



“Apex Frozen Foods Limited
Q2 and H1 FY '26 Earnings Conference Call”
November 17, 2025



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FOODS LIMITED
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MODERATOR: MR. SUYASH SAMANT – STELLAR IR ADVISORS

Moderator:

Ladies and gentlemen, good day, and welcome to the Apex Frozen Foods Limited Q2 and H1 FY '26 Earnings Conference Call. As a reminder, all participant lines will remain 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 the operator by pressing star then zero on your touch-tone telephone. Please note that this conference is being recorded.

I will now hand the conference over to Mr. Suyash Samant from Stellar IR Advisors for opening remarks. Thank you, and over to you, Suyash.

Suyash Samant:

Thank you. Good morning, everyone, and thank you for joining us today. We have with us the senior management team of Apex Frozen Foods Limited, Mr. Chowdary, Karuturi, Managing Director and Chief Financial Officer; and Mr. Durga Prasad, Senior Manager, Accounts, who will represent Apex Frozen Foods Limited on the call.

The management will be sharing the key operating and financial highlights for the quarter and half year ended 30th September 2025, followed by a question-and-answer session. Please note that this call may contain some of the forward-looking statements, which are completely based upon the company's beliefs, opinions and expectations as of today. These statements are not the guarantee of the company's future performance and involve unforeseen risks and uncertainties. The company also undertakes no obligation to update any forward-looking statements to reflect developments that occur after the statement is made.

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

Karuturi Chowdary:

Yes. Thank you, Suyash. Good morning, everyone, and thank you for joining us on this investor call for Q2 FY '26. We have uploaded the investor presentation on the website of the stock exchanges, and we do hope that you had a chance to go through it.

To begin with, we would like to reiterate our diversification strategy that we have been pursuing over the past few years. In FY '22, for example, our non-U.S. export business accounted for roughly around 24%, and this has now expanded to nearly 50% in the first half of FY '26. We aim to keep diversifying our client base across geographies to mitigate the risk of dependence on any one single region. That said, the U.S. continues to remain an important market, both for India as a whole and for our company also.

Now coming to the financial performance in Q2 of FY '26. The net revenue rose by 19% year-on-year to INR238 crores, driven mainly by higher realizations at INR870 per kilo, marking a 25% increase year-on-year. The higher realization was mainly on account of firm global shrimp prices along with favorable exchange rate movements. Now sales volumes, of course, have declined marginally from 2,710 metric tonnes in Q2 last year to 2,606 metric tonnes in Q2 of FY '26, mainly on account of the U.S. tariff-linked trade uncertainties.

While sales to the U.S. declined in Q2 FY '26, the European Union market, excluding the United Kingdom, continued the growth momentum with year-on-year sales growth of 18% and quarter-on-quarter sales growth of 21% in Q2 of FY '26. The non-U.S. business share increased to 56% in Q2 FY '26.

Coming to the profitability. In Q2 FY '26, the gross profit increased by 76% year-on-year and 9% quarter-on-quarter to INR96 crores with a gross margin of 39%. The margin improved by 1,200 bps year-on-year and 552 bps quarter-on-quarter, was supported by growth in realization and stable farm gate prices. In Q2 of FY '26, the average shrimp purchase price for the company was around INR321 per kilo, which was flat year-on-year and quarter-on-quarter.

The EBITDA grew 284% year-on-year and almost flat quarter-on-quarter to INR18 crores, forming an EBITDA margin of 7.2% from 2.3% in Q2 FY '26. Lower finance costs and depreciation aided further growth in profit after tax, which increased to INR12 crores in Q2 of FY '26 from a loss of INR1.7 crores in Q2 last year and INR9 crores in Q1 of FY '26.

Now with regards to the first half of FY '26 financial performance, our net revenue grew 29% year-on-year to INR497 crores versus INR386 crores last year. Gross profit increased 60% year-on-year to INR184 crores with a gross margin of 36% versus 30% for last year. EBITDA grew 130% year-on-year to INR36 crores with EBITDA margin of 7.1% versus 4% of last year. Profit after tax increased 877% year-on-year to INR21 crores from INR2 crores in H1 of FY '25.

In terms of balance sheet, it continues to remain strong with our total borrowings reduced significantly over the past 3 years from INR167 crores as of March 2022 to INR41 crores as of September 2025. In the first half of FY '26, the company repaid almost INR30 crores in debt, bringing down the short-term borrowings to INR40 crores and a long term to nearly INR1 crores as of September '25.

Our net debt-to-equity ratio has strengthened from 0.34x as of March 2022 to 0.05x as of September 2025, reflecting our sustained focus on debt reduction and balance sheet strength, improved profitability, lower working capital requirements and depreciation. Our cash flow from operations have grown to INR46 crores in first half of FY '26 versus INR7.3 crores in first half of FY '25.

Now to conclude with, I would like to reiterate that with a lot of the headwinds in the previous quarters for a couple of years playing out, we continue to focus on the basics, like strengthening of our balance sheet, diversifying our revenues mainly on account of markets and continuing to ensure that we are ready for the markets as the overall situation improves.

We are hopeful of a fruitful outcome from the ongoing India-U.S. trade deal talks and look forward to improving export trade with U.S. as well as other major markets like European Union, where we have been informed that the India, EU, FDA is also likely to get concluded very soon. So we are watching the developments carefully and continuing our endeavor to take the right steps towards sustainable business development and growth.

With that, we can now open the floor for question-and-answer session. Thank you very much.

Moderator:

Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. The first question comes from the line of Nitin Awasthi from InCred Research.

Nitin Awasthi:

I just wanted to understand the developments on the Europe front. Our facility itself was made for the European market with -- in mind to enter the European market. However, there were a

lot of barriers to enter that market, including approvals not given and other quantitative, non-quantitative barriers. Now that India, EU seem to be on the right track for trade, have a lot of those barriers gone off? Or are there still some barriers, which stand in your way?

Karuturi Chowdary:

As far as the barriers are concerned, definitely, the EU market will continue to have its own set of regulations and stringent checks and measures -- checks in place, sorry, which obviously will just maybe kind of delay the time required for shipping a particular order or any of those purchase orders what we have. But as far as the general barriers, which are there, as far as restrictions, which are there, they have all been removed.

