



“Apex Frozen Foods Limited  
Q3 FY2024 Earnings Conference Call”  
February 16, 2024



**MANAGEMENT: MR. CHOUDARY 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**



**Moderator:** Ladies and gentlemen, good day, and welcome to Apex Frozen Foods Limited Q3 and 9MFY24 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 star, then zero on a touch-tone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Choudary Karuturi, Managing Director and CFO. Thank you.

**Choudary Karuturi:** Thank you, Ria. Good morning, everyone, and thank you for joining us on this investor call for the Third quarter and Nine months of FY24. With us on the call today is Mr. Durga Prasad from our Finance Team and 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 had a chance to go through it. Let me begin by going through the numbers for the quarter. The net revenue for Q3FY24 came in at Rs 148 crores as against Rs 230 crores in Q3 of last fiscal and Rs 240 crores in Q2 of FY24, mainly led by lower volumes sold to the United States, and continued fall in global shrimp prices.

The shrimp sales to markets such as the EU are continuing to do very well for us. Sales to EU posted a growth of 50% year-on-year in both Q3FY24 & 9MFY24. Consequently, the share of EU in overall sales mix increased to 36% in Q3FY24 & 30% in 9MFY24 from 17% last year, making it a more diversified sales mix. Please note that this growth is coming only from our ready-to-cook products as we are still awaiting regulatory approvals for the sale of our high-value ready-to-eat products in the EU market. We remain positive on the growth prospects of this market and the potential, which is available for our company, especially once the ready-to-eat products approvals would come into place.

However, our key market, U.S.A., continued to be faced by subdued demand, impacting the overall shrimp volumes sold mainly attributing to the drop in sales to our retail or supermarket customers.

The total volumes sold by our company stood at 2,117 metric tons in Q3 FY24 as against 2,869 metric tons in Q3 of last fiscal. Further weakness in the U.S. market, which is the only market where we are currently selling our high-value ready-to-eat products as we await regulatory approvals from EU, impacted overall RTE sales too in Q3FY24.

Like we mentioned last quarter, as well as -- that while promotional activities by retail and food service companies that is distributors for restaurant chains are being carried out, the impact of such activities has been quite gradual. From the company's end, we have been taking up steps with regard to setting up our wholly owned subsidiary in the U.S., mainly for support with regard to logistics and also market development in the U.S.A. and the rest of North America. We are happy to share that the work on this front is progressing. And pending certain



regulatory approvals in India and as well as from the U.S.A side, we are confident and we are hoping to see the benefits coming in from FY25 onwards.

Now coming to the realization part, the global shrimp prices have been tapering down due to weak demand and supply scenario. Further in our case lower RTE contribution led by change in geographical mix, which is higher share of EU, where the RTE products are not sold yet, continue to impact the overall realization in Q3FY24. As a result, the average realization for Q3 FY24 came in at around Rs 663 per kilo as against Rs 748 per kilo in Q3FY23.

Coming to the profitability, lower operating leverage and higher freight costs impacted the EBITDA margin in Q3 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. As on September 30, 2023, our debt stood at Rs 83 crores, forming a debt-to-equity ratio of 0.17x. Our working capital cycle too, has been seeing a good improvement.

Coming to the demand centers for our company. In the case of U.S.A., which is still our major market, we understand that the situation is easing slowly. And as we had mentioned, the promotions have been taking up and some of the inventories which have been held by our end customers, have been consumed. And now we also look at new programs being discussed and awarded accordingly, which are all meant for shipments more into the current quarter and as well as next first quarter of FY25, which is going in discussions and as well as we are being awarded such program contracts.

However, we are waiting to see how the market will be moving. As for now, the prices are pretty stabilized on the shrimp part, which is a positive sign compared to the down trend or drop in prices, which were there until Q3. And we have been seeing, especially in the current month, the U.S.A. sales pricing marginally rising with the demand, which is slowly picked up. And we are also locking in new sales with certain new endcustomers.

And with regard to the EU market, as we have mentioned earlier, our sales to EU have picked up very well. And in fact, that market was able to cater to good amount of sales on volumes. However, we still definitely feel deprived of not having the capability to sell our ready-to-eat products to the EU market because that is, which is a regulatory approval pending not just for our company, but many companies are processing registration since 2019. And we are confident that we are able to develop furthermore into the EU market. And also, now we are even looking at exploring the Scandinavian side of the European Union. Going to FY25, we are exploring newer markets there, too.

