



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

Date: 24<sup>th</sup> August, 2022.

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

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

Dear Sir/Madam,

**Sub: Transcript of Q1FY23 Earnings Conference Call held on 17<sup>th</sup> August 2022.**

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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 Q1FY23 Earnings Conference Call, which was held on 17<sup>th</sup> August 2022.

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

Thank You,

For Apex Frozen Foods Limited

A handwritten signature in blue ink, appearing to read 'S. Sarojini', is written over a circular blue stamp.



S.Sarojini  
Company Secretary

Encl: As above



“Apex Frozen Foods Limited  
Q1 FY23 Post Results Conference Call”

**August 17, 2022**



**MANAGEMENT:**      **MR. CHOWDARY KARUTURI - EXECUTIVE  
DIRECTOR, APEX FROZEN FOODS LIMITED  
MR. DURGA PRASAD – SENIOR MANAGER,  
ACCOUNTS, APEX FROZEN FOODS LIMITED**



*Apex Frozen Foods Limited  
August 17, 2022*

**Moderator:**

Good day, ladies and gentlemen, and welcome to Apex Frozen Foods Limited Q1 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. Chowdary Karuturi, Executive Director. Thank you, and over to you, sir.

**Choudary Karuturi:**

Thank you. Good afternoon, everyone, and thank you for joining us on the investor call for the first quarter of financial year 2023. With us on the call today is Mr. Durga Prasad from our finance team; and Stellar IR Advisors, our investor relations advisors. We have uploaded the investor presentation on the website of the stock exchanges, and we hope you have had a chance to go through it.

As we have been updating you over the past few quarters, Apex was done with its Capex cycle and with the 29,240 metric tons of own capacity, we are ready for the next phase of growth. The COVID pandemic, followed by the equipment crisis regarding the logistics container issues and then the war in Ukraine had a mellowing effect on our business. We are happy to report that most of these challenges now seem to be behind us.

In the first quarter of this year, we witnessed revenue growth, backed by growth in both volume and realization. The total shrimp sales in Q1 FY'23 grew by 16% year-on-year to 3,761 metric tons. And the average realization stood at RS 813 per kilo, which was higher by 20% year-on-year, backed by improved product mix mainly and the firm shrimp prices globally. And of course, the depreciating Indian rupee, which has helped us to a certain extent also.

The share of our higher-value Ready-to-Eat products increased to 25% of the Q1 FY'23 sales as against almost 21% of Q1 FY'22 sales. The two main factors that helped us in this performance was our ability to take care of the container shortage, which was prevailing last year, and we had ensured proper contracts with the shipping lines in advance, which we have already emphasized in our earlier quarterly Concall. This is mainly to ensure that we don't have any logistical challenges to our growth.

However, in the present quarter, there are some supply-related challenges as some of the producers had to make some premature distress harvests and also some rains, which have been affecting to a certain extent. So, there are certain supply challenges in the current period. However, on the demand side, things seem to be fairly stable. And with the festive season approaching in the latter half of the current quarter and first part of the third quarter, we are hopeful of improved sales, subject to, of course, supply conditions, which I just mentioned.

Let me briefly touch upon some of our key markets and how they are faring so far. The biggest market of our products remains the USA, followed by the European Union. As you are aware, the entire global economy is facing inflationary pressures and during these times prices of proteins do go up, farm-raised proteins provide a good alternate.

During COVID, we saw an increase in our Ready-to-Cook and Ready-to-Eat products, signaling a small shift in the market. As the COVID-related restrictions were removed, our food service market, restaurant chain business also started improving. But along with this, we also saw an increase for our Ready-to-Eat products, which primarily go to the retail segment. This indicates that the retail markets continue to grow for us in a consistent manner with regard to the U.S.A. business.

On the EU front, we continue to see improvement on ground in terms of demand for our products. We are seeing good traction of our baseline products. The RTE products that were in the process of getting the regulatory certification is still



ongoing. So hopefully, it will be completed by the end of Q2 or by early Q3, where we hope that the EU market also will be opened to our company, and it is going to coincide with our expansion on the Ready-to-Eat capacity, too.

So, we definitely hope the regulatory process will get completed mostly by the Q3 of the current financial year. These two markets continue to remain the key for us. And while we try and capitalize on any opportunistic demand from markets like China and other Asian countries, our key focus, however, remains with the U.S. and EU markets, where we believe we still have tremendous potential, in terms of volume growth, but more importantly, in ensuring that our product mix improves in this region.

In terms of operational performance, our shrimp sales saw a volume growth of about 16% year-on-year and 55% quarter-on-quarter to 3,761 metric tons. This is by far one of our best quarters. The share of higher-margin Ready-to-Eat products increased to 25% versus 21% in Q1 FY'22, underscoring 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 Ragampeta plant, processing plant.