And like you mentioned, our new facility, which has been also conceived or made, which was created 5 years ago, was supposed to be significantly utilized for this market, but because of that major issue, which got resolved a few months ago, especially I mean during the Q2. And now we are -- as we are also taking up additional orders for ready-to-eat also from that market. So that really -- it is the -- a big hindrance for our business to EU has been removed.

But however, the regular systems, which are in place for the EU market in general, which make it a little bit tough to -- I mean, it's not really tough. It's just that the time taken for order delivery would be more in the case of EU compared to other markets because of the testing protocols involved prior to shipment and all that. So otherwise, yes, the major barriers have already been totally -- we have overcome all those barriers, thanks to the efforts by Government of India.

Nitin Awasthi:

With that in view, are the regulations currently for approving our exports to EU in line with Vietnam? With that, what I'm trying to understand is Vietnam is currently the largest exporter to EU. And of course, India now has an opportunity to make a mark there; however, our -- even the stringent -- checks were quite stringent on Indian shipments compared to Vietnam, and that also was a hindrance in a way. So is at least the hindrance reduced to the level of Vietnam? Or is it still more to go?

Karuturi Chowdary:

Okay. There are 2 -- Mr. Nitin, there are 2 parts here. One is the general entry barrier, which was there because they were holding up approvals of the facilities, that has been overcome. Now when you are making comparison to another market like Vietnam, we need to acknowledge the fact that Vietnam has an FTA free trade agreement in place for almost 2 years, this is the third year, I guess. And they are at 0% tariff or duty, the Vietnam shrimp products into the European Union are at 0% for raw -- ready-to-cook -- sorry, ready-to-cook products, while we are at 4.3%.

And the -- also their testing at the destination on their goods is at 10%, while the testing on Indian consignments to the European Union are at 50%. So these 2 major topics, which are there. One is that tariff barrier and the other is non-tariff barrier as far as the entry of consignments into the EU is concerned, that is being addressed right now as we speak in the negotiations of the India, EU, FTA talks.

And the soonest that -- we have been given the information, as I mentioned in the opening remarks, that it is going to get concluded very soon, most likely by the end of this year. So hope -- and subsequently, whatever the due process which is -- which will be taken up within the EU among all its nations, then we should be on par with the country or the other markets, which you

are mentioning about of having like the tariff barrier of that 4.3% additional on our ready-to-cook and 7.2% on the ready-to-eat differences there.

And also the testing upon arrival of shrimp consignments from India currently at 50%, which is a non-tariff barrier, all these are being addressed right now. So once the FTA is done by the end of this year, that will totally keep us on par. I think that should answer your question. So we are all waiting for the FTA to even have these 1 or 2 tariff as well as non-tariff barriers to totally be eliminated for the Indian shrimp consignments.

Moderator: We take the next question from the line of Bala Murali Krishna from Oman Investment Advisors.

Bala Murali Krishna: Congratulations on a good set of numbers. Sir, the question is regarding the new markets, which are opened like Australia and also some Russian market approvals also we have received. So what is the potential of those markets? And do we have any plans to export to those markets?

Karuturi Chowdary: Yes. We are, of course, expanding, as mentioned earlier in the opening remarks. We are, of course, expanding to other markets, including Russia. And now Australia, they have recently approved after a long gap, almost a decade, more than a decade. There were restrictions with regard to Australia for shrimp from India, which -- those restrictions have been eased, and we are looking forward for -- to starting the shipments again with Australia.

In the case of Russia, also, they have -- we have -- already are in the process of getting the approvals done as they are doing it in phases. Russia also, there were similar issues like EU. But in the present scenario, we do have the word even from the Honorable Prime Minister of the country, Mr. Narendra Modi also that it's being taken up soon, and he is going to have an interaction even with the President and the government later. So that they are going to clear up the proposals for -- sorry, all the pending approvals for all the shrimp processing factories.

So we are -- of course, we are looking forward for doing -- increasing our sales to other markets as that answers. We have already started doing for Canada. I mean, we are increasing that Canadian business. And now Russian approval, we are looking -- awaiting. We have already met a few customers, and we look forward for exploiting the potential, which is there in that market because we already produce those products, which the Russian market currently imports for other markets already for U.S. and Europe.

So it's very easy for us to do -- just to get the regulatory approval, which is being done right now as the negotiations or discussions between the Indian government and the Russian government are happening at a very high level. That I can only comment to that point with regard to Russia. So yes, we are definitely looking ahead. And I think we should be able to start, if not in Q3, by at least Q4, we should be able to start for Russia and Australia, for sure, to answer your question.

Bala Murali Krishna: So how bigger these markets are like from the the 5% or 10% share of the export business?

Karuturi Chowdary: The potential for Australia itself is quite significant. In fact, the company was doing a good chunk of business, a good part of business in the past. I mean this was even before the company became private. So let us say, before 2012, around 2012-'13. Before that time, we used to do quite a lot of business with Australia, and there is a lot of potential in Australia. So we can

definitely -- at least to start with, we can easily take it up in the first year at 5% and grow it to almost 10% of the overall business on a percentile basis as far as Australia is concerned.

In Russia, there is a good potential. And both the markets, which you have mentioned because of various restrictions or these hurdles, which we were having, we were -- our market share has been taken over by countries like Vietnam or even Ecuador to a certain extent and Indonesia. And with these hurdles being -- or hindrances being removed or eliminated in the due course of time in the future, we are very confident that we will be able to gain back our business, our market into those -- both those markets. I mean, in Australia -- I mean, Russia, it will be a first time for us.

But Australia, we have -- there was a pause of business with them for more than a decade since they stopped Indian consignments. But we -- it's a good -- very good market, both of them. Australia, definitely, it's much bigger. Russia, of course, even though this is the first time we do, we did make studies, and we do have an understanding of the market potential there. Yes, so both of them are very important -- will be important markets going forward to be keeping it, let us say, on par with U.K. and even higher than it will be almost as far as Canada is concerned, Australia and Canada are pretty much kind of similar markets.