And with regard to the Chinese market, we have been encountering a slow demand. We have been doing our sales to China on a slow basis currently. And we do hope that for the Chinese Spring Festival, there is a good amount of consumption for their holidays, and we expect that based on the sales, there will be further and newer inquiries coming into the months of March and April of 2024. So, we are eager to wait for the market development in China because this is their main primary consumption period during the Chinese New Year or Spring Festival, which they celebrate in a big way.



And in terms of supply, at the global level, of course, Ecuador shrimp supply continues to add some pressure on realizations. And they always did have the advantage of shorter sailing periods, whereby being closer to the North American market. That definitely have had its impact with regard to our sales volumes and with some of our customers in the U.S.A.

However, as we mentioned in the past, too, from a competitive positioning perspective, India is definitely ahead, both on costs as well as with regard mainly on the value-added products, whether in RTC or even in ready-to-eat. We definitely see an opportunity that these factors would ease out over the next couple of months, and we should definitely look at a better sales into our major market, which is the U.S.A., mainly supported by our subsidiary, which is also going to support our customers.

And along with it, a stable supply happening because of the prices stabilizing in the current month and next month. The producers also expect stable farm gate prices. Thereby, the stocking of seed also has been going well. So, we are positive on the supply to improve better in the year of FY25. And the stockings of seed have already started, which will translate into the crop starting in March and April 2024 and thereon. So, we are positive on that front.

Now to conclude with going forward, as mentioned earlier, we continue to remain cautiously optimistic about the overall market scenario in the near term. This applies to both demand trends and, of course, raw shrimp supply within the country, which I just explained, especially considering the complexities surrounding shrimp production in India. However, in the medium to longer run, we are positive on the growth prospects for India as well as for our company.

So, 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 Bala Murali Krishna from Oman Investment Advisors. Please go ahead.

**Bala Murali Krishna:** First of all, I'd like to hear your opinion on this and your expectations regarding the Antidumping Duty on Ecuador. And I think the Indian names is also included in that. So, how will it affect our operations, and what are your thoughts on the Antidumping Duty imposed on Ecuador? Additionally, how do you anticipate the demand scenario evolving from India in the next year or so?

**Choudary Karuturi:** Yes, Mr. Bala Murali Krishna. The first thing is the Indian shrimp is already subject to Antidumping Duties in the U.S. market for almost the past 20 years. So, we are already having an Antidumping Duty.

Now I guess your question was more related to the petition about the countervailing duties or CVDs, which are likely to be imposed on India and along with India, other countries like Indonesia, Ecuador, like you mentioned, and Thailand, Vietnam also. And with regard to Ecuador and Indonesia, the petitions have been filed even for Antidumping Duties in those 2 countries.

And it is definitely going to be more of a level playing field for all the countries of origin because until now, Ecuador and Indonesia were out of the ambit of Antidumping Duties with



regard to shrimp exports to U.S.A. So definitely it is going to be a level playing field going forward.

And currently, the investigation is going on by the U.S. Department of Commerce, and we will have a better clarity towards the end of March as we are currently expected to announce preliminary duties towards the end of March. And also, the final duties towards the end of May.

So yes, the CVDs on India will be based on any subsidies, which are received by the government of India, and that will be in respect to that. And whereas what we have to see here is that there are other countries also which are getting affected with regard to CVDs, whether based on the subsidies, what they receive from their respective governments.

And also, in the case of Ecuador and Indonesia, Antidumping Duties are being expected. So, it is definitely a level playing field, but we are positive that our rates of CVDs with the responses being given by our country, our industry we can't really see the exact number, but we are kind of expecting, we hope that and we are pretty confident that it should be maintaining at the lower level.

So that will be factored in, of course, into both sales naturally because it is specific to U.S. market and of course, the end consumers who depend more than 90% on imported shrimp from all countries outside U.S.A., it will be getting added to their cost for sure. So, we are cautiously watching on that front. We will have a better clarity, as I mentioned earlier, towards the end of March 2024.

**Moderator:** The line from sir has been disconnected. Next question is from the line of Nish Shah from Stellar AMC.

**Nish Shah:** Sir, my question is regarding the RTE approval, which is pending in EU. Sir, how much time we can expect the approval will be received?

