically on the specific sizes which you said of how the pricing moved on with regard to the raw material over the past 3 to 4 months and as well as the sale prices. I think we would provide that information off-line, if that's okay. We'll compile it and provide and also, we'll make it available along with the transcript, if that's okay. We'll provide it to you off-line.

Lokesh Maru: Sure, sir. Another question is on viability. So there is -- on the farmer side, there is this aspect of prices moving input costs for them moving up. So from here on forward but like there is a basic understanding that once the pond is dug, there is a stickiness of a farmer to stick to producing shrimp in central.

So going forward, how do you see the industry panning out? What are the levers which could play out to make this ecosystem sustainable, right, in long term rather than -- so realizations, like we see historical realizations, they are quite sticky at $9 - $10 range, right? It's only once in some 4, 5 years I didn't see that going up due to some unforeseen supply side event, right?

So if realizations are the same and input costs to go up in a way like feed players keep -- could increase prices due to their input prices and so on. How do you see the industry stabilizing in medium-term, short-term? And what will drive this industry towards a sustainable growth path in long-term in your opinion?

Karuturi Choudary: First thing is, not every cost at the farm is attributed to feed and feed cost alone on the production side, on the raw material side because there are also costs related to land lease, electricity costs. And last but not the least, one of the major factors, which plays a role in the cost of production at the farm is also disease because if the survivability of the shrimp in the pond is low, naturally the cost would accordingly be going up on a per kilo basis, whereas if the survivability is reasonable or it is good as per expectations, definitely, the cost of production is much lower, even in increased feed costs, for example, since you mentioned feed.

Now, as I mentioned to few other callers about the indirect benefit which the farmers get is in the reduction of those duties of the inputs, even though those inputs are not the major components in the feed manufacturing or the seed manufacturing, they are part of many inputs. Definitely, that cost could be passed on subject to overall conditions, they could be passed on and cost reduction could be foreseen among the farmers as the new reduced-price inputs -- the newer inputs coming to the country. That is one part.

The main part is land lease has increased significantly over the past few years. And also, as I said, as the survivability reduces or the mortality increases because of disease, that plays a very key role. And currently, of course, the govern body, which are also very focused on this sector are also looking at the business management and disease control programs.

Hopefully, they yield some results, if not in the short term, but at least medium term and thereby, giving us some guaranteed results means guaranteed crops were the expected survivability is being maintained, definitely brings down our cost of production at the farm level, thereby, keeping India's shrimp products to be more competitive across the world.

And at the same time, getting to your question about $9 to $10 on an average, that has also got to do with how much of products we are doing of the lower value or rather lower value means it made in the lower sizes. It made in the small sizes. It can also be the type of products.

If our company's production was dominated by at least 20% to say commodity markets, where the product value is very low. It wouldn't even have been $9 to $10, it would have been even much lower, the average value. So it depends on how much we are doing. That technically plays a role.

So on the costing front, as I said, the major factor, which plays that the production level is also survivability and not just the feed, but also electricity, which is there, lease rate, which is there, land lease rates, they all play a role. And added to all this, finally, if the survivability doesn't happen, definitely, it increases the cost of production to the farmer beyond Rs. 250, Rs. 300 per kilo. I'm just giving an average number.

But typically, if the farm is targeted for a cost of production of around Rs. 200 to Rs. 250 and in a market scenario where the pricing is Rs. 300 to Rs. 350, then definitely that margin also is maintained at the primary producers' level, and it will be continue to be encouraging for them to continue production because it is definitely a worthwhile activity for them when they get good results. So that is the situation with regard to the supply side.

Now, with regard to our products, as I mentioned, with regard to the products what the company produces, how much percentage we are able to diversify more into higher value, definitely increases our sort of $9 to $10, it could also be increasing it to $10 to $11 per kilo, $11 to $12 per kilo, depends on how much percentage of our production or how much percentage of our sales is being focused in that direction definitely.

And even, as I said, if we continue to have our main focus on commodity, it will even come down to $8 or $8.5 on an average. But the more we do, definitely, we are going to increase our average realization price for sure to make it higher. So that is both on the supply side, it is a costing, which is greatly influenced by the survivability, or mortality of the shrimp in the pond primarily because of disease.

And, of course, government is also focused on those aspects. And on our sales side for our company, it is mainly dependent on how much volumes of higher-value products, which we are producing, which we have been advocating since many years. We have been telling the more we give a push for such products, the better it should be for us for any company as such.

Lokesh Maru: So the new crop, which farmers have gone for in January, the expectation basically is for survivability to go up. Is that the farmers would have stocked lesser per square meter? That is the expectation going forward, right?

Karuturi Choudary: That was the expectation when they were planning to stock. But we heard mixed news. We didn't hear everybody reducing their stocking number. We have heard mixed news from different areas. Some of them, they felt very encouraged with the increased raw material pricing and they just went ahead with their older practices we heard.

We also heard some areas definitely have made a huge correction in the amount of stocking which they were doing in their ponds, and they reduced their stockings and thereby, their idea is to grow to larger sizes, and rather have low biomass and lesser risk and lesser cost, thereby, lesser cost and thereby, have a better survivability.

But yes, it depends on area, different areas, even in one state or one district, the strategies are different for different farmers. That's why I said we have had mixed news received of some changed their strategy, some went ahead with their older methods of farming, they did not change their strategy. So it is a different scenario.

So, we should see how each one of them is because weather also plays a good role. Typically, around this year, the weather gets hotter, but warm rather, but it is different now. So we should see they are having good growth so far. The feedback that we received so far. And of course, there are some more good number of farmers who are still continuing to stock. So we should see how they will be treated with the weather, especially in the month of March and April, we should see how it goes then.

Moderator: Ladies and gentlemen, that was the last question. I now hand the conference over to Mr. Karuturi for closing comments.

Karuturi Choudary: Yes. Thank you. Thank you, one and all, for making it to our quarterly call of Q3 and nine months FY'23. And for any other queries, please definitely direct your e-mails to ir@apexfrozenfoods.com. And also you may always reach out to Stellar IR Advisors. Thank you very much and have a good day. Thank you.

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