Bala Murali Krishna:

Okay. And then, these farm gate pricing, how is that trend now as of now because earlier there is a drop because of tariff. So is there any improvement in the farm gate prices or...?

Karuturi Chowdary:

They have been stable. The farm gate prices have been quite stable for the past 3 to 4 months, almost since April, almost it's been very stable. In between, of course, there will be here and there a little bit of spikes, which would be there during some gaps in supply. But the primary producers are also quite comfortable at these levels, and they have been -- the prices have been very stable actually.

And in fact, since we do a very small part of the seed business on the hatchery front, we also have seen a lot of interest in the seed booking and they are taking the shrimp seed and, definitely, farmers also have been going for stockings. It's just that they are changing their strategy of the sizes, which they used to produce. Earlier, they used to produce mainly the smaller sizes, very small sizes and which mostly used to cater to, let us say, China, for example, the Chinese market.

But now they are looking at more of a medium-sized target as their first harvest. And that's more of an individual plan of respective farmers or the primary producers. And -- but overall, the confidence at the farm level is good, minus any chaos or any issue, which would be created if any climatic issues are there. Like, for example, there was some cyclone effect last month and some of the farms may get affected. But overall, everybody are -- currently, the sentiment is good as far as the farming producers are -- farmers are concerned.

Bala Murali Krishna:

Okay, sir. And lastly, on the raw material cost, this quarter we have a reduction in raw material cost, but that is not reflecting in the EBITDA. The other expenses are also increased quarter-on-quarter, that includes almost 100% by year-on-year. So what is the reason for this spike in other expenses? It looks like the raw material advantage, this price advantage can really translate to half year.

Karuturi Chowdary: No. See, the raw material price, of course, was, in fact, lesser for the current quarter. It was INR321 on average. Again, that -- I mean, for the -- of course, definitely, it is a little bit higher. If we look at on a half yearly basis, this year, it is higher by INR10 compared to last year. One of the major reasons why this year, the farmers mood is also in a much better way compared to last year is, these prices have been very stable and not going low and kind of affecting them as far as the raw material prices are concerned.

Now your question related to the other income -- sorry, other expenses, I'm sorry. One of the most important points with regard to the other expenses, which you also need to understand is that our tariffs have increased the tariff, which you are aware, which is being paid in the case of U.S. market. The 50% tariff that obviously gets factored. I mean, that will be part of the other expenses. One of the reasons why the other expenses jump is there.

So that is not -- so by the way, the same tariff is also being compensated by the customers, which I think we have already informed to you during Q1 also -- I mean, quarter 1 also. So the other expenses increase is mainly in relation to the tariffs, especially. Otherwise, most of our costs have actually come down comparatively compared to the previous quarter -- last quarter.

And it's the -- overall gross profit as well as the EBITDA margin also, if we look at it, it definitely has improved compared to the previous quarter or even on quarter-on-quarter basis. If you see even last year year-on-year basis also, it definitely has improved. The other part is -- the other expenses part is mainly due to the tariff component, which you can see has significantly increased in Q1 as well as Q2 also of this year of FY '26. So mainly on the tariff part for the U.S. market.

Obviously, as we grow our sales to other markets, where there are -- the tariff issues are not there. So that will get negated to that much extent. So with having a stable or firm selling prices from the other markets also and this stable and good farm gate prices, our margins should maintain in a very comfortable manner.

Moderator: We take the next question from the line of Sharan from SVS Family Office.

Sharan: Since our capacity utilization is only 30%, so how are you thinking to unlock this? Or what could be the factors that could drive for unlocking this capacity utilization going forward, let's say, in another 2, 3 years?

Karuturi Chowdary: Yes, main -- of course, the capacity as such, utilization has been on the lower side. But now compared to last year, definitely, this year, it has been in a much better manner. But we are focusing on growing our -- of course, as we diversify not only in markets, but also our customers in the existing markets. We are confident that we will be ramping up our utilization.

It is true that we did make some changes within the operations and even consolidated some of the operations during the Q2, but that is just a stand-alone one-off case where we have been focused more on operating in 1 facility and trying to produce more out of that, so that we can bring down our overall costs.

But going forward, with this diversified diversification in markets and adding up more to the order book, we do plan to increase our -- utilization of our capacity even further and rather take it up to 50% minimum over the next 1 year for sure. That is the idea. So which actually we have been planning this year also to take it up to almost 14,000 to 15,000 metric tonnes in this year.

But of course, in the July -- in Q2 -- sorry, there was -- in the beginning of Q2, there was certain issues with regard to supply on certain sizes. So we couldn't take up that. But next -- going into the future years, definitely, we look forward to increasing the capacity utilization even further, aided by these diversification plans, especially.

Sharan: Okay. Just a follow-up to this. If we unlock this capacity utilization ideally rough -- so back of the paper calculation, it means that my -- our revenue should be touching somewhere around INR2,400 crores. I mean that's the ideal, let's say, if I reach up to the 80% or 85% of the capacity utilization, right?

Karuturi Chowdary: Two factors here is, with regard to capacity utilization, we would be more focusing on producing more volumes. Now whether that would entirely bring out the revenue number is a different question because, as you know, the revenue is determined based on our realization in dollar terms, also in the rupee terms. As you also notice, the foreign exchange gains, especially with regard to the depreciating rupee in the past 2 quarters have definitely helped us to maintain on the revenue.

And yes, however, we all need to acknowledge the fact here that the more expensive a product becomes, it cannot sustain for a long period at that level. So there would be corrections, whether it is, for example, even these tariff -- these current selling prices, which are there for U.S. market, especially with the tariffs, whether they can sustain for a prolonged period, that is definitely questionable, obviously. And the sooner the tariffs are removed or reduced, it should be encouraging more volume.

That's what we are looking forward to. So I wouldn't exactly be able to give you a number -- I mean, an idea on the number of -- amount of revenue, but rather, we would be focused on our volume growth for sure. And in the present scenario of between INR700, INR800 per kilo and even further value addition as we develop, even taking it up to INR900, INR1,000 per kilo on realization front, definitely, the absolute revenue will be in relation to that.