**Choudary Karuturi:** As we mentioned, it is not specific to our facility. Nothing to do with Apex or the company. It had more to do with the process between two government, I mean, the Government of India and the EU Regulatory Authorities. And they have kept the approval of any new shrimp processing facilities on hold since 2019, and we have been eagerly waiting for the same so that we can continue to pursue a good amount of business and explore the potential in that market, especially with our existing customer base, increasing the sales for our company with regard to RTC.

And they also deal with RTE as we speak. So, we are just eagerly waiting. They are also waiting for us to get approved. So, it's more of a regulatory news, and we have been waiting for it every year. We did have some discussions with the authorities a few months ago and we are just waiting. All our details are there with us, and we just wish that it's gets over soon so that we can start doing our business on the front of RTE, too, in a big way.



**Nish Shah:**

Okay. So, my next question is regarding the capacity utilization. What can we expect for FY25, which is currently, we are below 50%?

**Choudary Karuturi:**

Well, actually, in the current year itself, we were supposed to be growing above 50%, which is in FY24. Unfortunately, because of the demand drop from our primary market because we did lose quite a bit of sales because of our end retail customers or super market chains giving us lesser orders than we see in the current year, which does, if you see in the first two quarters, we were pretty flattish. However, in the Q3, there was a significant drop.

So, we should have actually been utilizing our production capacity in a good way if the sales were good as well as the supply being consistent. However, there was a drop in supply too, in the current financial year. This has all got to do with global shrimp pricing, as we mentioned in the opening remarks. And as we see stabilization of the global shrimp pricing along with farm gate pricing in the current month and thereafter, it is a positive sign for the primary producers or farmers also to produce and stock more and produce more shrimp quantities.

And also, we are positive and we are hopeful that the efforts of the government of India in increasing the production overall in aquaculture once the final steps which they take. And as they are implemented, we are positive that they will also have a good impact on the production overall.

And when such a production improves and increases, that will also give us a better opportunity to utilize our capacities also backed by a stable global demand. So, we are positive on that, and we should have actually done more than 50% in the current year itself. However, it was a bit slow.

But now with the support of this better market prices compared to FY24, the better market prices are expected in FY25. Even though they are being done in a very slow manner, it's not going to be significant jump with regard to prices from overseas market.

With the support in place and farm gate prices showing improvement, we definitely expect a better supply. But for now, everybody is optimistic and, we are positive. And we are hoping that this will yield to better production and thereby allow us to utilize our capacities and also bringing in our added sales from our marketing arrangements and the programs which our subsidiary is also going to work on. So that will be supporting us overall.

So, we definitely expect a better utilization for sure in FY25. We are positive, and we are looking to do that from the first quarter itself because we have been locking on programs and the stable pricing should also help a good supply from the producers who did definitely lose interest towards the middle of fiscal year 2024.

**Nish Shah:**

Okay. Got it. Sir, my next question is regarding the RTE capacity utilization, specifically what is the current and what we see for FY '25?

**Choudary Karuturi:**

Well, with regard to RTE, our current capacity, of course, has come down compared to last year. Last year, our overall capacity utilization was more than 20%. We were doing good. So, our sales was also almost more than 20% last year.



But this year, it has come down. Because overall, as I mentioned in the opening remarks and also to the earlier participant that our drop to supermarket chains or retail markets have definitely impacted our sales drop, definitely impacted our RTE sales because most of the RTE products go to supermarkets or retail outlets. They don't go to restaurant chains as it is. The ready-to-eat products are not required at food service or restaurant chains. They are more required at supermarkets.

And this year, we definitely had an unexpected drop with regard to our sales to the supermarkets in the current year FY24, which definitely impacted our RTE sales, too. But now as we mentioned in our earlier concalls also in the opening remarks that as the inventories, which our supermarket customers or retail customers were holding from the past.

As they have been consumed and they have also been working on fresh programs with a better planning, better expectations, volume expectations for FY25, they have already started awarding us, which we have already started producing. And most of these programs are for deliveries during the Q1 and Q2 of FY25.

So those programs, which we are getting awarded from retail markets, of course, have a good chunk of RTE product sales. So that way, we are confident we will be back in utilizing our RTE capacity much better towards the end of the current year as well as from the beginning of FY25 about the RTE.

