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Date: 25th November, 2024.

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

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

Dear Sir/Madam,

Sub: Transcript of Q2&H1FY25 Earnings Conference Call held on 19th November, 2024-Reg.

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, kindly find enclosed a transcript of the Q2&H1FY25 Earnings Conference Call, which was held on 19th November, 2024.

The aforementioned Earnings Conference Call, as per the transcript enclosed, incorporates mainly the highlights of Un-Audited financial results of the 02nd Quarter and half year ended 30th September, 2024 and other related information which is already in public domain and/or made available/uploaded on the Company's website.

Please take the same on record.

For Apex Frozen Foods Limited

KARUTURI
SUBRAHMANYA
A CHOWDARY

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KARUTURI SUBRAHMANYA
CHOWDARY
Date: 2024.11.25 15:27:28
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Karuturi Subrahmanya Chowdary
Managing Director
DIN: 03619259

Encl: a/a



“Apex Frozen Foods Limited
Q2 & H1 FY 2025 Earnings Conference Call”
November 19, 2024



**MANAGEMENT: MR. CHOUDARY KARUTURI – MANAGING DIRECTOR
AND CHIEF FINANCIAL OFFICER – APEX FROZEN
FOODS LIMITED
MR. DURGA PRASAD – SENIOR MANAGER, ACCOUNTS
– APEX FROZEN FOODS LIMITED
STELLAR IR ADVISORS PRIVATE LIMITED**



Moderator:

Ladies and gentlemen, good day and welcome to the Apex Frozen Foods Limited Q2 and H1 FY '25 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 the star then zero on your touchtone phone. Please note that this conference is being recorded.

We have with us today on the call from the management team of Apex Frozen Foods Limited, Mr. Choudary Karuturi, Managing Director and CFO; and Mr. Durga Prasad, Senior Accounts Manager; along with the Stellar IR Advisors. The management will be sharing key updates and financial highlights for the quarter and half year ended September 30, 2024, which will be followed by a question-and-answer session.

Please note, 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 guarantees of future performance and involves unforeseen risks and uncertainties. The company also undertakes no obligation to update any forward-looking statement to reflect development that occur after a statement is made. Documents relating to the company's financial performance are available on the website of Stock Exchange, trust you have been able to go through the same.

I now hand the conference over to Mr. Choudary Karuturi for his opening remarks. Thank you, and over to you, sir.

Choudary Karuturi:

Thank you, Steve. Good morning, everyone, and thank you for joining us on this investor call for Q2 and H1 FY '25. 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, I would like to highlight that after a prolonged period of nearly 18 months, there has been an improvement in the global prices of shrimp mainly towards the end of Q2 of FY '25, and are continuing to increase. Since aquaculture shrimp in India, as you know very well, is mostly exported and therefore, it follows the global prices, we believe that this rising price for shrimp is ought to encourage the primary producers, the shrimp farmers, in India to go for higher stocking of seed in the upcoming crop season -- cropping season.

As you might be aware, and we have also been mentioning that there has been lower supply of raw shrimp in the first half of the current fiscal, so a scenario of higher shrimp production is definitely positive for the sector, both in the medium term also, especially when there are initial signs of demand improving as well.

Inventories in the U.S., a major market for shrimp, were clearing up and the demand is improving. They are -- in fact, most of the inventories have been clearing and that's as informed to us. The impact of which should be seen more into Q3 FY '25 and further regarding the realizations and the prices -- global prices increase. Please note that H1 FY '25 continued to face the low demand year-on-year compared to the earlier year.

And this was, as mentioned in the earlier calls, too, of earlier quarters, it was mainly due to the higher inventories and overall inflationary pressures, etcetera. But however, because of the main



drawback being higher inventories in all these markets, the inventory clearing away, that had paved way for increasing prices overall across all markets, U.S.A., European Union and in China recently.

The European Union market continues to remain robust as the momentum continues. The share of the EU market in our overall sales mix increased to 51% in Q2 FY '25 from 40% in Q2 of FY '24 and to 45% in H1 FY '25 versus 28% in H1 of FY '24. Making it more diversified sales mix geographically.

We are optimistic about the future growth prospects of this market and the opportunities it provides, particularly once the ready-to-eat approvals are in place. As most of you would be aware that our approvals for the ready-to-eat products to the European Union are still awaited as such with all the seafood shrimp processing facilities since the year 2020.

Coming to our performance in Q2 and H1 FY '25. While low demand and supply of shrimp definitely affected our overall shipments, the higher cost of raw shrimp, coupled with increased freight costs for transportation impacted our profit margins as well. There were also a certain amount of provisions, which were also made; however, as mentioned earlier, we are hopeful on these costs improving on the back of the improved demand and supply and price situation.

Coming to the financials. The net revenue for Q2 FY '25 came in at INR200 crores as against INR186 crores in Q1 FY '25 and INR241 crores in Q2 FY '24. Our gross margins were at 27% in Q2 FY '25, majorly due to higher raw material prices. For H1 FY '25, the net revenue came in at INR386 crores as against INR494 crores in H1 FY '24. But the gross margin is largely maintained at 29%. The inflation in freight costs has impacted all the export sectors and consequently impacted our EBITDA margins both in Q2 and H1 FY '25. In that -- related to that matter, we are very happy to inform that the freight costs overall also have been reducing in the present day, and we are seeing normalization of these freight costs.

And coming to the shrimp volumes sold by our company, it stood at 2,710 metric tons in Q2 FY '25 as against 2,571 metric tons in Q1 of FY '25 and 3,084 metric tons in Q2 FY '24. Shrimp volumes sold by our company stood at 5,281 metric tons in H1 of FY '25 as against 6,531 metric tons in H1 of FY '24. Now this is, of course, more due to a reduction in supply and also some of our customers losing their sales because of their high inventories were not able to make it to the market as their sales were also lesser.

