APEX FROZEN FOODS LTD.

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

Date: 30th May, 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 Q4&FY24 Earnings Conference Call held on 28th May, 2024- Reg.

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Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, kindly find enclosed a transcript of the Q4&FY24 Earnings Conference Call, which was held on 28th May, 2024.

The aforementioned Earnings Conference Call, as per the transcript enclosed, incorporates mainly the highlights of Audited financial results for the 04th Quarter and year ended 31st March, 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 CHOWDARY

Digitally signed by KARUTURI SUBRAHMANYA CHOWDARY
Date: 2024.05.30 19:08:39 +05'30'

Karuturi Subrahmanya Chowdary
Managing Director
DIN: 03619259

Encl: a/a

"Apex Frozen Foods Limited Q4 & FY'24 Earnings Conference Call"

May 28, 2024

MANAGEMENT:	**MR. KARUTURI CHOWDARY – APEX FROZEN FOODS LIMITED** **MR. DURGA PRASAD – FINANCE TEAM, APEX FROZEN FOODS LIMITED** **MS. MADHAVI – OPERATIONS TEAM, APEX FROZEN FOODS LIMITED**

Moderator: Ladies and Gentlemen, Good Day and Welcome to Apex Frozen Foods Limited Q4 & FY'24 Earnings Conference Call.

As a reminder, all participants line will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded.

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

Karuturi Chowdary: Thank you, Manuja. Good morning, everyone, and thank you for joining us on this investor call for the fourth quarter and FY'24.

With us, on this call today are Mr. Durga Prasad from our Finance Team and Miss Madhavi from our Operations Team, along with Stellar IR Advisors, our Investor Relations Advisor.

We have uploaded the “Investor Presentation” on the website of the Stock Exchanges, and we hope you had a chance to go through it.

Let me begin by going through the numbers for the Quarter: The net revenue for Q4 FY'24 came in at Rs.162 crores as against Rs.148 crores in Q3 of the same fiscal year, but lower than the revenue of Rs.212 crores in the Q4 of last fiscal, that is FY'23, mainly due to the subdued demand from our key market which is USA and overall lowered global shrimp prices, which have been tapering off in the recent months and continue to remain at subdued levels. On top of that, the preliminary countervailing duties imposed by the USA on Indian frozen shrimp at 4.36% also acted as an additional dampener.

On the positive side, however, our shrimp sales to the market, such as the European Union continue to do well, sales to the EU posted a growth of 31% year-on-year in FY'24. Consequently, the share of the EU in the overall sales mix increased to 30% in FY'24 from 19% last year, making it a more diversified sales mix.

It is important to note that this growth is only from our Ready-to-Cook products as we still await regulatory approvals for our high value added and now Ready-to-Eat products in the EU market. Our company is optimistic about the future growth prospects of this market and the opportunities it provides, particularly once the Ready-to-Eat approvals are in place.

The total volumes sold by our company stood at 2,302 MT in Q4 of FY'24 as against 2,851 MT in the Q4 of the last fiscal. However, there is a recovery from the Q3 of FY'24 where the volume stood at 2,117 MT.

As we await regulatory approvals from the European Union, our high value Ready-to-Eat products are only sold in the US, which contributed to the decline, the overall Ready-to-Eat sales in Q4 FY'24.

While promotional activities are being carried out by retail and the food service companies that are also the distributors for restaurant chains, their impact has been very gradual as we discussed in the previous quarter.

From the companies end, like we mentioned last quarter as well, we have been taking steps with regard to setting up our wholly-owned subsidiary in the US, mainly for support with regard to logistics and also market development in the US and the rest of North America. The work on this front is progressing and actually pending certain regulatory approvals in India and which we are hoping to see the benefits coming in from FY'25 onwards.

On the balance sheet side, gross debt was reduced by Rs.60 crores from Rs.167 crores as of 31st March 2022 to Rs.107 crores as of 31st March 2024, and the total debt-to-equity remains at a comfortable level of 0.22 times. Also, there is a healthy growth in the net cash flow from operations from Rs.36 crores in FY'22 to Rs.112 close in FY'24.

And with regard to the EU market, as we have mentioned earlier, our sales to EU have picked up very well and in fact the market was able to cater to a good amount of sales on volumes. However, we still definitely feel deprived of not having the capability to sell our Ready-to-Eat products to the EU market because which is the regulatory approval pending not just for our company but all the companies that are awaiting approval, that have started operations since 2019. And we are confident that we are able to develop furthermore into the EU market and also now we are even looking at exploring the Scandinavian side of the European Union. Going to FY'25, we are exploring newer markets there too, along with a few other markets in Asia. This is mainly to increase the overall sales of the company, which have been under pressure due to the slow demand from the US market.