**Moderator:** Next question is from the line of Nitin Awasthi from InCred Research.

**Nitin Awasthi:** A few questions from my side. Predominantly, one relating to the demand side and the second supply domestically. Firstly, on the demand side, like you correctly mentioned that India is pricing and even overall, if you look at the U.S. pricing from their import data, both the total pricing and India specific pricing has been bottoming out for the last few months. India has some bounce back slightly.

However, I think we're still \$1 below on both these fronts. India would be around \$7.5 per kg and total will be around \$8 per kg. There should be a sharp jump given the current situation and of other suppliers globally, which is mainly Ecuador. So, you're expecting this to rebound, let's say, in a quarter or two back to \$8 for India and \$9 for U.S. total?

**Choudary Karuturi:** Well, with regard to bouncing back of the pricing, as you know, the supply has also got to do with it. There was more supply towards the end of last year, that is 2022, I mean, towards the end of 2022 and also most part of 2023, whether the supply was significantly higher from Ecuador or from other countries overall, definitely. And also because of the drop in the consumption overall, whether it is the inflationary pressures or the other costs increasing, whether it is interest rate hikes or gasoline prices increase, whatever it may be the reason, the consumption overall was lesser for sure during the year 2023.

And however, imports continue to happen there, that is one of the reasons why the prices did take time, quite some time to stabilize and get back to a little normalcy. But now there are multiple effects here. One is, of course, as I just mentioned to the previous participant, the



inventory is being consumed at the end level also would create more space for better inflow of products, number one.

Number two, the effects of the levying of countervailing duties and Antidumping Duties will also change the overall market scenario of which country can continue to supply or which country may get affected with regard to supplying to the U.S. market.

So all these factors -- I mean, both on the supply as well as the new tariffs, which are likely to kick in more in the year 2024 will have an impact on how the pricing also moves apart from the support from the consumption side.

So as we mentioned earlier, we are expecting it to be more level playing field because of the duties, which will come in. But however, I mean, we can't really comment at this point, but however, depending on how the duties will be there on Ecuador and Indonesia, we may have advantages with regard to overall business scenario with the U.S. market.

And yes, that will definitely affect the way the pricing is going to increase on a dollar per kilo basis, whether it is likely to happen in 1 to 2 quarters or finally towards the end of 2024 around November or December 2024, whether the CVDs will be finally permanent or not, will be decided by the U.S. International Trade Commission, USITC. So that will give a more clear picture of how the shrimp market overall is going to be on the U.S. side into the future.

But preliminary, these duties and deposits of such duties will be applicable towards the end of March or actually early April, as we have been informed so far. So yes, the way the consumption is going on, slowly picking up unless subject to any additional negatives or any additional problems being created with regard to U.S. inflation side or their economic scenario out there, or the recessionary, any recessionary problems, unless any such new problems come in or additional problems come in, we do expect that the consumption should be getting better, thereby our prices also, which already started, but it is in a very marginal way. It's not significant, not the way you have mentioned that it is bouncing back significantly by \$1 but it's happening in a slow manner.

We are good even if it doesn't bounce back by \$1. But even if it goes up reasonably, it gives confidence, it provides confidence across the supply chain. And the main person in the supply chain is the primary producer, which all of us are aware and which will give them a very commensurate prices so that they continue to produce and it should help one and all in the industry. So we are kind of positive. But at the same time, it takes time. It will be taking time for sure.

**Nitin Awasthi:**

Understood, sir. So that was on the demand side. On the supply side, sir, because you would have the U.S. to the ground, just wanted to understand 2 things. One, there has been a talk of a lot of farmers moving to Black Tiger from Vannamei for various reasons. Is that actually happening on the ground? And two, this year, how is this stocking and the seed sales happening because we also are in the seed sales business. So we would have a little more know-how of the demand on the ground.





**Choudary Karuturi:**

Well, it is not a problem for farmers switching over to Black Tiger for us because we continue to process Black Tiger as they get available, and we continue to increase our sales on the Black Tiger front, too, whether it is in USA or to the EU markets.

In fact, our sales of Black Tiger products have been picking up. Especially in the Q3 and Q4, Black Tiger did play a good role in our overall sales. So that is not a problem, whether it is Vannamei or Black Tiger. In case of Black Tiger, most of the farmers will be targeting very big, large size, basically. So it's a good scenario for us.