So that -- we have seen that situation improving as stated earlier in the present day. Our average realization grew 2% quarter-on-quarter to INR695 per kilo in Q2 FY '25. With that, I would like to conclude my remarks by mentioning that we remain hopeful in the near term as there are signs of inventory liquidating and uptick in demand, also reduction in the major cost of ocean freights. We can now open the floor for question-and answer session. Thank you

Moderator:

Thank you very much. First question is from the line of Sidharth Srikumar from itthought PMS. Please go ahead.



Sidharth Srikumar: I've read in the news that the month of September and -- in the month of September, the supply from Ecuador to USA has shrunk substantially. So do you have any idea of the production of shrimp in Ecuador? How is it shaping up?

Choudary Karuturi: Yes. With regard to -- you were mentioning specifically about the shipments to the U.S.A. from Ecuador have reduced in the month of September. That is very much true. And -- but at the same time, there have been certain inherent issues cropping up in Ecuador with regard to their energy-related issues as they have heavy electricity failures in the country, and we understand from various sources that both the farm sector, the feed industry, shrimp aquaculture feed industry as well as the processing industry have been heavily impacted because of power failures, and this definitely is also impacting their production as well as their costs.

And we understand that one of the main reasons also is that both on the supply as well as thereby also affecting their exports to major markets around the world. In the U.S.A., yes, their imports from Ecuador into U.S.A. have reduced by 17% compared to the early last year. So that is the situation with regard to U.S.A. specifically.

Sidharth Srikumar: So what is your ready-to-eat volume out of the -- in H1 FY '25 as well, out of the 5,280 metric tons of shrimp that you sold, how much is the ready-to-eat?

Choudary Karuturi: Actually, our ready-to-eat volume has shrunk in the H1 FY '25 to 10% from -- it had dropped down from 20% of last year to 10%, mainly on the account of loss of our sales to certain retail segment, retail customers in the United States, which, as we had mentioned in our opening remarks, mainly because some of our customers also lost their sales to the retail segment because of the reduction in the overall demand.

So that is one of the -- as most of the ready-to-eat products, whether it is U.S.A. or any market, it is mostly a retail product. It is mostly -- it is sold in the retail segment and not in food service or restaurant chain segment.

So we definitely had an impact in the H1 FY '25. Our total volumes were limited to 10% of our -- sorry, our ready-to-eat product export volume was limited to 10% of our total volume of shrimp sold.

Sidharth Srikumar: Understood. One more question I have is like regarding the -- this thing. Just a second. One more question I have is regarding the realization. Like what is driving the higher realization in Q2 compared to Q1 and globally as well? Is it like the supply-demand gap, has that been addressed?

Choudary Karuturi: If you -- most of the participants would remember, we have informed even in our quarterly con-call of Q1 that the inventories were liquidating, and the process has started compared to the earlier year. And obviously, there was a high pile up of inventories post COVID, especially for all the purchases, which were made added to the lack of demand at the consumer end.

So definitely, that started clearing and it cleared much more rampantly in the Q2. But -- so that also motivated our customers because they also needed more product and thereby the overall buying prices by our customers having started increasing from the Q2 onwards.



And it actually increased -- it is increasing even further in the subsequent period, which means into Q3 and later. That's what we currently have observed. We have, in fact, had a good increase of realization prices, sorry, in dollar terms in the recent past, and it's continuing because of the increase in demand overall, in all markets.

Sidharth Srikumar:

Got it. If I may ask like one more question I have is that like what would be the countervailing and antidumping duty or what is the impact of the CVD and antidumping duty on Ecuadorian shrimp in America? And with that preliminary -- and with that, what is the price difference between Indian shrimp in America and -- CVD and AD duty?

Choudary Karuturi:

Firstly, the antidumping duty on Ecuador has been announced, but I guess it is yet to take effect. So whereas in the case of the CVD, with regard to India, they have announced it. Again, there's a decision to be taken later today and tomorrow by the U.S. ITC, which is going to conclude whether in principle CVDs are liable to be levied -- I mean, sorry, CVDs are to be levied on imported shrimp or not, number one.

But however, in the case of Ecuador, it was antidumping duty, which was levied on to them. So that definitely would have an impact. So again, Ecuador started increasing their volumes to U.S.A. much before the tariff cases, I mean, have been initiated.

So -- but definitely, with the combined impact of these duties as well as the problems, which they have at the primary source level and, in general, the overall production level in their industry, we believe that will definitely have an impact in their future plans for sure. And we -- as far as India is concerned, we have been having our antidumping duty for the past 20 years. It's been part and parcel of our costs.

And we are continuing to have that. But at the same time, there are some opportunities, there are some discussions being held of getting the overall tariff cases in the U.S. also being looked at, reviewed and also challenged. So that is something right now. It's too premature to comment, but we believe that will be a positive one if it comes -- if it happens, once it happens as far as the CVDs and ADD is concerned.

Moderator:

The next question is from the line of Ronak Shah from Equirus Securities.

Ronak Shah:

So in continuation with the previous question, sir, what are the preliminary rates, which are defined by the U.S.A for the India and the Ecuador? And how it's going to differentiate the landed cost for the U.S.A. Secondly, what is going to be the impact on the working capital for the Indian producers for the same? These are my first questions.

Choudary Karuturi:

First, to answer your question on the antidumping duty and countervailing duty, as we stated earlier, in the case of antidumping duty, they have been levied -- Ecuador has been levied antidumping duty and Indonesia has been levied countervailing duty -- sorry, I'm sorry.