Our capacity utilization is also improving, but we still have the potential for much higher revenues from our existing facility. In terms of our financial performance, our total income was at Rs 3,250 million, saw a growth of 42% year-on-year and 55% quarter-on-quarter, largely driven by volume growth and better realizations, mainly year-on-year. We would like to point out that the export benefits that were earlier reported, as part of net revenue, have been reclassified, regrouped under other income. This adjustment has been affected for the reported prior periods as well, that is Q1 FY'22 and Q4 FY'22 and the full year FY'22.

Further, the increase in export benefits, which stood at Rs 137 million in Q1 FY'23 is on account of approximately around Rs 5 crore to Rs 6 crore of RoDTEP benefit, the replacement scheme which came in the place of MEIS. The part which was accounted was only to the extent which was made available to us, with the scrips available to us during the quarter, because there have been some technical issues also with regard to the benefit being net available from the government websites. So, as they are made available, we would continue to account for those benefits under the income.

Now coming to profitability. Other expenses, which were led by increased freight costs, continue to pressurize the margins, but were partially offset by the improvement in our product mix. Our EBITDA for Q1 FY'23 came in at Rs 347 million, a growth of 153% year-on-year, accounting for a margin of 10.7%. Most of our other costs were in line with business growth. We closed the quarter with a profit after tax of Rs 185 million, a growth of 464% year-on-year as opposed to Rs 33 million in the previous year.

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 Lokesh Maru from Nippon India Mutual Fund. Please go ahead.

**Lokesh Maru:**

Congratulations on the excellent set of numbers on volumes' front and realization front both. I wanted to basically touch upon our earlier expectation of doing somewhere around 18,000 to 20,000 metric tons, right, basis our increased capacity utilization up to 60% for the year. So given that we have done 3,700 metric tons in Q1. That leaves a lot of burden of around 15,000 tons or so for the rest of the 3 quarters. And again, given that Q1 usually is heavy, so how would you, like, put for the next 3 quarters and the sales and so on that way?

**Choudary Karuturi:**

Yes, Mr. Lokesh, the point what you are referring to was about capacity utilization with regard to production. And yes, we did mention that we were looking forward to doing a production of around 18,000 metric ton plus. This is mainly about production. And, in fact, our processed shrimp was 4,600 metric tons-odd for the Q1



actually. And we were confident, of course, in the beginning of the year, for sure, on that basis.

And as far as capacity utilization is concerned, it is more driven by the supply situation even though we could have a strong backup of the order book diversified between various markets. So as far as Q1 is concerned, we did do a production of 4,600 metric tons and we did pretty good, it is the highest production we have done. And we were definitely on that path of doing that 18,000 metric tons plus for the year. But as I had also mentioned in the opening remarks, it is also subject to supply conditions and the situation, how they keep changing.

So definitely, as the supply comes, we would definitely look forward to doing that production of 18,000-odd metric tons. But currently, of course, which we have also mentioned in our opening remarks, that there has been a little bit of issues in the supply side with some premature distressed harvests and also because of the rains and some flooding, which has happened over the past few weeks. So, we are watching and carefully looking at how to do the production going forward based on the supply.

**Lokesh Maru:**

Sure, sir. Understood. And sir, basically, when you say supply, as of now, it is only in the current quarter that you are seeing some disruption on the supply side, right?

**Choudary Karuturi:**

Yes.

**Moderator:**

The next question is from the line of Riddhesh Gandhi from Discovery Capital. Please go ahead.

**Riddhesh Gandhi:**

Sir, I just want to understand, given the high freight rate, are we able to pass those on to our customers? Just wanted to understand the overall supply situation, because we are seeing whole host, we have competitors also adding capacity. So how is the global demand in supply situation right now in procession?

**Choudary Karuturi:**

Okay. First question was, are we able to pass on the increased freight costs to the customers. And we were able to do it until last year, of course. So that is when even the overall unit value also had increased in dollar terms. However, of course, then the market also has corrected accordingly based on the demand side overseas. And right now, the increased freight costs are already factored in the part of the sales. And as we also are looking forward, because we had our first set of reduction, which was, of course, very miniscule or very insignificant. We only had a reduction of hardly around \$1,000 to \$1,200 in the last 2 months, even though the increase was in multiples of thousands.

So of course, there is also a marginal reduction in the freight cost, which is not significant. But as we also look forward for further reduction in the freight costs, we believe there will be an easing of freight-related costs as such over the course of the current year. First, that is regarding the freight impact.

And as far as the demand is concerned, there was, because of, let us say, disposable income increasing or because of the various support given by various governments of the respective countries, of course, the demand was also higher over the past year. And now there is the demand has been there. Demand is still going in a consistent manner as the sales have been going well. It is just that the supply also from globally has increased overall. And I mean, the inventories have also been built up. And most of our customers, in fact, not all of them, but most of them have also been doing promotions on the retail side, especially at the supermarkets level. And we are positive that such promotions will basically play an active role in absorbing any additional inventories or supply, which gets built up during the current year.