And in regard to the supply, at the global level, of course, Ecuador shrimp supply continues to add some pressure on the realizations, and they always did have the advantage of shorter sailing periods whereby being closer to the North American market, that definitely have had its impact with regard to our sales volumes as some of our customers have replaced their products with their products produced in Ecuador especially in the US market mainly.

That is all from our side and thank you very much. And I now open the floor for the questions. Thank you.

Moderator: We will now begin the question-and-answer session. The first question is from the line of Ranodeep Sen from MAS Capital. Please go ahead.

Ranodeep Sen: Sir, came across an article which mentions that government is working on formulating another scheme to promote shrimp aquaculture in a big way in the non-traditional fish producing states in north, specifically UP, Haryana, Rajasthan and Punjab. Haryana apparently has already seen 500 hectares of water bodies being brought under shrimp farming. Any thoughts around this and this leading to a scenario of oversupply in the backdrop of where we are seeing demand issues?

Karuturi Chowdary: Firstly, we would like to inform you that because of the slowdown in the demand, there has also been little bit of conservative approach from the farmers side, who already have been doing farming in the past many years and they actually did reduce some areas and also some stocking densities in the past one year. So, to precisely answer your question, as and when such developments take place in other parts of the country, like you mentioned in the north of India, it necessarily need not create a supply glut in the present period, because there is also going to be a little bit of drop in the production from the existing farmers which we foresee even going into the current Financial Year FY'25. So, such alternative areas with the support from government would definitely be helping in bringing a balance in the supply. So, that way, we don't expect a glut to answer your question. Whenever such steps are taken by the government and any progress is made and whatever supply is created with those efforts would definitely support any shortage of supply, which is likely to be there in the current fiscal, especially because of the dampened markets or the reduced prices in the overall market scenario.

Ranodeep Sen: I think a couple of calls back earlier, you had mentioned about the Government of Ecuador taking away the diesel subsidy, which could have rationalized their pumping produce into the global economy. Has that taken place, sir, because you also mentioned today, Ecuador continues to lead the supply game. So, just wanted to understand where are we from Ecuador?

Karuturi Chowdary: I mean, it was true at that point. Also, Ecuador has been levied CVD marginally, but that is on a preliminary level, which I think we have also informed in the last call which of course they did rectify it subsequently, but however, there is a preliminary CVD, which has been imposed on them, and also just a few days back on the 23rd of May we have understood from a public announcement that Ecuador has also been levied an anti-dumping, this is preliminary, anti-dumping duty of 10.58%. And, also along with Ecuador, again, Indonesia on a preliminary basis has been awarded an anti-dumping duty rate of 6.3%. We are answering in context with regard to any duties being levied on these countries, but that also answers the Ecuador side. So, that is the situation with regard to that. They have been levied countervailing duty too, but there have been some changes, and we will know with more clarity by around October or November. 2024, then it will be finalized with regard to the countervailing duty, which will be more because of the subsidies of course. On our front, which I have announced in the beginning of the opening remarks that India has been levied a countervailing duty of 4.36%, again, which is also preliminary, but however that is also our rate at which we have been making provisions as well as cash deposits for any arrivals or shipments arriving into the United States from April 1st, 2024, which basically also have been factored in even for those shipments which have started from India in the month of February and March. So, that is the situation on the countervailing duty to answer your subsidy related question, but I think I have also answered on the anti-dumping duty rate which was just announced five days ago.

Ranodeep Sen: So, we have been waiting for this RTE facility, at you going live for more than three and a half years. Any clarity on this like where is it headed, and any timelines have been shared with the government there?

Karuturi Chowdary: It's been five years since we have been waiting, because as I mentioned, it was around 2019 no approvals have been given and our capability of Ready-to-Eat was available since 2020 basically FY'21. So, it's been almost five years and the main challenge here is the discussions and the talks between Government of India and EU Council based in Brussels. The last we heard in September 2023 is that there is some perusal and talks basically going on between the Government of India and the EU Commission regarding this issue of awarding new factories for the respective approvals. Also, removing most likely which we are not yet sure, we are also going to remove the 4.3% duty which is there on Indian shrimp across the European Union and also removing one of the non-tariff barrier, which was there of testing every Indian shipment, 50% of every Indian shipment which is arriving into the EU for antibiotic substances, which actually causes a big challenge for the importers. So, all these three main points are part of those discussions and they have informed us in September 2023 that these points will be taken care very soon and we think it will be moving more positively probably from next month, I mean, once the new government is in place in the month of June, so whenever once the government is in place after these elections are completed, we think things can get more active and all these three points, which also includes our company, own approval for ready-to-eat capacity also could be awarded. So, we are very positive about it this year based on what we received the information which we received in September 2023.