But we -- our focus mainly will be on growing the volumes, especially. But if you ask me today, today, it is not appropriate because tariffs are also playing a big role in the way the revenue is placed in today's scenario, which we all have to acknowledge. So -- but as these tariffs get removed, which eventually have to be reduced or removed because for us, everybody, so that the consumers can continue to consume the products and buy these products. And that way, we can also grow volumes. I hope -- I'm sorry, but we will not be giving you much of idea of numbers...

Sharan: But I'm not asking -- I was just asking from a, let's say, from a 2, 3 years perspective, taking 10 years average rate and then you can just help us in understanding the potential. It's just about --

I mean, measuring the potential of the current capacity, if it shoots the capacity utilization growth, what would be the potential revenue is what I was trying to...

Karuturi Chowdary:

Maximum, I would only -- we would only be able to give you an idea that if we are able to achieve a 70% utilization of our capacity -- current capacity, we should be looking at around 20,000 metric tonnes in the due course, in the next few years, right? So that is -- and usually 80%, 85% is the max out of any fixed capacity we have. Beyond that, it is not possible to do. I mean it's not -- it's challenging. It's not in the interest of the machinery, which is there.

So that is what I can -- we can inform you at this time. But definitely, based on that, the revenue would be there accordingly. But I've just gave you -- we just gave you an idea of how -- to what level we can do our volume going into the future years when we touch up around 70% of our -- roughly going to 18,000, 20,000 metric tonnes in the next 2 to 3 years, this is definitely a sustained volume growth.

It should be sustained also. It's not like we just do it in 1 quarter or do it in 1 year and then, again, it comes down. That is not the idea. So we want to have a sustainable growth. In fact, we have had issues over the past -- last year, especially, which we want to come out of such scenarios. Now with this diversification plans, definitely, it is going to help, yes.

Sharan:

Okay. Just last question from my end. So if this, let's say, the capacity utilization keeps on going up and reaches to the levels whatever you are mentioning in 2, 3 years, ideally, the current margins, whatever I'm seeing should also be incremental -- it will be incremental, right? I mean, what is the steady state margins you will be getting in this business is what I want to know?

Karuturi Chowdary:

See, in the present -- I mean, okay, with regard to the margins, especially if we look at it, we were doing -- earlier, we used to do an EBITDA level of 10% plus. It was always double digit. But then after the -- in the past 1 to 2 years, definitely, our margins have contracted for various reasons, also for certain provisions, which were made, especially in the past 2 years for some legacy-related issues, whatever.

We -- definitely, with the growth in the value terms, obviously, a 10% to 12% margin is doable for sure on an EBITDA level as long as the realization also continues to grow. That is -- and we cannot expect higher realizations on commodity level products or the baseline products where the volume growth will be there in a good way. But as we definitely increase our value-added output, which is just not our focus, even government of India today, especially, even to the level of the Honorable Prime Minister is asking us to grow the value-added component more than that component.

So that definitely would be not only just enhancing our -- on revenue numbers, but revenue on sales alone, but it will also be enhancing our margin so that we can have a stable 10%, 12% level, which was there. It's not like something, which we did not have in the past. So it's not something -- we missed on the past few years, it was a little bit challenging for various issues. But those, as we overcome and all these positive news, which are there for our industry and, especially, from the markets, which we deal with, definitely, we should be looking in that direction.

Sharan: Okay. Okay. Ideally, sir, I mean, everything is in the place, it's just that we have to wait for the revenue to come. Let's just see.

Moderator: We take the next question from the line of Sidharth Srikumar from ithought PMS.

Sidharth Srikumar: So my question is like in H2 FY '26, the realization increased by 22 percentage compared to H1 FY '25, right?

Karuturi Chowdary: Sorry, can you -- you said the -- can you repeat, I'm sorry?

Sidharth Srikumar: So the H1 FY '26 realization is higher by 22 percentage compared to the last half year of FY '25, right?

Karuturi Chowdary: Yes.

Sidharth Srikumar: So out of that how much of that is due to increase in tariffs and, let's say, the dollar depreciation -- sorry, the rupee depreciation?

Karuturi Chowdary: Okay. See, with regard to tariffs, you need to understand currently, especially in the first quarter, we were mostly paying 10% tariffs in the first -- during the first quarter. But during the second quarter, actually, I think pretty much from the middle of -- almost from the beginning of second quarter, even though the tariffs were announced at 50% from August onwards, that definitely affected some of our shipments in July also. And obviously, it's a blend in the first half of the current fiscal year, where the tariff component is -- 1 minute, sorry.

That was -- the tariff alone was -- it will be roughly around -- on the sales, it will be around 9 -- I'm sorry, it is almost -- it's a blend. Only the tariff component was around 9%. I mean that is because we have diversified our markets, and we are not doing everything anymore on U.S. So only on the tariff between the 2 quarters, we -- on an absolute number basis, we had to pay around INR39 crores, roughly -- around INR40 crores, sorry. So that is -- which would be translating to roughly around 9%, I guess. Yes, sorry, 8.5% on the tariffs alone.

Now rupee depreciation in the previous quarter and, I mean, compared to last quarter, of course -- sorry, last year first half and this year's first half, we did have definitely a good -- in our advantage, in the industry's advantage as well as the company's advantage, definitely, we did have a good depreciation of rupee, which helped us. So that is to the extent of almost we had around -- I think, we roughly had around INR5 to INR6 compared to last year.

But the most important point here is with regard to revenue, the sales -- the unit value in dollar terms without the tariff also was very stable compared to last year. The main important part is this that the prices -- the selling prices without the tariff also have remained quite stable this year compared to last year. So overall, the demand in the market from various countries, I mean, U.S.A., of course, continuing, that definitely helped us to have a good realization in dollar terms as well as, of course, supported by the foreign exchange, definitely, it helped us in the rupee terms also.