So, for now, the demand as such overseas is consistent, and it has not really dropped. Of course, it's more to do with some extent of inventory pile-up, which has been happening over the past 2 to 3 months, which were mostly delayed shipments of last year, which have all made it. And they are, in fact, increased their promotions too. We are looking forward to the positive impact of such promotions over the next few



months, especially going forward for the holiday sales, which are required. The product will be required.

**Riddhesh Gandhi:**

Just sir, so are you seeing a slowdown in the demand as yet? Or it isn't happening because of the promotions? And then is there in turn, any pressure on pricing and margins and spreads overall?

**Choudary Karuturi:**

Actually, on the demand side, there was a bit of correction in the early part of this financial year. As I have just mentioned that there was a certain extent of inventory pile-up also, which had happened because of all last year's shipments reaching to the destinations because of various logistical issues, which were there, not just for our company, but across the trade. And because of that, as the logistical issue eased out, a lot of pending shipments have made it to the destinations. So that means there was kind of more supply at the destination level at the destination consuming end than the demand which was prevailing at that point. That is what seems like there's been a drop in demand, but it is actually it's very consistent. It's just that there has been some accumulation or rather arrival of quite a large amount of product into the countries compared to the normal situation. So that is what looks like. The demand has kind of corrected a bit and it's kind of subsided. But as such, our customers have reported that their sales are all going in a very consistent manner.

And yes, of course, pricing corrections did happen already. And so, for now, we are looking forward. We are, in fact, again, looking at filling our order book again for the holidays as the supply also improves on our side. Margins as such, when you say it's not just dependent on our realization there overseas, but also our supply situation here. The cost of raw material also plays a role. So definitely, we are looking forward for increase in supply also over the next 3 to 4 weeks. And we believe it will basically give us good opportunity to continue our growth plans, which we had in the beginning of the year.

**Riddhesh Gandhi:**

Got it. But unlike given it is a food item, I'm assuming that even excess inventory ultimately will get corrected reasonably actually quickly I mean, discounted or let disposed of?

**Choudary Karuturi:**

Well, it's a food item like you rightly said, and it is definitely not among the expensive items like snow crab or lobster tails, for example. We are definitely reasonably priced. And, of course, we are not that expensive for people to move away from and move towards hot dogs or something. It has been the shrimp consumers continue to consume. And in fact, the price increase, which has happened like a year ago, also was not so significant that it is a turnoff. And that is the reason our customers have reported that as such consumption-wise, sales-wise, have been very consistent for them, too, which is something good to hear.

So definitely, it is not very expensive, like I said, like snow crab or lobster tails. So, they are reasonably priced, shrimp is reasonably priced. And the consumers of shrimp, basically shrimp being the favorite item among the seafood consumers, definitely will have its share of untampered, undisturbed market and there's no disturbance so that it will remain for sure, consistent. It's just that when our customers also provide additional promotions, discounts are offering additional portions or additional bags, they would definitely increase the volume growth, definitely, and it will absorb.

**Moderator:**

The next question is from the line of Mayur Gathani from OHM Portfolio Equi Research Private Limited. Please go ahead.

**Mayur Gathani:**

Sir, when you're referring to supply side issues, what actually are you referring to. Are farmers not producing? Or is it the inflation that is holding them to produce more?

**Choudary Karuturi:**

No. Actually, farmers did produce well. Unfortunately, because of some disease-related issues or whatever, they have done some premature harvests in the earlier parts of June, I mean kind of around June and early part of July. When the farmers



harvest prematurely in the smaller sizes, it is always the same story goes where the medium and larger sizes of the future get wiped off from the market.

And that was the major factor which was there. And also recently, the heavy rains, which had caused certain flooding area on the coastal areas, also did wash out some of the shrimp into the ocean. So, it's not that they have stopped stocking, in fact, our company is involved even in the hatchery side. We do have seed sales happening. It's not very significant, like it is pretty much similar like how it happens at this time of the year. It is quite steady. So, farmers are restocking. There are no issues on that front. There were issues with regard to some premature harvest in the smaller sizes. And now again, as the pricing also has improved, all the farmers are really also looking forward for stocking again. Those farmers who had to do maintenance or basically do a shut down for some time to dry up their ponds, they are again now going for seed bookings, which we are already getting the news from various hatcheries.

**Mayur Gathani:**

And your average realization has been very higher compared to last year or few years. So, what is the reason behind that? Because you just mentioned that there was higher supply and because of the container issue, there was higher supply in the last quarter or maybe in quarter 4. But what's the specific reason for this higher realization? Is it a value add?