Moderator: The next question is from the line of Gauri from Old Bridge Asset Management. Please go ahead.

Gauri: Sir, we heard your comments on ADD and CVD across various countries, India, Ecuador, Indonesia. Could you just sum it up for us? I know that these are preliminary duties and subject to change, but just in case, as things stand today, what is really the CVD and ADD preliminary duty for India, similarly for Ecuador and similarly for Indonesia. So, this will help us appreciate the competitive positioning that India would have versus the other two nations.

Karuturi Chowdary: Regarding the anti-dumping duty rate, India, as I mentioned in the opening remarks, it's 1.35% which has been the case for the past four years in the case of India, for our company, it's 1.35% anti-dumping duty rate. The preliminary rate of CVD for India is at 4.36%, which also is the rate for our company which is subject to change around October or November we'll know, but we have already started paying the deposits, CVD for those consignments whichever have been arriving into the US since April 1st, 2024. With regard to Indonesia, they do not have any CVD, pretty much they are at 0% which we were also kind of getting that information from the beginning and their anti-dumping duty however as I have mentioned is 6.30% for the country of

Indonesia. And in the case of Ecuador, their anti-dumping duty is 10.58% as I had mentioned earlier preliminary. Please remember, in the case of Indonesia and Ecuador, both the duties are on preliminary basis, because they will be changing around October or November, they will be finalized which is regarding that. So, in the case of Ecuador –

Gauri: You gave us a number of 10.58 as ADD, which is a preliminary duty and subject to revision and subject to finalization. And the CVD would be?

Karuturi Chowdary: In the case of CVD, they have actually initially been announced 7.55%, but that actually got revised after a few days, there was some correction on the Ecuador CVD, which I will come back to you on that.

Gauri: No problem. I will take this offline. The second one was really we have got a slower growth this year, however, somehow our gross margins have been able to hold. So, if you can comment is there a product mix change that is helping us or a geography mix change that is helping us, because while you have a slower top line growth, gross margins, however are not as bad? And second is on the working capital also. Somehow we have been able to contain our interest costs. If you can comment on the two?

Karuturi Chowdary: With regard to the gross margins, of course, it's more on the market mix for sure, that EU business growing definitely during the quarter, has balanced out to maintain that even though we have had a huge drop with regard to our US sales in that quarter. However, as we keep stating in the past also, we believe the gross margins could even further be increasing as and when we have the ability to produce the Ready-to-Eat products for the European Union market to which unfortunately, yes, it has been a long wait for our company waiting for almost five years as I mentioned to one of the earlier participants. So, that is the status with regard to the gross margins part. And your second question was?

Gauri: On the working capital really, I mean, we have seen some bit of a slippage, but the interest costs, however, have been contained. So, is it something to do as on the balance sheet date or if you can really comment?

Karuturi Chowdary: No, actually, it is not to do with the balance sheet date alone but it will be coming down even further, as of course, even though compared to last year, our major working capital is with regard to our debtors, which is our receivables and which was of course last year it was 38-days, but this year it has increased by 10-days, but that's mainly because our shipments with all the Red Sea crisis, which is there has been taking longer duration because of sailing periods and so that is one reason it has increased marginally, especially during the complete part of the third quarter and mostly the fourth quarter. But, however, we also have a significant amount of receivables pending through scripts and duty drawbacks with the Government of India, which we are likely to see those being received in Q1 FY'25, thereby which would also enable us to reduce our borrowing even further, and thereby, lowering our overall interest costs for sure even going into the current year, I mean that's what I was trying to answer to you on that point.

Moderator: The next question is from the line of Bala Murali Krishna from Oman Investment Advisors. Please go ahead.

Bala M Krishna: So, regarding the CVD, if we are selling to the USA, so the CVD will be observed at our end or our customer will take a hit of the CVD?