- Sidharth Srikumar:** Understood. So you said to an earlier participant that, let's say, you see potential of doing up to 10 percentage of your current business in Australia. I mean, I don't know if that is what you meant?
- Karuturi Chowdary:** Yes. We said there is a potential to grow till 10% of our business over a period of time. That was what I said when the earlier participant was specifically asking what exactly is the potential there with the market of -- for the market of Australia. That's what he was specifically asking. And I was telling we could...
- Sidharth Srikumar:** 10% for...
- Karuturi Chowdary:** 10% of our business, which we could take it up. And we were telling that -- I was telling that we could grow it till that level because it's a very good market, which we had in the past, but we lost it over the past decade. And now we are looking forward to regain it back soon.
- Moderator:** We take the next question from the line of Unni from Geojit Investment Limited.
- Unni:** I have 2 questions. So one is the continuation from the earlier participant. So the tariff impact, if I want to understand. In other expenses, how much is the tariff amount, if you can bifurcate, it would be helpful.
- Karuturi Chowdary:** In our case, for the half year, it was INR40 crores.
- Unni:** INR40 crores, right. And the second question is, you had mentioned in the previous call, right, if we get the approval from EU, for the new facility, there is the RTE facilities, around 2,500 tonnes of additional volumes you expect. So you continue with that expectation, maintain that expectation?
- Karuturi Chowdary:** I'm sorry, can you repeat this question, please? I'm sorry.
- Unni:** The RTE facility for the -- since we got the approval from EU, how much would be the volume -- additional volume you expect? In the previous calls, you mentioned about 2,500 additional volume. So if you maintain that, that is what I'm asking.
- Karuturi Chowdary:** Currently, in the volume, what we have -- so far we have done currently in our sales for the first half of roughly, we have -- so far, we have done around 5,600 metric tonnes; out of which currently the EU market is around 46%. So we are, in fact, growing it even further. We, in fact, are -- we have good set of orders for that market, except for certain regulatory hindrances, which will be there for that market while doing shipments. But otherwise, we look forward to grow it even further.
- And definitely, in FY '26, we will be doing the highest amount of volume. In volume terms, we'll be able to do highest amount of sales with -- to the EU market for sure, as we have engaged with a lot of customers in a diversified way in the entire European Union market. So yes, we are -- currently, already, we are at doing -- currently, we are at 2,300 metric tonnes already as far as EU is concerned.
- Unni:** Sorry, I'm specifically asking for the RTE facility that you recently got...

- Karuturi Chowdary:** See, with this RTE, we have -- yes, RTE, we will be able to do it for sure, which will be more possible in the next fiscal year because, as you know, we have received the approval and we have already started doing RTC in the end of Q2. And RTE, we have taken up orders now, and we are continuing to take more of those RTE orders for the EU market in Q3 and Q4. The impact of the RTE we should be able to see more of it towards from next year because the full year, we will be able to take it up -- sorry, we'll be able to exploit that potential to the fullest next year.
- Unni:** So how much -- if you can give a guidance for how much it is, since you have mentioned like you have already -- the customers you have already, so how much it would be in terms of volumes from this RTE facility?
- Karuturi Chowdary:** From this -- I mean, this year, of course, it -- we should be doing around 1,000 metric tonnes max, high side, on a higher side, which tentatively in the current financial year, roughly, we should be able to do around 1,000. But next year, we should be -- only in the RTE, we should be looking at 2,000 to 2,500 metric tonnes as stated in the earlier call.
- Moderator:** We take the next question from the line of Ashok Kumar from EY Company.
- Ashok Kumar:** Yes. So first of all, congratulations on the good set of numbers. So I have one question, which is a follow-up to the previous conference call. So where you have mentioned that after getting the EU approval for the new capacity, you mentioned that there is some new local approvals, which are pending. So are they gone through? I mean you have got the new...
- Karuturi Chowdary:** They are done. Yes, they were done. They were done. We already started. I think we have been answering that. We have already started doing. And in fact, with regard to the RTC consignments, we have already started. RTE, we are producing them currently, and we'll be shipping them as and when the required -- requisite testing is done, which is mandated as per the EU prior to shipment. So that we'll be doing those also. We are already doing from the new facility for the EU market.
- Ashok Kumar:** Okay. So that means the exports also already started?
- Karuturi Chowdary:** Yes, yes, they have started. It's just that it started towards in the current -- sorry, Q3, not -- I mean, yes, in the present quarter, it did start. And we are already taking up orders and further orders also growing them from the new facility out of the new facility.
- Ashok Kumar:** Yes. Good to know that. So I have just 1 more question. So with regard to the U.S. tariffs, after they have been moved to 50% I think this would be the first quarter, I mean, the current quarter, which is Q3, which is going on. So this would be the first quarter, which will have a full quarter impact of the 50% tariffs of the U.S. side.
- So how do you see the current quarter shaping up considering the diversification we have in place? Because why I'm being -- I know that this is a pure short-term call, but these kind of situations will give us the clarity on the resilience we got into our business after the diversification. So that's the reason I want just to know how this quarter is going to shape up.

Karuturi Chowdary: Well, as negotiations -- trade negotiations happen, continue to happen and there are dialogues happening parallelly, during our company's quarterly con call, but also parallelly, there are negotiations happening between the governments, we should see whether the entire Q3 will really be exposed to the 50% tariffs or not, I don't know. It is too premature to say -- to state. However, the impact of the tariffs is there, and we wouldn't conceal that fact, but it is a fact that it is there.

And we have had certain issues where some of our orders had to be moved to some other market because obviously, at the 50%, the consumers or the customers are unable to take up at that cost. So definitely, such impacts are there. But then there are -- equally, there are also other clients or customers who have accepted to absorb the 50% tariffs and they are willing to give additional orders, asking us to continue to ship as they need the product. And there are certain customers who have set programs with India specifically and with our company specifically.

We continue -- we are continuing with them. But definitely, there is kind of a disturbance in the overall planning of our customers, and it kind of -- we believe it will -- it's a short term and it will remain short term. And supposedly, the trade negotiations, which are there happening between India and U.S.A. and, positively, they come up with a resolution very soon, again, which has been -- also been emphasized by the Honorable Prime Minister also to our sector also.