**Choudary Karuturi:**

No. Okay, there are 2 factors mainly. Of course, value-add Ready-to-Eat percentage, as it increases further, the more volumes we can do in Ready-to-Eat, definitely realization in dollar terms also increases. But one of the most important points for the Q4 and Q1 is also the rupee depreciation, which we cannot ignore, which has been almost like from Rs 76 to 78 to 79. That also helped us in gaining higher rupee realization. But mainly that for us, if we look at on a dollar realization part, it was more to do with the mixed product mix, as we increase more on the Ready-to-Eat products.

**Mayur Gathani:**

Okay. And additional 5,000 metric tons Ready-to-Eat, the value add, will that come by last quarter FY'23?

**Choudary Karuturi:**

Yes. That's what we were planning, expecting it to be completed by Q2 end. But the logistical challenges, which were there, same, they have delayed their shipments. And it's coming in Q3. Like you said, we will be completing. We will see the benefits of the expansion by the end of the current financial year. Correct. We will see the operational benefits of the Ready-to-Eat products capacity expansion more towards the end of the year, like you said.

**Mayur Gathani:**

Yes. So, we will see the financial benefits in quarter 1, right, of the next year?

**Choudary Karuturi:**

Yes, more towards Q4. You can say precisely Q1. Yes, Q1 is more accurate.

**Mayur Gathani:**

Okay. And your outlook for the demand, et cetera, remains strong, the supply side issue more or less is kind of taken care of, so you should have a good next 9 months?

**Choudary Karuturi:**

Yes, as far as demand, as I had mentioned earlier also to the previous callers also, that demand-wise, it is quite steady. The main thing is supply. Supply not only helps us to utilize our capacities in a better manner and reduce our operating costs. At the same time, they would also enable us to do more sales. We are keeping a watch on the supply situation definitely. So, it's more to do with that at this point because our order book is still there. Unfulfilled contracts are there. Good amount of contracts are there. Then we are continuously monitoring the situation with our customers to ensure that our order book is in a good shape actually.

**Mayur Gathani:**

So, quarter 1, what was the utilization level, sir?

**Choudary Karuturi:**

For Q1FY23 totally was 63%. And in that, of course, the Ready-to-Eat, the 5,000 tons capacity if you divided by on an annualized basis, so we are almost 85%. If we do it at the same run rate for the next quarters, we are already utilizing at 85%. And



that is the reason which we had foreseen this based on the demand and our ability to utilize this capacity at a much faster pace. The decision you are thinking to add up that additional line of 5,000 metric tons. If you see, at the current run rate, it is 85%. If we are able to do this for all the 4 quarters, of course, subject to supply situation. But order book-wise, there's no issue. We are very confident. That's the reason based on the support of our customers and the feedback from them, we have decided to go for that additional capacity.

**Moderator:** The next question is from the line of Suhrid Deorah from Paladin Capital Management LLP. Please go ahead.

**Suhrid Deorah:** I have some really quick basic questions because I'm not very familiar with your business. So firstly, you mentioned a few times that 3,700 odd tons were the sales volume, but 4,600 tons is another volume that you referred to, which is the production volume. What is the difference between the two?

**Choudary Karuturi:** We have mentioned that our sales volume was 3,760 metric tons during the quarter Q1. And of course, whatever is the difference is getting it will be in the inventories and it gets shipped subsequently in the current Q2 and thereon, right? So, we said our total process during the Q1 was 4,611 metric tons to be precise.

**Suhrid Deorah:** Okay. Got it. This is this inventory it will go on in the subsequent quarter.

**Choudary Karuturi:** Yes. I mean, subsequently naturally, the sales is only recognized till the end of Q1 FY23.

**Suhrid Deorah:** Okay. My next question is that on the pricing, these prices that you mentioned, Rs 780 odd is the price of the basic shrimp and, I think, 10% - 5% higher on the price for the RTE product. These are FOB prices or CIF?

**Choudary Karuturi:** They are actually CIF. Which pricing?

**Suhrid Deorah:** No. I mean, I'm extrapolating the Rs 813-odd realization.

**Choudary Karuturi:** That is CIF, of course, it's our invoice based on our total volume of shipments for the total value against the total volume of shipments. That is the money which we have realized. Rs 813 includes freight also, if that is what you're asking. It includes freight component also.

**Suhrid Deorah:** Okay. So, my second question is that, globally, it sounds like demand has come back post COVID, it also sounds that supply is coming back. It seems there's a lot of inventory in the channels and a lot of material reach to the customers or warehouses. In this situation, what is the impact on pricing option? So, is \$10 approximate number? How does this get impacted?

**Choudary Karuturi:** I mean just going on an example, \$10 per kilo item was there. Earlier, it was at around \$8, and this was like 1.5 years ago. And then because of various challenges, product not reaching the destinations and the demand soaring, of course, there was correction and say it went up to almost \$10. And now, again, there have been some corrections over the past few weeks. And right now, it is corrected down to \$8.50 to \$9, so depending on the different products which we focus on and which we do. So, the corrections keep happening on an ongoing basis depending on the demand/supply situation, which you are very much aware, like any other agri or like aqua product as such.