Now with regard to the stocking of seed at the farms, they have been increasing. They have slowly been increasing. Yes, they are appreciative of the prices, which have increased so far. Almost around Rs 30, Rs 40 have increased overall on the raw material front, I mean in, the bigger sizes, it went up by almost Rs 50 from the bottom. And in the smaller sizes, it went up by almost Rs 30 to Rs40. So it's a positive sign for the primary producers or farmers. And definitely, we are positive about that.

And it is a good sign because it is also encouraging them to go ahead and stock more ponds and thereby creating a stable supply in the country. So Black Tiger is not at all an issue. It has been in fact, it's good for us because there have been limitations with the way vannamei could grow to larger sizes, and that is being currently very well achieved by growing Black Tiger shrimp.

There are very big sizes and very large sizes, which are, and I say where we get 15 to 20 pieces per kilo whole shrimp, which is not possible that is with regard to vannamei and with the risks involved. Those farmers who have switched over to Black Tiger, especially in the Southern parts of Andhra Pradesh . So that has been going well so far.

**Nitin Awasthi:**

Understood. Sir, on the seed sales part, shrimp, that we sell and how is the market appreciative of the price and volume of the same?

**Choudary Karuturi:**

Well, the seed sales, of course, we don't expect a significant jump with regard to the prices of the seed. But yes, volumes are definitely being picked up. Usually, the Q4 of financial year -- Indian financial year and Q1 of Indian financial year have a better shrimp seed sales because that is the time when during the summers of India, where most of the shrimp stockings happen and the production also has done during this period. So currently, the sales has been good.

There have been inquiries and overall buying also has improved. But there are a significant amount of hatcheries also which are there in the industry and the overall demand has been definitely spread out. And it is, as I said, because of the stable prices, the farmers are also now again looking to increase more of the acreage, which they left out for not stocking, that they are looking at again reviving and growing back in that. So that definitely is a positive impact on the seed sales and thereby everything after that, I mean, any other product of inputs, which the farmers use.

**Moderator:**

Next question is from the line of Vinayak Kulthe from Tianum Capital. Please go ahead.



**Vinayak Kulthe:**

Sir, I want to know 4 things. The first is industry growth rate. The second is company's growth rate. And the third is expected revenue and margin growth. And what is the future of the company and growth in upcoming quarters?

**Choudary Karuturi:**

Your question with regard to the industry growth rate and also the company growth rate, of course, that has had a pause in the current year. We should be looking at getting back to what we were until FY23. So, because FY24 has been quite slow, both on the overseas market demand side as well as on the supply side, that technically affected our growth.

But the government of India is, of course, positive with regard to growing our production. And we don't know the final plans, but there have been some announcements being made with regard to the support they are planning to provide so that the production can increase, thereby, overall growth is good with regard to the domestic production.

And with regard to the sales on our front, we have had a degrowth in the current year, unfortunately, because of the various reasons explained in the beginning in the opening remarks. But that has been the scenario since the beginning of this financial year. And that because of various factors, which have been explained both on the USA side mainly.

But we are now getting a better view with regard to how things could be evolving as there's a better stabilization in the consumption and thereby demand, too. So overall, we are looking positive to be having a growth getting back to our FY23 for now. Those both on the sales as well as on the revenue, of course, subject to realization and unit values.

But we are positive of getting back to our volumes of that was our original target of having 15,000 to 18,000 metric tons of sales volume, which we are positive of that for FY25 based on the current information what we have available and the various programs, which we are working with various customers, mainly in the U.S. Again, USA will continue to remain our top market anyway. And you also asked about the upcoming quarters. Is that what you asked?

**Vinayak Kulthe:**

Yes.

**Choudary Karuturi:**

So, which I just mentioned, so we should be looking at doing a minimum of 3,000 - 3,500 metric tons sales quantities at least minimum. Of course, subject to the factors and the supply conditions at that time because the production work we do is also detrimental based on the supply conditions.

And as we get forward with the marketing side and our sales programs locked and get newer programs awarded, we will definitely have a better and bigger ability to utilize our capacities and thereby have a better growth. So we are confident on that front based on whatever information we have so far. But we will continue to keep you updated as we get into next financial year.