So we feel that very soon, it should get resolved. And positively, the 50% tariff doesn't impact the entire quarter of current fiscal year to answer your question. That's what we can keep our fingers crossed with regard to that. But definitely, there is an impact. There is -- there are -- it's a kind of a disturbance because it is becoming a challenging issue for our customers also to work with us as such because this is definitely an added cost, and they are unable to push the products at the same ease like they would do in a normal case.

I mean if it was not 50% hypothetically or even if it was 25%, if the additional 25% was not there and it was only 25%, there would not have been any change most likely. In fact, that's what our customers have been informing us that we would have been doing everything normally. We don't need to diversify to other producing nations or we don't need to cancel some of the orders. That's what they stated to us. Yes, so definitely, I would say the additional 25% definitely has been causing trouble, the penal 25%, whatever we want to call it as. So that impact is there, but...

Ashok Kumar: Actually, my intention is also the same to know about it because thanks to the diversification and the resilience, which we got into our business; hopefully, this will be a short-term scenario and come back, so hope the best for the company...

Moderator: We take the next question from the line of Sidharth Srikumar from itthought PMS.

Sidharth Srikumar: So in the first half, you have done almost INR46 crores of cash flow from operations, right?

Karuturi Chowdary: Yes.

Sidharth Srikumar: And in the last year, FY '25, you did almost INR50 crores. So how do you plan to -- do you have any plans to make the existing ready-to-cook facilities more into value-added with the cash?

- Karuturi Chowdary:** So far, we have been, of course, as you can see, we have been reducing our debt and keeping it very low. In fact, we are positive. Our subsequent quarters borrowing also will be coming down significantly as far as utilizing the positive cash flows are concerned. And also the utilization of the ready-to-cook -- the old facility rather, which is exclusively meant for RTC. We would be focusing on doing certain customized products for certain markets. We are entering into certain new product categories for the certain markets. Unfortunately, we will not be able to reveal the product scope or the markets, I'm sorry, on this call.
- And we are going to utilize both our old and new facility, which is the smaller one and the bigger one for these products. And we look at -- because those products are supposedly not just -- which I think this answers partly to another participant's question earlier, which is also a value-enhanced product, which is not just -- not on just revenue side, but also it's going to give us better margins. So we are not just restricting the old facility. If -- whenever we would use it again, we are using it now again. Last quarter, we didn't use it much because we wanted to consolidate the operation during that phase.
- So whenever we would be using the old facility, we are also doing -- within the ready-to-cook, in the RTC category itself, in the segment itself, we will be focusing on enhanced value products so that even that it's -- needing the RTE to just get higher value. We have other products which we are working with our customers, which we have already finalized. We have them in our order books. We have the required equipment, which is already being purchased. And even in the RTC, we are looking at growing our value even further in the RTC segment itself.
- Moderator:** We take the next question from the line of Abhishek Singh from S&S Capital.
- Abhishek Singh:** So sir, this is a follow-up from one of the previous con calls. And I think what we understood is, it takes around 45 days for us to completely process the order and get it delivered to U.S. So the question being, I think we might have...
- Karuturi Chowdary:** I need to correct you here. Did you say -- I'm sorry, I need to correct you here. Did you say that it takes 45 days to deliver or 45 days to ship?
- Abhishek Singh:** I think it is 45 days to ship, is it?
- Karuturi Chowdary:** To ship, yes, correct. 30 to 45 days. Yes. To deliver, it takes almost 60 days from the time of shipment, yes.
- Abhishek Singh:** Okay. Okay. So the question coming is that I think for the upcoming peak season, which is Q3, for the festivities, we might have already closed on the bookings by now, right? So the question being, what kind of impact are you seeing compared to last year when we did not have all these -- the tariff situations going on?
- Karuturi Chowdary:** Of course, like you rightly mentioned, most of our sales that are meant for utilization, the products meant for utilization during the holidays are already shipped. Most of the sales have already been done between Q2 and early part of Q3 whatever, we have already done that. And obviously, to negate the tariff-related issues, our company was focusing on diversifying to other

markets. That's how we increased our business, our sales to the non-U.S. markets in a significant manner, in a good way. That is something -- that's how we are focusing on.

And maybe we should have done it much earlier, but now this is something which if not late. But we all need to acknowledge the fact that U.S.A. will continue to be the largest market for our products in the highest value possible in a normal course. That will always be. So well, if you ask us whether these tariffs are impacting us, yes, which I -- we did state earlier also to another participant.

Now if the tariffs are not at this level, they are at reduced level or if no tariffs, definitely, the scope for growing in the U.S.A. itself is much higher because the potential is quite high there. It's not like it can be replaced somewhere, elsewhere. Yes, we can make efforts even let it be even domestically here and there. But still, that is the largest market in the world with regard to shrimp consumption. I mean the scope of -- the portfolio of the products is very high when we compare even though China may be the biggest consumer in volume terms, but the products are baseline commodity.

They are not -- they don't have much scope of value addition when compared to U.S.A. example. So yes, we are currently that -- this issue is there, that's why we are focusing on other markets so that we don't entirely get affected because of this big hindrance from 1 market. So that which I think we have been answering the same thing earlier also. That's why these diversification plans and which we have already implemented and we have been quite successful. That's how we are trying to negate the headache or the problems or the troubles, which are coming up because of the tariffs.

Abhishek Singh: Got it. Got it. Got it. And sir, the second question is, I have not heard about, but do we have any ongoing issues in terms of like because shrimps are very much coherent to the diseases, so do we have anything ongoing recently?

Karuturi Chowdary: Nothing specifically, recently, which is different from what it has been there already. So it's not something specific or something new. So as far as diseases that the farms are there, during certain times of the year when the climate is favorable for the disease, they kind of attack those farms. And after a period that just -- after that period is done, it comes to normalcy. So that is -- it's the usual. It's nothing unusual at this time. We didn't have any of the specific episodes that have actually impacted in a big way.

Abhishek Singh: Okay. And just a last question. So suppose -- I mean, I'm talking about the best case scenario now. Suppose the trade talks, whatever have been happening, they go in line with what the company or the investors are expecting, so do we have a way with these suppliers based in U.S. for them to come back to us rather than whatever they have done so far within Q3...