Currently, it is corrected from its high of last year for sure, the current market. It is definitely corrected by almost like a \$1 or \$1.25 comparatively. I mean taking on a \$10 item basis. I'm just giving you an example.

**Suhrid Deorah:** Right. So, the impact of this reduction will be seen in the next quarter itself? Or do you have contracts in place which guarantees certain realizations to you?



**Choudary Karuturi:**

We do have contracts. Now if you look at it, we will also be signing contracts in the lower values also because it's an ongoing thing. We capture sales at the different stages of the market. It is not like nobody would be buying their year requirement at the market high. We need to understand that situation. And nobody is going to, at the same time, sell at the years' low for the entire year. So, it is an ongoing situation. We will also be taking contracts at the lower levels. And of course, since you are not aware, but I'm just telling you, based on the realization which we get, which includes the rupee position against the dollar, based on the average realization, even our raw material prices keep correcting depending on the demand/supply situation and the realization component. The prices also keep changing at the supply side.

Like for the Q1, also the supply prices were also quite low. They have corrected significantly lower at that time during Q1. So, they keep changing. So, it's not like correction with a lower price is going to remain consistently for every quarter, but it keeps changing as the supply reduces and as the supply increases. So that is more of a market dynamic.

**Suhrid Deorah:**

Okay. So, you're saying that the pricing is dynamic. Will Q2 or Q3 be peak season. Is it fair to say that the pricings drop after that? Or that's not the case? You're going into peak season for festive demand in the Western world, right? So, would you see pricing drop off after the season ends?

**Choudary Karuturi:**

To tell you the truth, the pricing has already dropped.

**Suhrid Deorah:**

Okay. this 10% or 15% drop that you're talking about, already reflect in that?

**Choudary Karuturi:**

Yes, which I explained to you. It went up from \$8 to \$10 example. I gave you on that numbers just to take on an example basis, it went up from \$8 to \$10, and it has again corrected and came down to \$8.5 to \$9. So that has already happened. So, it's an ongoing thing. And we also coordinate and communicate well with our customers and ensure that we don't get affected and we try to have a consistent margin maintenance. We do try, but there are times when there will be headwinds as well as tailwinds. It is in our interest to make use of the opportunity during the tailwinds when they are in our favor.

**Suhrid Deorah:**

And you mentioned the supply issue that some disease. Is this disease restricted to specific districts? Or is it across large parts of the East Coast?

**Choudary Karuturi:**

It was mostly some areas of the East Coast, not all. It's not all areas, but some areas because we still have had successful producers, farmers who did harvest good sizes, large sizes actually, over the past 1.5 months. They're continuing to even now, whether it is in the state of Andhra Pradesh or Orissa and also some in Gujarat. There have also been quite successful farmers. Not all the areas were impacted. Definitely some areas are impacted, which will have its effect on the overall supply situation.

**Suhrid Deorah:**

So, would you be able to procure enough material from other areas or some other farmers to secure demand to hit your order books because it sounds like demand is strong?

**Choudary Karuturi:**

We have been procuring our supply from other states also over the past 3 weeks, 4 weeks, for certain sizes, which are not available locally or they are a little bit tight in supply. We are procuring from other areas too. So, we are ensuring that our orders are getting shipped, to be precise.

**Suhrid Deorah:**

So it doesn't sound like that you will have an issue meeting the demand?

**Choudary Karuturi:**

So if any, will be on margin contraction, for example, because when there is overall, and if there is a shortage of supply during certain times of the year, naturally, the pricing at the farmgate level will also be increasing a little bit accordingly. So as I said, it is dynamic, both on sales front as well as on the sourcing side, on the supply side. And of course, they move in tandem even if there is a little bit of time gap. But



they'll move in tandem. And ultimately, it is dependent totally on our realization in overseas, which will determine what the supply price has to be.

**Suhrid Deorah:** Okay. And may I ask 1 more, the last question, bookkeeping question. I'm a little confused by the RoDTEP statement. This quarter's run rate, does this quarter's figure include anything that's spilled off from the previous quarter?

**Choudary Karuturi:** Actually, with regard to the RoDTEP, we have only considered to the extent of scrips made available to us for the past 1 year, actually a little over 1 year, we have been having issues with regard to the application process and with the government website, DGFT, Director General Foreign Trade website.

And so they are only considered to the extent of benefit available made the scrips available to us. The only thing, of course, the new set of statutory auditors have decided to regroup it and reclassify which is part and parcel of the auditing process. They have decided to regroup it under the other income group rather than the operating Income. That is the only change, but we have only considered to the extent which is made available to us. We will definitely consider as we continue to realize more of it over the next, I mean, as it is made available to us over the next Q2, Q3 also, we will definitely recognize. And only some extent of our last year's RoDTEP has been considered. There is still more, which will be coming over in the next few quarters as it is made available to us.