Sorry, I stand to be corrected here. In the case of Ecuador, they have -- they don't have any antidumping duty; however, they have been levied a countervailing duty of 3.78%. And in the case of Indonesia, they have an antidumping duty of 3.9%, and they do not have any countervailing duty.



In the case of India, yes, there was a final determination of 5.77%, but these stand to be corrected, as I stated earlier to the earlier participant. It is still to be confirmed by the US ITC, International Trade Commission, mostly by the end of this month, whether these countervailing duties are to be applied or not.

Now these duties are specific to that market. And definitely, there would be an overall impact, both on the customer. Some of these duties will also have to be absorbed by the market in general. So when I say market, I'm also talking about the end consumer market. So definitely, there will be a balance between the consuming market, which means the importers as well as the exporters overall.

One of the factors also, apart from the overall demand and the overall reduction of inventories, also the increase in costs and the levying of these duties in the US market, whether it is antidumping duty or countervailing duty, definitely, they also -- the duties also had played a role, one of the factors, but of course, the major one was, of course, the inventory part.

But the duties also played a role with regard to increase in the overall sales prices with regard to USA. Because the US prices definitely have been increasing at a much faster pace compared to other markets for sure. But overall, there's been an increase, but in US, it was much making faster -- much earlier. And that is with regard to the antidumping duty and countervailing duty. And your second question? I'm sorry. You talked about some working capital cycle.

Ronak Shah:

Yes, sir. So what can be the impact on the working capital cycle for the Indian producers considering the higher amounts? Initially, as per the preliminary findings, the Indian producers or exporters are depositing money since April for this additional duty, so how it's going to impact the working capital cycle?

Choudary Karuturi:

Well, we need to see how -- because what we have been informed is there's some also corrections to be done on the countervailing duty, which was levied on India, which is at 5.77%. They said there are some corrections, but we are still awaiting that. We will get to know more towards the end of this month, as stated earlier. Of course, these would be deposits, and they are subject to review after a year.

And definitely, when the subsequent review happens, we are confident that, that set of information, the key set of information, which was to be presented or rather submitted by Government of India, unfortunately, which was not presented during the investigation period, we believe that is going to be submitted for sure during our review next year.

And that information is mainly to justify the reimbursement of various indirect taxes, levies, duties, whatever excise -- I mean, customs, any of those duties which are there, which are being compensated or rather reimbursed by way of these 2 schemes that is RoDTEP, Remission of Duties and Taxes on Export Products and Duty Drawback. So that information, we believe, is going to be given and submitted in a better way.

And we believe that after the first year, we should be in a better position with those justification provided so that these duties can be significantly brought down because those 2 main schemes in which the shrimp exporters are supported by, are actually not really -- it's more of a



reimbursement of various costs, the indirect taxes, which have been paid or levied on across the sector from feed inputs to farming, hatchery inputs, duties on broodstock, everything, and even on the cross-selling. So anyway, so that is the situation.

So we believe this will be an impact for a year or a little over a year, but we are confident that the government would be able to -- we will provide that information in the next year review when there is a review. And we are confident that post that, it should be a much better with a lower set of duties so that not -- they do not hamper our working capital in general from most lately in 1 year to 18 months from now. But that is all subject to, of course, based on the proper information being submitted by Government of India at that point of time.

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

Nitin Awasthi: A couple of questions on which I wanted some data points. One, regarding the deposit of CVD that we're doing currently, have we booked it as expense? Or have we booked it somewhere else in the balance sheet?

Choudary Karuturi: With regard to CVD, we've stopped levying it since July 31. From August 1, CVD was not being charged. They have informed us that they would start charging it after the final determination by the US ITC, which I stated earlier. So by the end of -- before the end of this month, most likely, or early December, we would know. And from then onwards, the custom -- they would be collecting the CVD.

And we have not made any provision as such because we have been informed that it is going to be more of a -- we have been told that it is more of effective from the time US ITC finally gives a go ahead. However, we did factor in the CVD for the months of April to July 31 in our H1 of FY '25, just for your information on that part.

Nitin Awasthi: Okay. So April to July has been booked as an expense, correct?

Choudary Karuturi: Yes.

Nitin Awasthi: Okay. And August to November, you're saying that there will not be any duties levied. Most likely, there won't be any duties levied. And only post November this month, then basically, you will have the new rate on which you will be again starting to pay?

Choudary Karuturi: Well, we have been told -- there's been a notification issued where they stated that they would only start collecting after the US ITC's final determination, which is expected in this month actually, tonight or more and there's a final procedure to be completed on that more towards the end of this month. So from then onwards, we have been told that -- I'm talking about the countervailing duty.

We are continuing to pay and provision our antidumping duty currently, which is at 1.35%. So with regard to countervailing duty, yes, we are waiting for the US ITC's final determination on this subject. So until then, we have been told that we wouldn't -- we would have to wait until then. So -- and we believe it is -- we have also been told that it is going to be from there on with regard to countervailing duty payments, whatever final decision is taken on that.