Karuturi Chowdary: Obviously.

Abhishek Singh: As part of their diversification process?

Karuturi Chowdary: That will more impact Q4, to answer your question. Yes, if they come in Q3, obviously, that will impact the shipments of Q4, not within Q3, right? You get the point, yes. Because the -- let us

say, their plan for buying -- if things are resolved within Q3, definitely, their plans for buying end of Q3 and early Q4, all that will get changed. Definitely, it will get changed. We are confident of that based on our discussions with our customers. Yes.

Moderator:

We take the next question from the line of Nitin Renjith from Frontline Access Capital.

Nithin Renjith:

And I think you have touched upon this issue a few times in the call itself. But towards the end of your interaction with the last participant, I think, the management kind of told us that we are still viewing U.S. as one of our major markets. And that's just kind of -- that is kind of puzzling because Ecuador actually has favorable tariffs when compared to us. And I'm sure that the Indian government and the U.S. government would ultimately reach some consensus on removing these tariffs.

But in the short term, how much feasible is -- how feasible is it for us to actually export into the U.S., given the arbitrage because just looking at the tariffs, which Ecuador enjoys, it's something like just 18 percentage as compared to what something like 50% that we actually pay. So in the short term, don't you think exports in the U.S. as such would have become kind of unviable? I'm sure that...

Karuturi Chowdary:

I guess you might have missed the point here is, the customers who are buying produce -- the customers from USA who are buying the produce -- products from India are bearing those tariffs. So as far as viability is concerned, it wouldn't be affecting -- should not be affecting the Indian exporters with regard to tariffs as far as the viability is concerned. However, the quantum, the volumes definitely will have an impact of which we are -- they would have an impact to a certain extent because not all customers in the USA are in a position to absorb these sort of tariffs of 25%, plus 25%, example.

But they are -- obviously, whether it is -- please understand whether it was 10% in April 2025 or 25% in August and, subsequently, another 25%, making it total 50% from 10% to 25%, then again, from 25%, they added another 25% and made it 50%. So whoever have been buying, they are absorbing those tariffs. So it's more about our volumes maintaining growing or continuing or reducing. That is the only point, which we would have with regard to USA market. But definitely, viability-wise also, as we stated to an earlier participant, the prices have remained firm and stable.

They have not softened or anything at the customer level. With the 50% tariff also, the prices remained stable. It is not like 50% has come into play and our general -- without the tariffs, our sales prices have come down. No, that situation was not there. So that way -- that is one of the reasons, which we -- I think we explained in our opening remarks also that the margins remained good, mainly on account of these 3 factors. One was the exchange rate fluctuation and farm gate prices, but our realization in dollar terms also was good. It was high.

It was -- it maintained very -- it was very stable. So right now because of the demand within the U.S. or whatever certain other issues from other origins, whatever it may be, the reason, but our prices remained quite stable there. So we don't really have an issue as far as viability is concerned while doing business with USA. The whole point comes to whether we are able to do more and

more volumes than what we would have done if it was not 50% tariff. Maybe that's how -- that is where the situation is currently.

Nithin Renjith:

So you don't see our marquee customers in the U.S. moving towards suppliers potentially from the Ecuador, which has favorable terms?

Karuturi Chowdary:

Yes, no, no. We did not say -- I did tell you -- I think we answered that, that some customers have moved their buying -- diversified their buying from us to some other origins. It did happen because 50% -- but your question was talking -- your earlier question was about viability. And in such a case, the cost of the company did not increase because of the tariffs; however, the volumes -- our sales, definitely, we could have -- we would have -- we definitely have lost some of our volumes.

We should have -- we could have done even more if we had not had some cancellations or if some of our new future orders, which were supposed to come to us did not come to us and they have moved to other origins. That was one of the reasons -- I mean, not the only reason, but because we have started our diversification much earlier even before these tariffs actually kicked in, in April 2025, but we have diversified even further, and now we are growing our business into other markets.

So -- but to say that USA will no longer be viable or it will not be a feasible market to do business, not right. Because even today, there are customers who are continuing to buy, who are willing to buy from us by bearing those tariffs. So I'm not saying the entire set of customers in the USA are willing to do that. But we do have a good chunk of customers, who are -- some of our customers, both in the retail as well as the food service companies, food service customers are continuing to buy from us with those tariffs.

Yes, they would have reduced to a certain extent or they are buying on required basis rather than -- or bringing down their inventory days what instead of -- because they are also waiting eagerly if the trade deal can happen, if India can do something or if the duties or tariffs could be reduced, they are also waiting eagerly. So that is there. So it's a -- USA is not a negative market for us, for our industry in general or our company.

Nithin Renjith:

Got it. And one more thing, I mean, just to add on this. So how are these contracts actually -- are these like long-term arrangements that we have with some of these players or assurance or should I say...

Karuturi Chowdary:

There are both. There are short term, medium term as well as long term. But long term is not beyond 10 months, 12 months. There's very limited customers, which we deal with, where certain customers where we have such contracts, but most of them are short and medium term, like to answer your question, which is 3 to 4 months at the most max usually. But the ones, which are at 10 months, 12 months and all that, very limited. And there are specific customers who need their programs, which they have been working with us for many years, and we continue to do such contracts.

And even in such contracts, please understand all our contracts post tariffs have been revised accommodating these tariffs. So just because we have had a 6-month contract and suddenly

because this change on tariffs was not specific to our product or our country alone, right? It happened everywhere.

And when the customers needed these products from us, they have amended their contracts accordingly. And tomorrow, when these tariffs will be removed, then we will again be going back to our contracted price. So we are -- that is a very clear understanding between the customers and us on that part.

Nithin Renjith: Fair enough. And if I could just squeeze in one more question and this is regarding, I think, you had signed up -- envisioned something like 2,500 tonnes of ready-to-eat exports into Europe. So how is this going to pan out? Is this going to be some kind of a white label thing by which we supply? Or are we going to actually brand our products and have a standalone product?