Karuturi Chowdary: The CVD, of course, the prices marginally did increase, but, they have increased towards the end of Q4 and also from the beginning of Q1 of FY'25 marginally, but we cannot attribute that increase on the customer side entirely to the effect of CVD alone, but we also have had increased freight costs by a little marginally compared to last year because of this Red Sea crisis where the vessels take longer time to reach destination and thereby the shipping lines are charging a little bit extra compared to what they were charging last year. So, overall, there has been some effect on the prices at the sales side, but we wouldn't attribute that entirely to the CVD part. And please understand that our company and more majority of the companies in India who do exports to USA, do it on DDP basis which is Delivery Duty Paid, so where the duty is being paid by us. Definitely, as the new duties come into play even to other countries like Ecuador and Indonesia, which did not have any type of duties until now, we are a bit positive that it is more of a level playing field for all supplying nations of shrimp into the US market and thereby we do expect that there could be some rise in the pricing going forward with these new duties also coming into play, but that of course also depends on the inherent demand in the market, like U.S. market primarily. So, these will be having some effect for sure on the pricing. And as I mentioned, whatever price increase we have had marginally from the US market since the beginning of this current fiscal year, however, we also have had additional cost incurring at our end also.

Bala M Krishna: Do you see any further downside in the margins in this quarter? I think CVD is not fully accounted for the last quarter. So, all these scenarios -

Karuturi Chowdary: Last quarter CVD was provisioned for all the shipments that have been affected by CVD, because as I mentioned to one of the earlier participants, even shipments of February month also had to be brought into the CVD, because they were all arriving into April. Whatever shipments of our company are basically of anybody in India that have been arriving since April 1st have been subject to CVD at 4.36% additionally, apart from the 1.35% anti-dumping duty, which we were already paying?

Bala M Krishna: On anti-dumping duty on Ecuador, I think you mentioned some deadline. I missed that. Can you mention that again? If it is implemented, then what would be the advantage for the Indian exporters, so how the pricing will be?

Karuturi Chowdary: We have mentioned earlier regarding the Ecuador's anti-dumping duty rate. That was at 10.58% the preliminary anti-dumping duty rate on Ecuador. So, obviously, if we consider our situation with both CVD and ADD, that is anti-dumping duty combined, currently, even though on preliminary basis, we are at 5.71%, while Ecuador again that is also on preliminary side having an anti-dumping duty of 10.58%, that pretty much answers what would be the impact. We could see certain advantages but at the same time we also have to see how the market goes by. I think I responded to you itself that it's more of a level playing field for all the producing countries that export to the US market because two of the major key main supplying nations of Ecuador and Indonesia did not have any type of duties until now, but now they are having along with us, and the rates of course are varying, they are at a much higher rate. So, we have to see how that goes by. But definitely if we are at 5.71% for both the duties combined and if they are at 10%-plus, definitely it could be advantageous to us in one way, but we have to see how it goes by, we also have to see how the demand in the US also progresses going forward.

Bala M Krishna: Just a small follow up on that. But I think the US authorities are planning to increase the anti-dumping duty in Ecuador. So, I think that our decision is still pending. So, when -

Karuturi Chowdary: No, I've just informed you, 10.58% is what has been announced on Ecuador primarily. We would know what is the final around October or November of 2024 most likely. If there is any further update after that we would let you know when it is available.

Bala M Krishna: And lastly, on that demand side, so you might have seen a lot of cycles. So, when we are coming out of this inflation cycle, so how the demand will pick up for our shrimp products in the USA, so we can expect the immediate demand, or it will take maybe one or two years to get that demand on track?

Karuturi Chowdary: Well, it's good that you're positive that we are coming out of the inflation cycle, but we have not seen any such signals as of now or any indications as of now. There is a pressure for sure in the US market in general. And definitely when there is a contraction not only on the inflation part, but also their interest rates, if there is some good chunk of reduction in overall gasoline prices reducing, definitely that would also add additional scope for demand and for the demand to pick up for sure. So, we should remain positive definitely, but currently we haven't yet seen any such things happening. So, we are eagerly waiting. So, we will keep you updated as we have any better news going forward, but as and when any such pressures of inflationary related or the overall market scenario definitely as the demand picks up, we are looking forward for such a situation. However, on our company side we will be continuing to push even further than what we did in the past with regard to going after every other market which is there outside the United States.

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

Nitin Awasthi: Wanted to understand the current rates of RoDTEP. Are they up for revision, and what is going on with the scheme because if I am correct, the scheme has been extended because of the election till September, so any highlight on what could happen to this scheme, or could it change or would it continue under a different name?