- Nitin Awasthi:** Understood, sir. The second question was regarding the shipping rates, this calendar year because if you could just go through this calendar year, the first 3 quarters in this calendar year, how have the shipping rates shaped up? You can choose any route and a size of a container, which is normally used, so we just know that how it has moved throughout this year? And because the elections are over now in the U.S., what is the change?
- Choudary Karuturi:** I think you are specifically talking about the ocean freight?
- Nitin Awasthi:** Yes. To the U.S., yes.
- Choudary Karuturi:** Yes, yes. To the U.S., I mean, it has less to do with the election specifically. But as you would understand that overall, there was a hike in ocean freights as the -- I mean, we did have during COVID, but post-COVID, everything came back to normalcy. In fact, the prices -- the ocean freights also dropped down to levels much lower than what they were before COVID, pre-COVID levels. But subsequently, with all these issues with regard to the Red Sea issues, whether it is the pirates-related or the war scenario, one after the other, which has been coming up over the past 9 months, almost like you mentioned, the freight rates definitely doubled at its peak.
- So something -- I'm just giving you a rough number. When it was hovering around \$4,000 approximately from India to U.S. on an average. I mean there could be some shipments, which could be high, some would be low. But on an average, when it was 4, it has gone up to almost \$8,000 to \$8,500 at its peak. And now we are again seeing it back to around \$5,000, \$5,500. So it's come down actually, which I had mentioned in my opening remarks also, I think. Yes.
- Nitin Awasthi:** Understood, sir. And this quarter, how much would have it been Q2?
- Choudary Karuturi:** Q2, it was hovering around \$6,000, I think \$5,000 to \$6,000. Now it's coming down a bit.
- Nitin Awasthi:** Understood. So it's basically a downtrend.
- Choudary Karuturi:** Yes, yes. That is the thing. It was a kind of a downtrend for the ocean freight part and also it is a trend with regard to our sales prices, yes.
- Nitin Awasthi:** Understood, sir. Sir, last question from my side. Because the farming part happens on a calendar year basis, we had some ambitions to revamp our farming operations. Are we going to put some assets to use next year, calendar year '25?
- Choudary Karuturi:** We have actually initiated a revamping of our hatchery operations, and we are going well with them in this -- for a start because we wanted to first get a control of our primary input. I mean, that's the primary input into our farming, which is the seeds. And definitely, we are increasing on that part, doing it more efficiently for now.
- And we believe we are going to see much better results for the first crop of first crop of 2025, which the stockings have already initiated and we are confident that with these increase in prices also, the overall stocking also are going to increase. So yes, on the seed, we are taking care already. The farming will be more into -- it will be into 2025. We haven't yet initiated that. As I



mentioned, we wanted to first get the hatchery operations under better control and efficient -- in an efficient manner...

Moderator: The next question is from the line of Rohit Priyadarshi from Mittal & Co.

Rohit Priyadarshi: Sir, it is regarding the antidumping duty that was set to be imposed higher on Ecuador and less on India. But it looks like the opposite has happened. So I wanted to know your thoughts on it and how is the industry scenario now?

Choudary Karuturi: Sorry, can you repeat your question? I'm sorry.

Rohit Priyadarshi: Sir, the antidumping duty that was supposed to be imposed higher on Ecuador and less on India. But it looks like the opposite has happened. We are being charged more. But -- so I wanted to know your thoughts on it and how is the industry scenario now?

Choudary Karuturi: The first thing is, I guess everybody is getting confused on this. I would want to clarify. The antidumping duty on Indian shrimp was existing for the past 20 years, and it is still prevailing. There's no change to that. In the case of Ecuador, this is the first time in 2024, where there was an investigation on both these countervailing duty and antidumping duty. In their case, they do not have any antidumping duties in the case of Ecuador, whereas in the case of CVD, countervailing duty, they have been levied 3.78% as the country average in the case of Ecuador. Now in the case of India, we have been having antidumping duty and it could be changing based on annual reviews. It is currently at 1.35%.

In the case of India, the countervailing duty has been currently been finalized at 5.77%, but which we understand is subject to corrections as there are some miscalculations which have been done by the said department in the U.S. So we are looking forward for that, which we will know. And yes, the impact of definitely countervailing duty in the case of India has been higher more because lack of appropriate evidence or justification not being provided. Unfortunately, the appropriate justification not being provided related to the reimbursement of various indirect taxes, which I mentioned earlier.

And had that been provided, obviously, we would have not been having this much of CVD. And as we also stated to an earlier participant, we expect that to be changing in a year's time or around 18 months from now when there is a review, we are confident that appropriate information will be made available by the government of India and accordingly, because it's not really a subsidy as such, but more of it's being reimbursed indirectly, these are being -- whatever is charged is being reimbursed. It's not some sort of a grant or subsidy with regard to the 2 main schemes, major schemes, which have impacted our rates. I hope you understand on that part.

Moderator: The next question is from the line of Suresh Pal from KRSP Capital.

Suresh Pal: I have a couple of questions. Sir, my first question is, do we purchase raw shrimp, or we farm them?

Choudary Karuturi: We purchase raw shrimp. Currently, we are not into farming. We have been into farming in the past, but currently, we are not into farming directly.



Suresh Pal:

Sir, my second question is, if I see the past few quarterly results of our company, I see the margins -- EBITDA margins are very volatile over the last few quarters. So what's the main reason for that?

Choudary Karuturi:

Of course, there are fluctuations in the -- especially if you look at Q2, if you have a look at it, it will be -- it is very clear that our purchase prices, even though we state that our raw material is a major cost component in our industry, which is the shrimp. And as we don't have a great backup with regard to our own captive production, and we are dependent on source from the general market, definitely, even though the farm gate prices have to follow the international trends, there are times when there is a lag on both ends.

So the international trends may not be catching up on a real-time basis with regard to our farm gate pricing or our farm gate prices may not be catching up along with the international trends on a real-time basis. So there is always a lag. This year, especially, we have seen an increase in the raw material prices much more towards the end of Q1 and the early part of Q2 itself, where we have seen a significant increase in the raw material prices or farm gate prices, much before, much earlier than even the demand picking up overseas because of lack of supply, which we have stated also in our opening remarks that the lack of supply definitely is causing us an issue. And that definitely is affecting us.

That is a major factor, which affects our EBITDA margins in general, apart from -- also as stated, apart from the other major costs, which is the ocean freight, which we -- I think we already elaborated that earlier, which in both cases, now the unit prices also -- sales prices also have been picking up, which is very good front so that, that should be giving us confidence about a good supply going into the future.