Karuturi Chowdary: No, we are not going to brand our product. It will be in customers' brands only. We have our customers who are currently sourcing those products from other origins. While they have been sourcing the RTC products from us, now ready-to-eat products, they have been sourcing from other origins, and they have started after they understood that -- they got the confirmation that we are done with all these procedural part and approvals have been done, they have started.

And as I think we have mentioned specifically to an earlier participant that we would see a bigger impact of the RTE more into next year, next fiscal year because in April, May is the time when they will be locking in most of those contracts even for me because as we also stated to a different participant that the -- most of the buying almost till the end of this current calendar year is pretty much done.

And whatever is required for the next 2, 3 months in Jan, Feb, March is mostly the residues post holidays. And so we are looking forward for a good buying even for RTE from the European Union market for -- in the calendar year 2026, for sure. And that will definitely have a big -- a good impact, let us say, for our company for FY '27 for sure, for the full year.

Nithin Renjith: Okay. I know it's early times to make how much of a margin eccentric -- how much of impact this RTE business is going to have on the margins, but all the best.

Karuturi Chowdary: I'm sorry, I did not get your question.

Nithin Renjith: So in terms of ready-to-eat white label sales to the European Union, I know that these are earlier times. But what sort of margin impact -- margin eccentric impact can we actually envision going forward because of this...

Karuturi Chowdary: I mean, typically, generally, on an average, all RTE products margins will be hovering around - - roughly around \$0.50 plus or minus per kilo.

Nithin Renjith: Sorry, could you please repeat that once more?

Karuturi Chowdary: \$0.50 per kilo, I said roughly.

Moderator: Ladies and gentlemen, due to time constraint, we take the last question from the line of Chintan Mehta from Lloyds LLP.

Chintan Mehta:

Congratulations, sir, for the good set of numbers. Extremely happy with the kind of numbers and the management efforts. Sir, I mean, listening to the whole con call and the things you had been -- there's a definite fact that we lost some of the clients in U.S., but you -- the team pivoted, the management pivoted and got to the other geographies. But I'm a bit confused out here is that and I want to understand that, okay, we have lost volumes in U.S. and you try to made up in different geographies.

I want to understand when we shift this volume to different geographies, are we seeing that those volumes would be more permanent in nature? Or it's kind of a one-off that you are seeing the shift and we just diverted our shipments. So once the volumes come back to U.S., those volumes still remain intact and the U.S. will regain the lost volumes, and that would actually add to the volumes. So -- or are there any possibilities that the new relationships are being explored in that different markets, we see a more double growth over time? And I'm trying to understand the overall picture. Is it possible for you to explain that?

Karuturi Chowdary:

Yes. First thing, the relationships, which are new relationships or new markets, which we are diversifying into or the new business, which we are trying to grow is not temporary and is not purely only because there is a temporary problem or there's likely to be a temporary problem in the U.S. because of these tariffs, no. These markets, these relationships and those sales will continue to grow. And of course, it depends on that market potential and those customers, obviously, but it is more on a permanent basis to answer your first question.

And when -- hypothetically, whenever the tariff reduction or tariff removal, whatever either of those happens and as our volumes grow even with the U.S. market, we'll be gaining back our volumes also for sure. There's no doubt about that, which has been clearly stated by our customers multiple times. Because of this additional 25% -- the second 25%, it's becoming really a problem for them to absorb. Definitely, we'll be gaining back the volume.

And obviously, this will be more in a win-win situation for the company as such with regaining the volume from the U.S. market as well as the newly achieved volume -- sales volume, which out of these new markets, definitely, it is in the help -- in the interest of the company, and it will be -- it's only in the good -- for the betterment of the future of the company, for sure, and it should be long term, long-standing. So it's not -- nothing -- none of this diversification is temporary to state -- to answer your question very simply. It's on a permanent basis.

Chintan Mehta:

Excellent. That quite sums up a lot. So I mean, somewhere in the con call, you have mentioned that the clients lost have -- they have diverted the volumes from -- different originating countries. So when the U.S. comes back or if the situation gets normal from -- around tariff and so you mean to say that those lost volume, they will discontinue with their temporary originator? I mean, how the things works out?

I'm trying to understand that when we have lost a certain kind of a relationship due to tariff and they might have found that volume from a different player. So when the tariff gets normalized, so they will discontinue with that part of the market. I mean I'm trying to understand that wouldn't that be a challenge again to reinitiate that particular volumes lost?

Karuturi Chowdary: Well, the only reason why our volumes currently, if any, lost, if any, being reduced with any customers are purely based on the tariffs, additional cost, which obviously -- those other origins necessarily do not cost them that much. But however, the delivery point and consistent supply, which is possible from India, from our company, India, in general, definitely, customers are looking forward to take -- come back again to India and absorb that their requirements, future needs, obviously. They are not -- it's not like they're going to cancel today's contracts, which they have.

Yes, which they did in our case, maybe it's premature for me to state today that they will be canceling their contracts and awarding that to us. Currently, we know they have had a lot of delays also. In fact, some of them have been taking some additional volume, which was not planned with this 50% tariff. They are also taking some additional volume from us, even canceling from the other origins because there, they have also -- they are having a lot of delays from their side. So because they need the product.

So in spite of, I mean, getting their customers' end customers' confirmation, they are actually taking -- getting end customers' confirmation on bearing the additional cost, they are taking the volume from us also, additional volume. It's not significant, but it is there. So getting back the volume if the tariffs are removed or reduced is not going to be a big problem for us from the U.S. market. I mean as India also, it will not be a problem and for the company also, it's not going to be a problem. That's how we see it.

Moderator: Ladies and gentlemen, with that, we conclude the question-and-answer session. I now hand the conference over to Mr. Chowdary, Karuturi for his closing comments.

Karuturi Chowdary: Yes. Thank you, one and all, for making it to our investor call of Q2 FY '26. For any further queries or clarifications, you can always reach out to our company on the email address, ir@apexfrozenfoods.com. And you can -- you always -- we also have Stellar IR Advisors as our Investor Relations, they can clarify any information, any queries or doubts you have. Thank you very much. Have a good day. Thank you.

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