Karuturi Chowdary: Currently, we have no information that it's going to be discontinued as such. However, with regard to the RoDTEP scheme and the duty drawback scheme, the Indian shrimp industry is awaiting for certain information also, certain workings on these schemes because the workings as we all know that the duty drawback as well as the RoDTEP scheme is all about refunding or reimbursing those indirect taxes and duties and other levies which are on our inputs in our industry from actually to exports all the way till the processing point. So, actually those workings are available in a better way, I mean rather that they are presented by the government, at least we could easily see even our CVD in the US market to be reducing from 4.36% to much lower. There was some issue. So, we expect those workings also to be made available in the coming months and hopefully we are poised on that part, but I am just answering the other question because we have been awarded 4.36% preliminarily on the countervailing duty part in the US mainly because some information was kind of not available, but it's being made available hopefully soon. So, currently the RoDTEP scheme and the duty drawback scheme, we haven't been told for any changes; however, are taking additional workings with regard to this information, they are taking additional workings to which we believe as all the workings are put together and if we are having better scope to have an increase, we would likely have it, but currently we haven't been told of any such reduction or increase as such, because I think your question was more about any reduction or if the scheme was going to be removed altogether. But as you know, all such schemes like RoDTEP or earlier MEIS or VKGUY or DEPB, they were all subject to renewal or kind of being extended on a yearly basis, or if you remember even in the past, that's how it was, so from the beginning, it's been since the past 25 years almost, since the duty entitlement passbook scheme has come into existence. However, the nomenclature has changed and also the methodology of working of those schemes working have changed over the years and now RoDTEP is more WTO-compliant than what the earlier scheme was. So, that is the whole background behind this. And so, we haven't received any information as of now about discontinuation of such scheme.

Nitin Awasthi: Second question would be on your depreciation expenses, which you booked for the Q4, substantially lower and also there was a note on why this is substantially lower. So, what will be the normalized depreciation rate on a quarterly basis?

Karuturi Chowdary: Can you repeat your question, please once again?

Nitin Awasthi: The depreciation charged for Q4 is substantially lower and it was mentioned because it has been done because there has been some changes or reassessing the life of the fixed assets. So, going forward will be the depreciation hit every quarter. roughly?

Durga Prasad: Actually, this year, we have taken the life of the asset actual from the expert.

Karuturi Chowdary: What is the quarterly depreciation? After reviewing the useful life that has been stated and the quarterly is from here on?

Durga Prasad: Rs.1 crore can be reduced from next quarter onwards compared with the previous year.

Nitin Awasthi: So, compared to the previous year, 1 crore per quarter, so that will be roughly 4 crores on an annual rate depreciation reduction?

Durga Prasad: Yes.

Nitin Awasthi: On hatchery sales, how it's been going, one, comparatively on yearly perspective, are you seeing increases, are you seeing what is the farmer appetite right now? And #2 as we had entered this scheme to build relationships to the farming community, how was it, has it helped, does it meeting your expectations that having your own hatcheries somehow extending the network of farms from which you can procure?