**Suhrid Deorah:** But the run rate should be about 4% of net revenue?

**Choudary Karuturi:** Yes, correct. That is correct.

**Suhrid Deorah:** So anything beyond that is either some other sorts, either rollover or some other sorts?

**Choudary Karuturi:** Yes. That is correct.

**Moderator:** The next question is from the line of Anurag Patil from Roha Asset Managers. Please go ahead.

**Anurag Patil:** Your other expenses have shot up significantly in the Q1. Is it mainly due to the freight expense?

**Choudary Karuturi:** Yes. And the other expenses, it is mainly due to the freight expenses. The freight costs alone have actually for the Q1 was almost to the extent of Rs 25.33 crore vis-a-vis Q1 of last year, it was Rs 11.4 crore. If you see, it's more than double of Q1 FY'22. So, this quarter alone in the other expenses, the major component is freight, it has always been the ocean freight expenses, other export-related expenses, correct.

**Anurag Patil:** Sir, in the current quarter, how these expenses are panning out? Can we expect some material reduction or more or less, it should be continued?

**Choudary Karuturi:** I have mentioned to the previous callers with regard to the ocean freight expenses, we did find some marginal reduction, but it is not significant. For example, compared to last year, if there was a hike of almost around \$4,000 per equipment, we have had a reduction of only \$1,000 during the quarter of Q1. And I mean we will see the impact of that more towards Q2. But it is very marginal, as I have mentioned. While the increase is at a higher rate; the reduction was at a lower rate. And hopefully, the freight costs as equipment are out and as vessel frequency changes over the next quarter, Q2, Q3, Q4, we are sure that they will also be reducing the freights and we can also reduce our costs accordingly.

**Anurag Patil:** And sir, your realization has already dropped and due to supply scarce, your procurement cost will also be higher in the current quarter. Plus, the reduction in freight is also marginal. So that means in Q2 the margins can further go down from the current level? Am I correct in saying that?



**Choudary Karuturi:**

It depends. Yes, if our realizations have dropped and supply prices have marginally increased. And of course, as our realization will also improve or as the supply increases supply side, so farmgate prices also reduce from the recent increase, we will be able to balance them out. But there could be some effect on the margins, which we can't really say at this point, but we are expecting, while we will not be able to put a number precisely at this point because there are other factors also, which are changing.

So, we may see some deduct towards the end of Q2 or it depends. We need to see how the supply because we are only in the middle of Q2, and there are still another 45 days. Supply also is changing. So, we will be seeing and also sales price also is marginally increasing, it is very insignificant marginally. So, we can't really completely put a number to that at this point, actually.

**Anurag Patil:**

For the whole year FY'23, given the current quarter volumes and the current situation, what can be the realistic volume number that you can say on a conservative basis?

**Choudary Karuturi:**

In the beginning of the year, we were looking at anything between around between 18,000 metric tons to 20,000 metric tons. That's so that we were expecting for the full year. And we did definitely go as far as production capacity was concerned and we did definitely do our best and we were able to do the highest volume at least in Q1 of FY'23 for sure. As far as our lifetime high quarter is concerned, we did do good. But of course, as things keep changing and being a livestock Q2, a little bit of supply issues, we expect things to be, again, changing and improving because it is a continuous cycle, farming cycle that continues.

So, we may be looking at some corrections and maybe between 16,000 to 18,000 metric tons, I mean, we can't really say at this point. As I said, we still have another 45 days. We are looking forward to see how well we can do in the current quarter as well as Q3. Historically, Q2 is always the highest for us over the past years, but maybe this year, Q2 may not be that much as far as volumes are concerned. And as Q1 itself has taken the major part, we expected Q2 to be on similar lines in the beginning of the year. But because of the changes in the market supply side, we see that effect. And we are looking forward, of course, for a better Q3 to because farmers are again stocking the seed again.

And also, of course, some of them, they have been consistently growing the shrimp in their farms. So, we expect improvement in the supply situation more towards the end of this month, August and September and onwards. So, we look forward for that supply improvement.

**Anurag Patil:**

Okay. And 1 last question, sir, this RoDTEP incentives, are they linked to the revenue numbers or the volume numbers? Can you just explain that.

**Choudary Karuturi:**

It's a good question. There is a cap. Basically, it is not entirely based on the revenue number because there is also a cap of per kilo for both the schemes. I mean on the RoDTEP precisely, it is 2.2% approximately is coming up on FOB value.

**Moderator:**

The next question is from the line of Depesh Kashyap from Equirus Securities. Please go ahead.

**Depesh Kashyap:**

Sir, you talked about the supply issues and also the farmers redoing the crop. So, I just want to know your thoughts on how the second crop is looking like because I think the first crop was very good, what we understand. And the second crop has some challenges due to the unseasonal, you can say, rains. But now what you're hearing is that the farmers are again putting the second crop. So how the year is looking like, the second crop will be again as good as the first crop or not?