We'll gain better insight into how next year will unfold because this year has been rather slow, with nearly nine months already passed, and the last three months expected to be more about stabilization. We don't anticipate significant growth in the current year.



So we are unfortunately in a degrowth with regard to current financial year, but we are quite positive of getting back and improving much better than what we did in FY'23 with regard to the growth in sales volumes.

**Moderator:** Next question is from the line of Vignesh Iyer from Sequent Investments. Please go ahead.

**Vignesh Iyer:** So we have been hearing that there has been some civil unrest in Ecuador and the withdrawal of diesel tax subsidies, leading to price increases. Has this had any impact on pricing and supply, especially considering Ecuador's significant role as a supplier?

**Choudary Karuturi:** Well, okay, two parts. One is the civil unrest and the diesel subsidy being revoked by the government of Ecuador. With regard to diesel subsidy, that has been revoked way back in 2023 itself. That has nothing to do with the current civil unrest. And with regard to the whatever issues which Ecuador has been having, we understand that we have been paying for various security measures even in the past, and they continue to do even now with higher costs. That is one part with regard to Ecuador.

But if you also look at the point is that we went to an all-time low pricing in the current fiscal year, that is calendar year 2023, precisely, we went to an all-time low pricing irrespective and irrelevant from which country of origin it was being produced.

But overall, global shrimp pricing went down to a very low pricing. And definitely, that is not a positive sign for the industry to continue its operational work to sustain any longer. So definitely, when such a historically low pricing incidents happen, they definitely have an impact on the overall sustainability of the entire supply chain, whether it is the primary producer, the farmer, the hatcheries, everybody, so they definitely have an impact, which when the farmer stops stocking, it definitely has its impact everywhere.

So yes, it is similar to like the period at which an all-time low or an all-time high pricing would be there. If they don't sustain for long periods, yes, it may take some time, but eventually, it would correct. Nobody around the world is in favor of such low pricing. And one of the big things what we understand is that it didn't really get passed on to the end consumers.

If such all-time low pricing was passed on to the end consumers in the right time, that would have definitely at least absorbed the excess product, which was there everywhere in a much faster pace. But that is one of the reasons why it took much more time than it should have taken is because the lower pricing was not really made available to the end consumers in their current economic conditions, whether it is recession or inflationary pressure, whatever it is.

That's why it took more time to correct. And now it has corrected. As I mentioned, diesel subsidy has gone much more almost more than a year ago. So that has nothing to do with that. But overall, everybody in the industry are quite unhappy with the way the pricings were and there was also rethinking at the primary producer level reduction of production overall. So all that has happened.

So these are the reasons for which eventually the corrections have had happened. And now it's kind of better, a little better than what it was 6 to 9 months ago definitely. So just Ecuador's



internal problems were not the only reason for the market to stabilize. Even today, Ecuador's number 1 export market is China. And number 2 is European Union and the third is the United States compared to India having United States as their primary market. So that is the scenario.

**Moderator:** Next question is from the line of Rohit Suresh from Samatva Investment. Please go ahead.

**Rohit Suresh:** So my first question would be, is it fair to assume that the industry and even the company is not positively benefiting from the unrest in Ecuador?

**Choudary Karuturi:** Well, please, as I just mentioned, Ecuador's major market is China. And definitely, they did have an impact with regard to our sales in U.S., which we also mentioned in the earlier remarks that because of the closer proximity, which Ecuador in general has to the U.S. or the North American markets, we did have some impact for sure.

But with regard to the civil unrest which you are specifically asking, it should have impact on their production. It should have an impact on their costing. That is when the whole impact could be seen on the entire market. But currently, we have not yet heard any of such impacts so far within the resources of information we have available. But if there are impacts because of that at the production level and their production is really going to get affected, then things may be a bit different.

But currently, Ecuador is less of a focus for us and the production in India to increase and improve and get back to its normal fee is a critical part for India. I mean that's how we believe Ecuador will have its problems like every country has, it has its own problems, and it will be dealing with it in the way they feel is the best way to deal it. But currently, we have not seen any drop in production or any offers as such, I mean, any of their product offers, which we are doing to anywhere in the world. We have not seen any reduction as such.