Especially the mood -- the psychological mood of the primary producers should be much better because of this increase in prices, in general, and the demand picking up from overseas markets. So we are confident that this is going to bring us definitely additional margins in general. And yes, we are working also on stabilizing those margins by diversifying our market base as well as product base, which you can also see we are working on that as we are not completely dependent on the U.S. market, even though it is a major -- it will continue to be the major market, but we are very well diversifying into other markets to ensure good realizations for our products.

Suresh Pal:

Sir, as we can see in the global shrimp prices have -- they have risen more than 10% since quarter 1 end, like if there is a month-on-month increase. So we can expect good margins in the upcoming quarters. So is that a correct understanding, sir?

Choudary Karuturi:

Yes, it is correct, definitely, and we are looking forward for -- in the next upcoming quarters, it is -- definitely, it is a positive sign for the upcoming quarters as well as in general, even the medium term because as you must understand, the supply definitely has been impacted in the year 2024 -- calendar year 2024 with regard to farm gate supply because of prolonged low pricing maintained at the farm level.

Thereby, that definitely impacted the supply overall, and it also affected our costing because our prices -- our purchase prices definitely have increased quite well more than what the market is



supporting our business. So now that has taken a U-turn, and we are very excited about the future with regard to the demand picking up. And also, we also expect the farmers to go for more stockings -- better stockings, which we mentioned clearly in our opening remarks.

Suresh Pal: Sir, my last question is, to the previous participant, you were talking about overall duty India versus Ecuador. You told that for India, the duties were there for the last 20 years. But for Ecuador, it has been only introduced in the year of 2024, that's in United States. So if I may ask, what is the overall duty for Ecuador versus India? I'm talking about antidumping as well as countervailing duty, overall duty for Ecuador versus India.

Choudary Karuturi: Well, yes, first thing is these duties are subject to change every year. Currently, what we have is almost approximately around 7% -sorry. Currently, it is -- overall, it is around 7%, 7.1% or something for India, but whereas for Ecuador, it is 3.78% on the country as overall on the whole. Now -- but that is once the CVD is fully applied and effective. So we are awaiting those decisions more towards the end of this month.

Suresh Pal: So sir, right now, Ecuador doesn't have any countervailing duty, they just have antidumping duty, right?

Choudary Karuturi: They have countervailing duty, you ask me the overall duties for both the countries. I mentioned about this 3.78%, the overall, but it is their countervailing duty. They do not have antidumping duty, to answer your question.

Suresh Pal: So they might have antidumping duty coming ahead, right?

Choudary Karuturi: Most likely, they may not be having antidumping duty, but they will continue to have countervailing duty.

Suresh Pal: And sir, this countervailing duty has been imposed to them only in the calendar year 2024, right?

Choudary Karuturi: Yes. Like us, they also would have paid between the months of April to July, and now there is a gap and most likely towards end of this month or early next month, it will be finalized from then onwards, it will be effective for everybody.

Moderator: The next question is from the line of Kiran D. from Tabletree Capital.

Kiran D: Sir, my question is more on China. Now Ecuador might be supplying, their traditional customer has been finally China and probably they are rerouting supplies from U.S. to the China. But is China such a big market for Apex? And how do you see the industry prospects towards China given lack of duties or -- so far, thankfully. Is it net-net a higher benefit for us to export to China compared to the U.S., considering all duties and all that stuff?

Choudary Karuturi: With regard to China, Ecuador's number one export market is China. Just for your information, it has been for more than a decade. And they primarily doing the baseline product, which is Head On Shell On, which they predominantly export to China. And for India, of course, China also started moving up, and it is like kind of the second largest market for India after the U.S. But of course, more volume goes to USA compared to China from India. And as far as our company is



concerned, we do -- definitely do certain amount of volume to China. It is just that all these markets deal -- I mean, most of the -- I mean, Western markets like USA, Europe or Canada, they all deal with similar products in most cases.

But in the case of China, they mostly deal with commodity type of products, which is the baseline products, which is not much of value addition required. And whatever we do, our exports -- most of the exports from India to China are also on similar lines, mostly Headless Shell On or, as I said, very basic products. And we definitely do our certain amount of volume, but not in a significant manner. I think it's maintained almost all the time at around -- less than around 10% on an annual basis, less than 10%. But our major concentration was, of course, into the other markets other than China, namely U.S. and other countries of European Union.

So we do continue to pursue that market in China. But at the same time, we also see that the -- since the products are baseline and our factories, our processing facilities are geared up more for doing value addition and also the prices from China usually are definitely usually much, much lower for the products what they seek as they also buy mostly smaller sizes and low-value products. So that is where we have -- of course, if it was just to meet the top line growth, we could have done more there. But at the same time, it didn't. We definitely did not really pursue that market in a bigger way, and we are more focused, and we will continue to focus more on the EU as well as the USA front, for sure.

Kiran D:

Got it, sir. Got it. Then my second question is, sir, when we export to the U.S., let's say, a distributor or Target or Kroger or whoever, right, a customer for us in the U.S., so if they buy a box of shrimp, let's say, our price is, let's say, \$3 or INR100 a base, the same kind of shrimp with the same value-added stuff, how much it would cost from Indonesia and Ecuador considering all duties and everything else? Anything, sir, \$3 or \$100, you can take any base. But considering all duties, if our base is 100, would Ecuador be like 97 and Indonesia be 95? Is that like roughly right?

Choudary Karuturi:

It doesn't really work like that because at the end consumer level, when it is at the end consumer level, it will be at the same price.

Kiran D:

Correct, correct.

Choudary Karuturi:

Now depending on the specifications, depending on the acceptability of such products from certain origins, the distributors, like you mentioned, who hold the inventories, they would be willing to pay a certain amount of prices to, let us say, India, and they may not be willing to pay such prices to some other country. I don't want to give specific names here.