**Choudary Karuturi:**

Well, we expect it to be good because that is how companies like ours and everybody else make their plans and also plan with their customers. We see a lot of farmers stocking again, like you rightly said. And since we are also, as I mentioned to one of the earlier callers, since we are also into the hatchery business, we see that



the seed booking is happening in a good manner. A lot of farmers are again going for stocking. Also, thanks to some improvement and increase in the pricing, which they feel it's good for them. Usually, the second crop has a little bit of challenges because as the colder weather starts kicking in, it does have an impact on the growth.

So typically, 90 days' crop ends up becoming a 120, 125, sometimes 130 days crop, which you know on the supply side, how it is. So, we are definitely watching. But as I also mentioned to the other callers, we are also not just restricting our sourcing only to a few areas and like always, not just to the state of Andhra Pradesh. We did definitely source from other states irrelevant of from where it is. But we did source well from other states, too, in a consistent manner actually.

**Depesh Kashyap:**

Yes, that's what I want to understand because like India exports 6.5 lakh tons, and we are exporting at 12,000 tons. And now we are like reducing our target from 18,000 tons to 16,000 tons. So, can't we get the supply from the neighboring cities or like whatever because India is actually producing that much, right? So, supply should not be a constraint.

**Choudary Karuturi:**

Actually, specifically, we have not reduced. I mean since the previous call before you had specifically asked what exactly are we looking forward to, I have mentioned maybe we may look at, we are still looking forward for 18,000 to 20,000 metric tons, on the production side. But it is difficult to make up. Example, if we have a significant drop in one quarter, it is difficult to make it up in the other quarters. As you know, our industry, the summer crop is the highest, right? As far as the production is concerned. Most of the production in India is produced between the months of April to August as typically that is the summer crop. That is the result of the summer crop, where the highest amount of production happens.

So, while we see a little bit of gap in supply. As we have just been, since he is asking on a conservative basis, I've just put a number to it, but we are still looking forward to increase and do that minimum of 18,000 to 20,000 metric tons, so that it not only shows that we are utilizing our capacity in a good manner, but also it also improves our overall business numbers, revenue numbers as well as volume numbers and our market share also increasing. So, we are looking forward but we know the situation, and that's why we are telling.

**Depesh Kashyap:**

Got it. Sir, secondly, on the working capital side, like we having stress to working capital for the last 2 years, and part of the reason was that the container availability was low, and it was a turnaround time was very high, so our receivable days were high. So now as we are progressing, the other working capital days coming down or still we are at like 120, 130 days.

**Choudary Karuturi:**

No, it is coming down actually. It is coming down as working capital days are reducing, decreasing in the current year onwards, quarter onwards. So actually, Q1 also has dropped, and it is continuing to do that because we are also looking forward for a lesser period under inventory firstly, because we are able to kick out most of the product out, ship them out, we don't have any issues which we had last year with regard to equipment or containers. We don't have those issues anymore.

So now we are able to push the orders much sooner compared to last year and the year before that. Definitely, that is going to reduce our inventory days. And as well our customers also have been making faster payments and thereby our debtor days also has been reducing. And our seed sales are mostly being done, more than 90%, 95% of that is being done on a cash-and-carry basis where basically no terms are being extended. I mean, even though that is an insignificant part in the total business of us, but multiple factors which have impacted our overall working capital base, they have all seen an improvement.

**Depesh Kashyap:**

Good to know that. Sir, lastly, on the RoDTEP benefit, I think you've talked a lot on that. But I just want to understand that will that number be kind of consistent now? So, is the government raising the scrips like on a frequent basis? Or it remains volatile because it is a very important part of your margin profile, right? So, if it goes down in any particular quarter, your margins can just, like, wipe off during the



quarter. So, I just want to understand that whether government is, like, releasing the scrip now on a consistent basis?

**Choudary Karuturi:**

They are, but there is also a delay to certain extent. I will be very precise since you asked me that question. There is some delay. But in our case, as you know, our company case last year, we didn't factor in a significant part. So that is all getting billed over into this. So, I'm pretty sure that delay may not really be noticeable, I think so that we think that it may not be noticeable in our recognition because we already have pending of last year's, to be precise.

So, there is some delay by almost like around 90 to 100 to 110 days minimum. There is a delay. That's an average. Usually, it is there. Around 120, 140 days will be there always, as you know, like any government scheme typically, but at least remaining consistent. It is not like those earlier days of last year and the year before that where for almost more than 7 months, 8 months. It was a lot of uncertainty, at least it is not that bad. We will most likely be having a consistent run rate on that part as such.

**Depesh Kashyap:**

Great, sir. So, after 3 - 4 years, the things are looking up for the sector and the company. So, wish you all the best, sir.