Even today, quite a number of supermarkets in the USA are having Ecuador's product on their shelves. We did actually lose to a certain extent. Now we are slowly getting it back, but it is taking time for sure. We did lose some of our sales during the middle of 2023 and all that. It did happen. So for now, civil unrest, we wouldn't be able to comment much on that.

**Rohit Suresh:** Got it. So, you mentioned that Ecuador's biggest market is China, correct? Assuming their production within the next 3 to 6 months is affected, is there a change in outlook from Indian farmers? Since China primarily imports smaller-sized shrimp and lower value-added products, is there a risk that Indian farmers may switch to producing lower value-added products and exporting them to China due to potential supply impacts from Ecuador? Is this a risk you foresee moving forward?

**Choudary Karuturi:** When I said Ecuador's primary market is China, well, there was also some information with regard to Ecuador. In fact, they believe if, in case the new set of duties, which are going to be levied on them from USA mainly, they are going to focus more on China. Anyway China has been the number 1 market. They'll continue to grow or look at growing their Chinese business much better, that is our idea.



Now with regard to China, it primarily imports low-value items, yes, but mainly commodity products and baseline items. There is no significant value addition. In fact, the majority of Ecuador's exports to China, almost 90% or more, consist of head-on, shell-on shrimp, meaning whole shrimp.

They don't do any processing as such with regard to China. It's more of just packing shrimp as it is in the whole format. So, it has been an easier market for them that way, and that's how their infrastructures have been geared up so far.

And with regard to our Indian scenario or let's be more specific, our company scenario. We use that smaller sized shrimp more for catering to the whether it is adding little value or a higher value, whatever value addition we would do, whether it is in ready-to-cook format or any other product, we mostly cater them to the USA, North American or the European Union markets. So definitely, we have a better edge with regard to costing those products compared to them.

That's why we will continue to focus on our major sales in the USA and European Union markets. Consequently, Indian farmers receive support from all markets. However, it's these value-added markets that are crucial. Whether it's ready-to-cook low-value products or those with a bit of value addition, they primarily support Indian farmers, despite increased costs.

So just by doing to the Chinese market or Asian market with those prices, it may not really be viable for the primary producer to continue their farming. In fact, it is an advantage which the primary producer in India has, is when the processors and exporters depend more on markets other than China. So even though China will be taking all the, like you said, small prices or low value items, but they will all be in commodity category. So baseline products, as mentioned earlier.

**Moderator:** Next question is from the line of Sidharth Srikumar from iThought PMS. Please go ahead.

**Sidharth Srikumar:** My question is regarding the freight cost right now. Like compared to the FY22 and FY23, how is the freight cost for the company?

**Choudary Karuturi:** With regard to the freight costs, yes, the FY'22 pricing freight costs have come down quite well in FY'23. We have, in fact, towards the end of FY'23, we have been seeing a very low freight costs in the beginning of FY'24. However, we missed out this from our opening remarks. The Red Sea conflict, which is there, which is mainly affecting the logistics on all fronts and all our ships or vessels have to go around Africa to reach Europe, as well as East Coast of North American markets, all the East Coast ports, they're taking additional sailing times, as well as the freight costs also have increased from their kind of all-time low freight costs, which were prevailing towards the end of FY22 and early part of FY23. They have marginally increased towards the end of Q3. Currently, there has been an increase of almost around \$1,500 to \$2,000 additionally compared to the past.

Some ports has also gone up by \$3,000. Definitely, the freight costs have not gone up as high as they were during the pandemic stage. But however, they have definitely gone up marginally by almost 20% to 30% compared to what they were in the beginning of FY24. They did go up,



but we are watching maybe as the shipping lines see The Red Sea conflict easing out, hopefully, they bring back the freight costs.

But currently, our sailing times also have increased. We have added additional 1 week to 10 days, actually -- sorry, 10 days to reach Europe in ports as well as to the USA East Coast ports, which is because of the conflict at Red Sea. So that is the scenario with regard to the freight costs. They have gone up marginally, but definitely not high as what they were during the pandemic crisis.

**Sidharth Srikumar:** Okay. The second question I have is like in the beginning, you have mentioned that your EU sales mix for this quarter is 36%, right?

**Choudary Karuturi:** Yes.

**Sidharth Srikumar:** For 9MFY24, what is the share in your revenue?

**Choudary Karuturi:** It is 30%.

**Sidharth Srikumar:** 30%, okay.

**Choudary Karuturi:** Yes, that's correct. We were always below 25% concerning the EU. We typically hovered around 18% to 20%. However, this year, we've improved to 30%.