But at the same time, they are also going to buy certain type of products from that very country, which they may not be sourcing that much from India. So the product style also is changing. For example, you mentioned Indonesia, they are doing quite well on breaded products, for example, they do quite well. India is just starting to do now. I mean it's just gearing up for that.

Maybe things will be more developing over the next 1 to 2 years out of India, too. But like that difference is there. So definitely, as per quality and acceptability, there are end customers who, for example, may not like aquaculture shrimp at all, they would prefer wild domestic Gulf shrimp



from -- of USA or if it is -- there are customers from certain communities who may not really be interested in buying Asian shrimp and they may be more interested in buying Latin American origin shrimp, right? This also varies between individual customer profile.

But when it comes on a shelf, the end retailer is not going to differentiate pricing as far as selling Indian product at a different price or some other -- as far as farm-raised products. Same type of product, same size, they are not going to differentiate the pricing between different origins. It is more -- if they see that certain origin products are not moving from their shelves, they would rather discontinue from that origin and pick up other origins. You understand what I'm saying?

Kiran D:

Got it. Got it, sir. And my last question, sir, I'm just very focused on Apex. I mean, if we have to double our sales, right, I mean, in the long term, 3 to 5 years, what are the things that need to go right for us to double our sales from here? I'm not asking for a timeline, sir. I'm just saying what are the elements of growth that you see as a company that you have as a strategy that need to go right. Obviously, political, war, a lot of other things can happen. But from your own company, micro company perspective, what should go right over the next 3 years for your sales to double?

Choudary Karuturi:

Well, it's going right on 2 aspects: One is the markets overall. We, of course, need to diversify more than what we are currently doing, definitely. Not just on countries where we export to -- I mean, sorry, not just limited to the customers whom we export to because we definitely have had an impact on certain customers' sales dropping and thereby we also got affected for sure.

So not only just diversifying on customers, but also adding more markets, even the smaller -- even if it is a small sized market, overseas market, we would still -- we would have to add more on our front. And apart from that, the consistent supply situation is also very important as we have noticed due to first time after a long period since Vannamei has been introduced in the year 2009, it was always an increase only. It was always a growth in supply.

And the first major degrowth was observed more in 2024 period where we have seen because of -- on the supply side, we have seen the farmers going very conservative. So both sides on our company front, we have to take -- we can definitely put on efforts -- put in efforts for -- on the market front.

But on the supply side, definitely, it is more dependent on the overall farmer level confidence, and they are going in with well -- good stockings. So that will assure us -- ensure us a good supply of shrimp also. Because for us to grow our sales, we definitely, when the market increases, we will increase our realization price. But the volume also is quite important and, we are definitely going to work on both those fronts as stated.

Both on the volume, whether it is supply from the farmers or like I have mentioned -- we have mentioned to an earlier participant and in an earlier call too, we are also looking at our own captive farming also so that would also ensure us a certain amount, even though it may not be a significant part, but a certain amount of guaranteed supplies based on our needs.

So both these fronts on the marketing as well as -- I mean, on the overseas markets as well as the supply side, if both these things happen in the right way, definitely for us, we are positive of



growing our sales. And it definitely will happen in a phased manner. Even though like you didn't ask for a timeline, we also -- today, right now we are coming back from a negative part with all these changes happening in the markets overall. So we are looking forward for better things to happen.

Moderator: The next question is from the line of Anik Mitra from Fimmomics.

Anik Mitra: Sir, my first question is, it's a bit clarification. You said 5.77% duty that is a CVD, which is supposed to be imposed means it has already been imposed in October. Now it will be effective from maybe end of the month or end of this year. Now my question is, sir, what...

Choudary Karuturi: Sorry, go ahead. Sorry, go ahead.

Anik Mitra: Yes. Sir, before October, before October 2024, what was the duty -- what was the CVD on India?

Choudary Karuturi: Before October 2024, the CVD was 4.36%, but that was not -- it was up till July 31, which we paid till July 31. From August 1 onwards, we have not been paying any CVD, as we have stated earlier, it will be determined more towards the end of this month or next month, finally.

Anik Mitra: Okay. So is there any -- like will there be any retrospective effect like for 2 months, you didn't pay any CVD, so will it be retrospective?

Choudary Karuturi: We have not been -- as -- again, we have already stated earlier, we have been told that it will be effective from that day, so we do not expect any retrospective measures as of now. And that is one of the reasons why when somebody asked, earlier participant asked, we have not made any provision with regard to any CVD expenditure in the past -- in the Q2. Yes.

Anik Mitra: Okay. Okay. Sir, 4.36% to 5.77%. So what kind of margin impact could we see at the EBITDA level?

Choudary Karuturi: Well, as we also stated, this is going to be an overall spread between both the producing side as well as the consuming side because -- just because there are CVDs being imposed by a specific market, it does not necessarily mean that the processing company or the primary producer have to bear the burden of that. It will be -- you understand it is a US-specific issue. And definitely, the increase in prices are also -- it's going to affect -- that will also be absorbing some of this. There's been an increase between, like you mentioned, 4.36% to 5.77%.

Once that is effective, we need to watch as we already have seen a hike of almost -- I think, almost 10% to 12% increase already is there. And we are seeing -- we are noticing an increase in the sales prices already from our customer side. So we need to watch. And as these things finally take effect, they will -- we'll have a more clarity, more towards the end of this calendar year. I say, by December, we'll have all that clarity.

Anik Mitra: Okay. So in that case, will there be any volume impact?

Choudary Karuturi: The volume impact, as we stated, we have been diversifying to other markets, too. But in the case of USA, we do not feel -- I mean, at this time, it is too premature to really make a statement



on that because the overall price increase has been there. It's happening. And definitely, the consumers are going to have that effect more, they are seeing on their side too.