**Moderator:**

The next question is from the line of Nitin Awasthi from InCred Equity Wealth. Please go ahead.

**Nitin Awasthi:**

Most of my questions are answered. All I want to ask is more longer-term picture. So recently, a competitor of yours from Vietnam, Minh Phu, has tied up with cell multiplication shrimp company from Singapore. They want to get that cell meat. So first, there was vegetarian, non-veg which came into play, now this cell multiplication non-veg, which is coming into play. And Minh Phu has tied up with them. Minh Phu is a giant in the space. So, you expect some troubles from there. Any thoughts of yours on this development?

**Choudary Karuturi:**

Mr. Nitin, I do not believe that animal protein will ever be replaced by plant protein. If that is what your question is specifically. Animal protein, I do not think will be completely be replaced and as such, as long as it is lean and healthy, like in our case with regard to our products which we produce, we are not state producers or anything or any other products, so our protein is a lean protein. And our product is still the number 1 consumed sought after item in the seafood sector, and we believe we will continue. The demand will continue to be remaining consistent, and it will grow, even though it may be depending on the promotions and other promotional activities, basically promotional activities conducted by our end customers, like food service, restaurants and retail segments.

But with regard to that question, whether any sort of cell-based culture growth or I mean, any plant-based protein increasing, we don't really believe that is going to have much impact. And of course, as such, our country is now more focused on increasing its volume. And also, even the government has said now they are setting targets even for individual states and companies. Of course, now they are also focused on that. The central government is also focused on improvising the production and at least maintaining consistent production at the farm level. So as long as that is there, as long as we are able to produce the product in a cost-effective manner, not just at the processing level, but even our primary producers at the farm level, we definitely believe we have our space which will not be impacted, our industry space, our space in the shrimp market as such and our company's space also.

**Moderator:**

The next question is from the line of Vincent Andrews from Geojit Financial Services Limited. Please go ahead.

**Vincent Andrews:**

Most of my questions have been answered. Only 1 question I have. Can you please clearly mention what was the average realization in dollar terms in Q1? You mentioned around \$10, was it for Q1 alone?

**Choudary Karuturi:**

No, no. We never mentioned it is \$10, sorry, one of our callers was asking just to give an approximate number. They just asked about the corrections. But it is



precisely the average realization for the quarter was \$10.44 cents, compared to last year, full year, it was \$9.81 FY'22, average. This is average for all products included Ready-to-Cook as well as Ready-to-Eat.

**Vincent Andrews:** And how much it is currently in dollars?

**Choudary Karuturi:** As I have mentioned, it has corrected a little bit. So average means, right now, we are still doing shipments of around \$10. So, it's a changing thing. So, this is Q1 what I've given you at \$10.44. Maybe Q2, it could be changing a little bit to \$10 or \$10.10, example. We can't really say at this point. But as we do our volumes and as we complete our order book, we will have a better idea on that.

**Vincent Andrews:** I asked if you have only billed for these 2 months, July and August?

**Choudary Karuturi:** It has basically, I don't think we'll be able to say that, but approximately, let us say it is around \$9.9 to \$10. I think that is the reason we have mentioned approximately earlier, so around \$9.8 - \$10, in that level.

**Vincent Andrews:** Okay. And just for confirmation. Like you mentioned it is the average realization at Rs 813. It is FOB plus freight. So, this \$10 you mentioned, it is inclusive of this freight or separate from that?

**Choudary Karuturi:** It is inclusive of the freight.

**Vincent Andrews:** So, if I can ask, how much you suppose, we assume the freight costs will normalize in the second half. So how much out of this \$10.4, how much it will be for realization for the freight?

**Choudary Karuturi:** That depends totally on how much of price reduction will be there. We can't really say that. Like I have mentioned to you, compared to last year on an average, if we are paying around \$4,000 more in the beginning of the year, and now it has hardly reduced by \$1,000, but still it is higher compared to what we were paying during the pre-pandemic stage. So that may it depends on how much the reduction will be, number one.

Number two, what you need to understand is the increase in freight cost is also eating up our margins. If at all freight cost reduces, we can also at least look at some margin improvement overall. So, in that currently, I don't know how much reduction would be, we don't know yet at this point how much reduction would be there on the freight cost. But to tell you on that part, maybe it will be around \$0.15 per kilo maximum. We don't expect more than, if at all it is there, but we are not sure of that because it's not in our hands, it is based on the shipping lines.

**Moderator:** Thank you. Ladies and gentlemen, due to time constraint, that was the last question that the management could answer. I would now like to hand the conference over to the management for closing comments.

**Choudary Karuturi:** Yes. Thank you. Thank you, once again, to everybody. For any queries and any clarifications regarding the Q1 results and also any specific updates, you may always reach out to Stellar IR Advisors or the company at [ir@apexfrozenfoods.com](mailto:ir@apexfrozenfoods.com). Thank you, and have a good rest of the day. Bye, bye.

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