**Moderator:** Next question is from the line of Nikhil Walavalkar, an individual investor. Please go ahead.

**Nikhil Walavalkar:** I have two questions. First is how do you intend to use cash generated in the business? Again, the question is in the interim budget, there was some mention of increased allocation to blue economy. Does that impact our business issues? How does that impact?

**Choudary Karuturi:** Yes. Now with regard to your first question, as we mentioned, we are also planning to add up more on the marketing efforts and also setting our own subsidiary overseas, the company's intention is to invest there so that we can eventually have the benefits of the better sales, not only on volumes front, but also on the margins front to their processing and export side. That is the plan as of now.

And definitely, as things improve, we would also be looking at using them for additional capex at the right time. But when we will let everybody know when the decisions are taken on that front. And sorry, I missed your second question. Can you repeat?

**Nikhil Walavalkar:** Yes. My second question is in the interim budget, there was some mention of increased allocation to fisheries. So does that impact our business? If yes, how?

**Choudary Karuturi:** Yes. I think I have mentioned it to quite a number of participants today that there's some information with regard -- I did not mention about the interim budget, but that the information was from the interim budget where there was an allocation done. Of course, finally, how it will pay out, how the steps which the government will take, the intention is to increase the production at the farm level, at the producer level with regard to aquaculture products. And we



need to see how we will have a better clarity once they give out where the allocation will be done and what are the measures they will be taking.

But that is a good sign when if that can be effective. Of course, with the government authorities taking the right decisions within the right time, so that, that will help the primary producers to have a better balancing in costs and thereby have an overall increase in raw material production, which will help processing companies to have a stable supply to export the global markets.

**Moderator:** Next question is from the line of Sidharth Srikumar from ithought PMS. Please go ahead.

**Sidharth Srikumar:** I just have 1 more question. Like the primary producer level in Ecuador, what is the scenario right now in your information like at the primary producer level? Are they actually at loss? Or are their farms well? You had mentioned in the beginning that the cost is higher for shrimp farming for Ecuador? So like how are they actually doing?

**Choudary Karuturi:** I specifically mentioned that the cost to do more of at the processing level with regard to value addition and the costs involved with regard to processing are at a higher level at Ecuador. That is more on the processing front.

But getting to your point about the economics and the viability at the primary producer level, I think we need to very clearly state, the all-time low pricing was not viable to any primary producer in the world, whether it is Ecuador or India or Indonesia or Vietnam, anywhere it was. That was not definitely, it was not providing a commensurate price to anybody.

And with the way the inflation has gone up and the costs going up overall and added to that, the survivabilities in countries like India, where the survivabilities were definitely are reeling under the pressure of diseases or other problems, climate problems, definitely, the prices were very low and definitely, the costs were not being recovered. So now when there is a change in the market scenario and as things improve, at least they stabilized a bit and definitely not looking at such low pricing, it is a positive environment for the primary producers.

And with regard to Ecuador, most of the farms out there are done by corporates, unlike India, where we have several small-time farmers spread across multiple states, all the coastal states and now even some of the in-line states. So unlike India, there are most of the Ecuadorian farms are done by corporates. So there, definitely, even in their case, the costing definitely was not in favor with regard to how the prices have dropped and everybody was waiting for corrections to happen. So it is not that they were also having any good time.

If that was your question, whether they were being even in such low prices where they're doing good. No, sorry, they were not. Everybody had those problems, and everybody is under that pressure. That is one of the reasons why countries are coming together in marketing shrimp globally, starting with the United States market, in the beginning and the early part of 2024, that we are planning to have a marketing campaign so that the consumption of shrimp can increase overall, starting with U.S. market. That's the reason so that there will be better consumption going on and so that the demand will remain stable and such kind of crisis doesn't happen with regard to lower prices in the market.



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

**Choudary Karuturi:** Thank you very much, everyone, for joining us on this call of Q3FY24 and 9MFY24. And for any queries and clarification, you can always reach out to us and also our Investor Relations team, Stellar IR Advisors at [ir@apexfrozenfoods.com](mailto:ir@apexfrozenfoods.com). Thank you very much, and have a good day.

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