Karuturi Chowdary: The first thing on the hatchery side, yes, it has marginally increased compared to last year as far as the sea face is concerned, I mean between FY'23 and FY'24;however, as I had mentioned to one of the earlier callers too, there definitely has been some conservative approach with the farmers especially towards the end of FY'24 and the beginning of FY'25, there's been some conservative approach because of very stable low farm gate pricing environment in which the farmers are working. They are of course working definitely very hard to bring down their costs as they also understand the market scenario and the international dynamics which are affecting the market, which was kind of much more reassuring in the past ten years. If you see after since 2013, these pretty much have been like the historically low numbers, like almost it's been since 2013, so almost like a decade low farm gate prices were there in the year FY'24. So, that definitely had an effect a little bit on the overall farmers psychic with regard to how many of acres of farm he should be doing or how many farms should he be managing by himself or how much is the stocking densities which he should be planning. So, definitely there has been an impact and they are going with a reduced approach. So, why I am mentioning this is, this definitely has an impact on the amount of seed which they are sourcing or they are buying. But in our case, we have been going steadily, it's not a significant jump compared to last year, but last year it was around Rs.77 million and this year it's been Rs.90 million, but it's nothing significantly increased, but overall, we know that the farmers do have a conservative approach and they are going slowly. One of the earlier participants also was mentioning increase in the overall aquaculture activity even in the northern part of India, which is a very good news actually in one way, because that will eventually balance any shortage of supply or any drop in supply overall in the country in the South. But, of course, it is definitely another challenge of how that product would be handled, which is produced mostly in northern India because logistically there are challenges. But getting back to the topic of the farmer psychic and their thought process and approach, they are going very careful, because they are understanding that they get a clear understanding that the way the dynamics in the international markets are with CVDs coming in and overall muted Chinese demand. So, they are understanding that the prices are not likely to go up in a significant manner and so they are really introspecting about their cost metrics and how they can bring them down. In fact, quite a lot of farming sites, the farmers were able to reduce their lease costs, quite a lot of farmers actually, but there are still some farmers who are still paying high lease costs, but with the way this market is eventually land lease is one of the very important cost with regard to the farmers apart from other costs. So that is one good thing which is happening. So, overall, our sales hasn't really picked up significantly, but it is good. And yes, it is positive for us that we are able to continue our growing relationship and not only bringing in new suppliers or farmers, but also growing with our existing farmers. Definitely, because our company doesn't have the backup of the major input for a farmer, which is the feed which our company has never ventured into. So, the shrimp seed sales, definitely he's keeping our relationships definitely going very well. However, with regard to the overall drop in demand, we have also curtailed our hatchery operations limited to our main hatcheries located in the South of Andhra Pradesh. So, that's why we are also bringing down our costs overall with regard to our hatchery operations too so that consolidating all the sales from the major producing site. So, it is working in a positive manner but in a gradual manner. So, as I mentioned, we have not significantly increased between FY'23 and FY'24, but we are positive about it because of the direct relationships which we have with the farmers, our primary producers.

Moderator: The next question is from the line of Jaydeep from Clockvine Capital. Please go ahead.

Jaydeep: Sir, just a clarification. The duties on Ecuador were zero before this current implementation of anti-dumping duty and CVD on Ecuador?

Karuturi Chowdary: Yes.

Jaydeep: And anti-dumping duty you mentioned is 10.58% and CVD 7.5%, so altogether around 18% of duty on Ecuador?

Karuturi Chowdary: No. I am sorry, we don't have that information really here with us. The CVD of Ecuador was revised, it was actually reduced quite well. I don't have it preliminary with us, but we will definitely provide the answer in the transcript for sure. So, the CVD rate was high initially, but they corrected it and they provided a reduced rate for them. However, we don't have it off-hand with us. We will definitely provide it to you in a short while.

Jaydeep: As per your opinion, the 7.5% rate which you mentioned earlier has been reduced?

Karuturi Chowdary: Yes, yes, correct, correct. There are some corrections done for them.

Jaydeep: So, both the anti-dumping duty and CVD were zero before?

Karuturi Chowdary: There was zero before, yes.

Jaydeep: Does this incremental increase in duties on Ecuador versus India, does it bridge the advantage which Ecuador had on cost of production versus India?

Karuturi Chowdary: Well, with regard to the US market, specifically, yes, as I had mentioned, it is going to be a level-playing field comparatively. I have the rate. The CVD rate on Ecuador preliminarily is 2.89%. I am sorry, I could not provide this earlier to the earlier participants, the CVD rate on preliminary basis on Ecuador is at 2.89% instead of the earlier ordered 7.55%, it is actually 2.89%. We will know the final rate around October and November months as state, most likely we would know around that time. And these duties did not with regard to the US market for Ecuador or Indonesia, which we have mentioned earlier, did not exist earlier, they were never there. This is the first time and they are there to continue as far as our understanding is concerned.

Jaydeep: Sir, you said that some of your customers have switched to Ecuador. For what kind of product have they switched? I am guessing it's a peel product. Earlier understanding was that India has significant advantage in peel product. So, why did this customer shift?

Karuturi Chowdary: Well, definitely. India has an advantage with regard to peel product. However, we cannot ignore the fact that about the Ecuador being in a very close proximity to the North American market in general and U.S. market in specific, they are at like a week sailing time from Ecuador to US ports, it's only a week, while today with regard to India, it takes anywhere between five to seven weeks, from almost five to eight weeks sometimes, because we are on the other side of the earth. So, from India, it takes a longer duration. So, until last month, or pretty much until last week, the US market and the buyers out there were considering this as an alternative option because of the close proximity for sure and they get the deliveries much sooner from them. That's why they were also buying the similar products which they were buying from India and other Asian producing countries; however, as we are discussing on that subject continuously on this call, now the duty effect, we should see how that will change the approach of the customers and how the product will be placed at what level because of these additional costs, which are likely to be imposed upon the Ecuadorian processors, we should see how it would go, we need to see how it will happen. But that is something definitely that is an impact, but we will have more clarity more towards October, November, but until then they have to pay 10.58% anti-dumping duty and also 2.89% of countervailing duty. Until then, they will be paying. So, we need to see how they will go.