So we don't believe there has been a drop in the overall consumption at the consumer level in the US, but we believe it will come back to normalcy based on certain marketing campaigns, which are likely to take effect more in the year 2025 as industry is planning in general.

Anik Mitra: So sir, is it the reason behind -- as you stated that there is a drop in the consumption. So is it the reason behind why contribution from the ready-to-eat is going down? Because in FY '23, you had 22% contribution, which came down to 10% at this point in time. So what is the reason behind?

Choudary Karuturi: No. I think, we -- I stated it to one of the participants earlier that we have lost our sales to some of the retail customers. All the ready-to-eat products mostly go to the retail segment and not to a restaurant chain. It's all -- and we lost our sales, especially in the first half of FY '25, which we are now looking back -- to gain back -- get them back as we have also lost -- some of our customers also lost their sales.

That is where I have been repeatedly telling on this call that we are not only -- we are also diversifying our customers even more so that we do not have this -- we do not need to face this again of losing certain amount of sales because of some customers losing and we losing those sales indirectly. So we are working on that. And definitely, as our retail sales pick up or the retail markets pick up, in the USA, our ready-to-eat also would be picking up.

And also, our long-awaited ready-to-eat approval for the EU market, if it is there, our sales would even more pick up on that category in that segment because for the past 5 years -- it's been 5 years since we are awaiting for a regulatory approval. I mean all the seafood facilities, which have commissioned since the past 5 years do not have a regulatory approval for doing products to the EU market -- any products.

So our new facility, which has ready-to-eat of 10,000 metric tons, the entire facility is not, which means that entire facility of 10,000 plus, another 15,000. So almost 25,000 metric tons does not have any approval -- regulatory approval for doing business to EU. That is the challenge, which we are continuing to face. So we are awaiting for that. And definitely, that will have a positive impact once that comes on the ready-to-eat sales especially.

Anik Mitra: Absolutely. Sir, is the current prevailing ADD on Indian shrimp 3.88% or 1.35%?

Choudary Karuturi: 1.35% on the antidumping duty on Indian shrimp for USA.

Anik Mitra: I got it. I got it. And last one, sir, as you were saying diversification, so what is the geography-wise contribution of different regions, especially US and China?

Choudary Karuturi: I believe we have presented it in our presentation.

Anik Mitra: Okay. Sorry, I missed it. Okay, I will have a check.

Moderator: The next question is from the line of Sidharth Srikumar from ithought PMS.



- Sidharth Srikumar:** I would like to actually get your inputs on the Chinese demand. Even though I know that Ecuador is the main supplier, what is the status of Chinese demand?
- Choudary Karuturi:** The Chinese demand actually has been picking up in the current period, mainly for their spring festival or Chinese New Year requirements, which is the month of February typically is their major annual celebration. And the demand overall is picking up from China, but the prices to China also have been increasing over the past 3 weeks almost, 3 to 4 weeks. But again, we already have other markets orders in general pending, so we do a little bit of volume to China as far as our company is concerned. So -- but overall, yes, it's been picking up in China, and that may be there more for their holidays buying demand, which is there.
- Moderator:** The next question is from the line of Ronak Shah from Equirus Securities.
- Ronak Shah:** So sir, I just want to understand, as you mentioned in the presentation, there is a low supply -- low shrimp production in the first half. So apart from the lower farm gate prices, are there any other major reason in terms of the flood-related disruption or any other disease, which has impacted this production?
- Choudary Karuturi:** Yes. I mean, disease was always there. But the major issue is -- disease is not something new for the year 2024, it has been there since -- it's been there always. But the major problem was the costs at the primary producer level were significantly higher because of various reasons, inflation and also because of the disease overall productivity loss -- yield losses at the farm level definitely increased their costs to such a level, which were not being compensated or which were not being met by the farm gate prices at which they were selling.
- The farm gate prices, obviously, which are determined based on the global prices, global shrimp prices, definitely, the farmers were having, in general, a bad time with regard to their high costs. And now with these changes in the global shrimp prices and the farm gate prices actually picking up even higher and the farmers also going for a little bit of conservative approach with regard to stocking or doing it on limited areas.
- That is slowly changing now because we're again gaining confidence with regard to better realizations right now. But major impact was, of course, of the costs. The disease definitely, when it affects the overall yield at the farm level, it also increases the cost, right, obviously. So that's how it was with regard to the...
- Ronak Shah:** Yes, sir. And my second question is on the -- post the change, as the Andhra Pradesh is one of the largest supplier of the shrimp in India, so post the changes in the government, are there any structural or the incentive-based new schemes, which are introduced in terms of the power subsidy or any other sort of thing?
- Choudary Karuturi:** Currently, the new government is -- we believe it's working, and they are right now on a consultative process with the sector. And they are definitely going to work on the power costs. But the major part today would be more of providing quality power and making certain infrastructural changes to the farming sector, in general. And as I stated, there's a consultative process, which is going to start soon.



And that is when the new government will announce its decisions in the future. For now, they are still -- I believe they are still working on the various other issues which they have, not just our sector, but in general. So right now we haven't yet heard any major announcements yet, but they are wanting to work with the sector on the overall because it's a major employment-providing sector in general for the state.

Ronak Shah: Yes, sir. And sir, from the Apex perspective, sir, as far as my understanding, the majority of our export is on the FOB base, if I'm right. So how it is moving...

Choudary Karuturi: No, you're wrong. I'm sorry, I'm interrupting you there. You're wrong. We don't do on FOB basis. We do cost and freight for all other destination -- all other countries except USA, where we do delivery duty paid. We pay the duties in the US market.