Jaydeep: And this duty will be levied on the landing price of shrimp in the US. So, approximately $7?

Karuturi Chowdary: Of course, all the duties are on the landing price.

Jaydeep: Which is approximately $7 right now, right?

Karuturi Chowdary: I didn't understand from where you got this $7 number.

Jaydeep: As per my memory, I think the current average price of shrimp export to US is $7 per Kg, right?

Karuturi Chowdary: No, no, that depends on what products they produce, in what volume they produce. So, yes, end of the day, the anti-dumping duty or the countervailing duty will be on the landing price means at the price at which it is shipped obviously. Everybody has to do shipments delivery duty paid on that term naturally. The CVDs and the anti-dumping duty, the ADD will be charged on the FoB value, doesn't include the freight cost. It will be on free-on-board value. So, they will remove the freight cost and they will be calculating the duties on the product.

Moderator: The next question is from the line of Shantanu Naik from SCMR India. Please go ahead.

Shantanu Naik: Geography wise revenue share split shown in the presentation from Europe has increased. So, my question is, the change in revenue share has increased due to the lower sales or we are facing a strong demand from European markets?

Karuturi Chowdary: Actually, mainly lower sales in the US but also we are having increased demand in the European market also. Definitely our sales to the US have significantly dropped, but also our demand from Europe has also been picking up, and it is also evident even in the present day as we speak.

Shantanu Naik: So, I just wanted to know the details on shrimp in Europe market. Could you just go back and tell what are the duty on it like you were talking about 50%?

Karuturi Chowdary: So, on the Indian shrimp, it's around 4.3% on the Ready-to-Cook shrimp, and on the Ready-to-eat it is 7.7%-odd in the Europe.

Shantanu Naik: I just wanted to confirm that we do sell only RTC and RTE products, right?

Karuturi Chowdary: We are currently selling only RTC products into the EU market and we are looking forward that we'll be selling even shipping ready RTE products also to the EU market as and when once we get our regulatory approval done.

Moderator: The next question is from the line of Pradeep Rawat from Yogya Capital. Please go ahead.

Pradeep Rawat: I have a couple of questions. First is regarding the Ready-to-Eat segment, so what is our aspiration toward this segment, how much of the revenue from this segment as a percentage of total revenue are we envisaging going forward?

Karuturi Chowdary: Actually on the RTE we have in fact also added additional capacity of 5,000 MT from the beginning of this year. Unfortunately, because of the drop in demand for the US market, which we are approved and which we were betting high on, we have had a drop even in the share of RTE sale, last year it was around 22%, but however this year because of the overall drop in demand it has dropped down to 16% in FY'24. But as the RTE products are mainly meant for retail and supermarket customers, we are quite positive and as we would increase our sales both in the US as well as other markets in Europe once we get the approval and other markets in Asia which we are now envisaging to go aggressively in. We are looking to increase the RTE product share overall and we are betting strong on that because that is where we see the future. And definitely as mentioned and stated earlier in several calls, RTE products also take care not only on the revenue side for the company, but also they take care on additional margins for sure. That's where we are looking forward to heavily.

Pradeep Rawat: Just to follow up on that, you said, Ready-to-Eat fetches higher margin, so can you specify the quantum like how much better margin do they fetch?

Karuturi Chowdary: Approximately like $0.50 per kilo. It used to be higher earlier, but now it's kind of like come down with the lower realizations of late.

Pradeep Rawat: And with respect to our approval to European countries, so why is it taking so long and when should we expect the approval to be in place?

Karuturi Chowdary: This is beyond us, it has nothing to do with our company or our facility as such. In fact, no Indian shrimp processing facilities which have started their operations since 2019 have been approved by the EU Commission and that is more to do with the discussions between the EU Commission and the Government of India. But as I had mentioned to one of the participants earlier, we have had some positive news coming in around September last year, saying that, they are looking forward to get it done with very soon. I think maybe positively things will move faster once the new government comes in place next month, we should see things happening in a much sooner and hopefully by September this year, they may positively move everything forward because it's just the discussions between the EU Commission and the Indian Government and it's less to do with the individual companies or individual facilities. So, we are looking forward for it eagerly, because we are really missing out a big chunk on our sales too. In fact, we can't produce even RTC from our new Greenfield project or rather our new processing plant which has been commissioned in 2020, because that entire capacity is not available for the EU market.

Pradeep Rawat: My last question is regarding the political instability at Ecuador. We saw some political instability at the start of this year. So, does it have any significant impact on ground with respect to supply from Ecuador?

Karuturi Chowdary: Sorry, we haven't heard anything so far about that, but we know that the cost of security for the companies located in Ecuador has increased compared to the past. So, we need to see how the things will pave out over the next few months and years, but currently I think there are other issues outside Ecuador which are of bigger in nature, whether it is the duties in the US market or the issues in Chinese market. So, we need to see how things will go by. But we don't have much of information of how the security-related issues are really impacting them across the board. There could be individual stray incidents, but we haven't heard of any significant incidents affecting the industry overall. They are continuing to produce to answer your question as of now.

Moderator: The next question is from the line of Sidharth from iThought PMS. Please go ahead.

Sidharth: I have one question which is regarding the demand for shrimp in China. Because like you used to say that Ecuador used to supply mainly to China and because of the slowdown in the Chinese demand, they have diverted a lot to the United States. So, right now, what is the status of demand for frozen shrimp in China?

Karuturi Chowdary: The frozen shrimp in China, of course, it's been slow, it's not been aggressive overall in general. And one of the main reasons why Ecuador has also been trying to push in more product into the US market is also because of their largest export market, which is China getting affected over the past one to two years. And overall, of course, yes, Chinese demand has slowed down a little bit, it's also got to do with some increased production domestically in China which is taking care of the domestic market. So, it is definitely the overall demand in China is also slow currently. We need to see how it goes by and of course our company continues to do a little bit to China, but nothing significant, It maintains around that 5% level, nothing too high between. We are confident that it wouldn't go beyond that 5% to 8% at the most, nothing more than that.

Sidharth: One more question is that what is the capacity utilization of RTE plants?

Karuturi Chowdary: As I mentioned earlier, with regard to overall capacity utilization, that also has dropped compared to last year; it is 33% currently, last year it was 45%, that is overall capacity utilization. With regard to the RTE sale, it was 22% last year and this year it is 16%. It has dropped because of the overall demand from the US market, which had impacted our shipments and our sales, which we were heavily dependent upon.

Moderator: Due to time constraint, we will take the last question from the line of Akshata Telisara from Aionios Alpha Investment Management. Please go ahead.

Akshata Telisara: We just read a couple of reports that said that the biggest player in Ecuador, Santa Priscila has, I mean the ADD that's announced 10.5% is actually for him is 1.6% or 1.7% and the company need not maintain any cash deposit. So, if you just add the CVD and the ADD, then it's well below the total duties that India would have to pay. So, how do you think of this while bridging the gap between the prices of Ecuador and India?

Karuturi Chowdary: In the case of Santa Priscila, like you mentioned, their cash deposit rate for anti-dumping duty is of course is de minimis which has been as announced like you rightly mentioned. But however with the other respondent who was being selected, they have been levied 10.58%. In the Santa Priscila case for anti-dumping, it was 1.54%. Since being below 2%, it is zero, one company. And also in the case of CVD, like you mentioned, it is 2.89%, whereas the other company got

0%. The company which got 10.58% in anti-dumping is at 0% in countervailing duty and the company, which got 0% in anti-dumping which is Santa Priscila has got 2.89%.

Akshata Telisara: How big would this company be like, what would be the market share of -?

Karuturi Chowdary: It is one of the leading processors in Ecuador like you rightly mentioned.

Akshata Telisara: Market share?

Karuturi Chowdary: Well, they do I think over a US dollar billion which primary market being China and second largest being European Union and the last of course the United States until now, so they do over a billion US dollars of shrimp exports. Of course, they also produce their own product. They are mostly into farming as far as we know from the public information.

Moderator: Due to time constraints, that was the last question for the day. I would now like to hand the conference over to the management for closing comments. Over to you, sir.

Karuturi Chowdary: Thank you, one and all for attending our quarterly con call for Q4 & FY'24. Have a nice day, and for any further queries or clarifications you can always reach out to us at ir@apexfrozenfoods.com. Bye-bye.

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