Ronak Shah: Okay. Okay. And sir, last on the macro industry perspective data point. Sir, can you help me with the expected production of the shrimp in the India, if you have any data points regarding the sector?

Choudary Karuturi: With regard to the overall shrimp production in India, I would need to come back. There's been a drop overall rather -- of course, there's been a stable and there's been a degrowth also in -- with regard to shrimp production in India, but I would -- I'll be able to provide it later offline.

Moderator: The next question is from the line of Sriram R., an individual investor.

Sriram R.: Sir, has US started implementing the CVD on Ecuador? If not, when is it likely to take shape? And also, sir, on the competitive intensity, have you seen players exiting this business in the last few years? And also, if you can give some colour on the number of players in the industry and also the size of the India's shrimp export market, that would be great.

Choudary Karuturi: First thing, the USA has not been -- as we mentioned earlier, they have paused implementing CVDs until the final decision is taken, so more towards the end of this month or in December. But once they decide and to effect -- implement the CVD the percentages, the rates at which we have mentioned earlier are going to be effective. That will be more towards the -- most likely towards the end of this month or early next month. That's what we understand. And in regard to the Indian shrimp processing industry, we have seen a lot of players entering over the past 2 to 3 years, actually, more players entering.

And some of them, we also see them kind of exiting because -- I mean, especially who have entered in the last 5 years, maybe -- some of them around 5 years and we see them also exiting. But definitely, a lot of processing capacity has been created over the past 3 to 4 years, mainly whether it is because of the various schemes made available, whether it is grants, whether it is PLI, etcetera, whatever schemes, so different schemes.

And yes, there have been a lot of new entrants, who have come into the industry. And we cannot really make any comment about how they would be performing or how they would be utilizing as such because like we have our own issues, we have to deal the same way each player would have their own issues. And we also have noticed some players making exit in the past year, and we expect some more to be exiting in the future. That's what we have understood.



Yes. The total number actually, I think with regard to shrimp processing alone, I think around 100 -- who focus mainly, I think, almost around 150 all over India, not specific to USA or they may be doing to any other market in the world, whichever. All over India, I think -- we think around 150 unit, active units are there. Active units for shrimp processing.

We -- that's a rough number, but that's what we expect. But we also know some of them continue to be -- I mean, they get in-operational, too, after a certain period of time because the main processing plants, some of them are more dependent on leasing out rather than functioning by themselves. So again, so this is all subject to individual players' decision-making.

Sriram R.: Would be the value of exports, the 150 players put together?

Choudary Karuturi: Sorry?

Sriram R.: The 150 players put together, what would be the value of export?

Choudary Karuturi: The total exports for last year, I think, the total -- the seafood exports was, of course, that was INR17,000 crores, but in which the frozen shrimp, of course, was, I think, around INR7,000 crores, for last year. [*Refer Footnote](#)

Sriram R.: INR7,000 crores? [*Refer Footnote](#)

Choudary Karuturi: Yes, I think. Yes. [*Refer Footnote](#)

Sriram R.: Yes, ballpark, it's okay. That's okay. Sir, you mentioned Ecuador does not have an ADD, but they have a CVD, which is 3.78%, correct? And has this been implemented?

Choudary Karuturi: CVD is the same for -- I mean, it will -- effective date will be the same for everybody.

Sriram R.: Okay. Understood, sir.

Choudary Karuturi: Okay. And when we paid for 4 months, they also paid. And when there is a hold, it is there for everybody. The hold is for everybody, and it will continue again when it is decided.

Sriram R.: Okay. And sir, currently, in terms of landed cost, what is the current difference between Ecuador and India?

Choudary Karuturi: Sorry, can you repeat?

Sriram R.: Yes, in terms of landed cost. In terms of landed cost, what is the current difference in terms of pricing between Ecuador and India?

Choudary Karuturi: You mean the farm gate pricing?

Sriram R.: Yes.

[*Update:](#) The total seafood exports was around 17 lakh MT, in which the frozen shrimp was around 7 lac MT for last year, that is, FY24. In terms of value, the total seafood exports stood at ~ \$7.38 Bn, of which Frozen Shrimp was around \$4.88 Bn in FY24 (Source: MPEDA).



Choudary Karuturi: So in the case of Ecuador and India based on the sizes, but of course, their prices until a few months ago, they were much lower than ours. In our specific case, of course, our specific case, we would say our average landed cost was -- average price was around INR325 approximately for the quarter. For the full year -- for the half year, it was INR312. But in the case of -- this is our company specific, by the way. And because it all depends on what each company works on, each sizes. So whereas in the case of Ecuador, they were -of course, the cost for them was at a much lower level until a few months ago.

But this energy crisis, we understand is taking a toll on their costs because energy is a significant player when it comes to primary production because without electricity, the aeration to be provided for the shrimp farms wouldn't be there, and they are not entirely geared up and the cost of providing backup supply is also very high. So we don't have the precise number as of now regarding Ecuador, but we believe it was much lower than us earlier -- in the earlier months, but now it's been increasing over the past 2 months.

Sriram R.: Okay. But post implementation of the CVDs, will they be on par with us? Or will they still be lower?

Choudary Karuturi: Sorry, please understand the CVDs are specific to one market. United States is not the top 2 markets for Ecuador. It may be the number one market for India. Ecuador does -- Ecuador's number one market is China, followed by European Union and the third is the United States.

Moderator: Ladies and gentlemen, due to time constraints, that was the last question for today's conference call. I would now like to hand the conference over to the management for their closing comments.

Choudary Karuturi: Thank you, Steve. Thank you, one and all, for making it to our investor call for Q2 and H1 FY '25. For any further queries, you can always reach out to our Investor Relations team at ir@apexfrozenfoods.com. Thank you, and have a nice day.

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