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Date: 28.02.2022.

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

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

Dear Sir/Madam,

Subject: Transcript of Q3FY22 Earnings Conference Call held on 15th February 2022.

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, kindly find enclosed a transcript of the Q3FY22 Earnings Conference Call, which was held on Tuesday, 15th February 2022.

The aforementioned Earnings Conference Call, as per the transcript enclosed, incorporates mainly the highlights of financial results of the Nine Months and Quarter ended December 31, 2021, and other related information which is already in public domain and/or made available/uploaded on the Company's website.

Please take the same on record.

Thank You,

For **Apex Frozen Foods Limited**

Apex Frozen Foods Ltd. *Kakinada*

S.Sarojini
Company Secretary

Encl: As above

"Apex Frozen Foods Limited's Q3 and 9 Months FY'22 Earnings Conference Call"

February 15, 2022

MANAGEMENT: MR. K. SUBRAHMANYA CHOWDARY -- EXECUTIVE DIRECTOR, APEX FROZEN FOODS LIMITED
MR. VIJAYA KUMAR – CHIEF FINANCIAL OFFICER, APEX FROZEN FOODS LIMITED

Moderator: Ladies and gentlemen, good day and welcome to Apex Frozen Foods Limited Q3 and 9 Months FY'22 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Choudary Karuturi – Executive Director, Apex Frozen Foods. Thank you and over to you, Sir.

Choudary Karuturi: Thank you, Mike. Good evening everyone and welcome to the Earnings Call for the Third Quarter and 9 Months ended December 31, 2021. Mr. Vijaya Kumar – our CFO and Stellar, our Investor Relations Advisors are on the call with us today.

We have uploaded the investor presentation on website of the stock exchanges and we hope you have had a chance to go through it. We will quickly take you through the updates for the quarter and we can move on to the Q&A session after that.

On the operations front as we had indicated in the last quarter our facilities continue to operate with little to no disruption however the ongoing shortage of containers from the shipping lines continue to hamper our ability to grow our exports of sales. The situation continues to improve gradually, but the freight cost are still at elevated levels when compared to pre-COVID times, in fact currently it is among the highest points compared to the past. However, the positive news is that the global demand for shrimp continues to remain healthy with large parts of the developed countries returning to normalcy. We are seeing a robust demand both from food service sector as well as the retail sector.

As such, on the back of the current demand-supply equation and higher transportation cost, the average realization or the Shrimp pricing globally is remaining firm. Additionally, for us better product mix with higher share of value added ready to cook as well as well our ready to eat products is further adding to the average realization. Also, our business with European union which is higher realization market when compared to markets like China has witnessed improvement this year from almost 14% in 9 months of FY21 to almost 18% in 9 months of FY22.

With regard to the US market specifically both food service sector and the retail sector has opened up and the demand has been quite strong. So as such the demand is strong for now and we are having products which are completed and we are still waiting for certain equipment support from the shipping lines for specific destinations which are not being served as they were regulatory served in the pre pandemic times. The European Union market also shares the similar status as the US. Our product mix to EU has also been improving of course we have not started the ready to eat products to European Union because of the pending regulatory approval for the ready to eat which is not yet being available to us which is a delayed trigger between the government authorities of EU as well as government of India. With regard to China our shipment for the past two quarters were nil as mentioned on the previous call this is on account of various trade barriers related to Shrimp as well as our focus to utilize the current capacity mostly for the US and the other Western market in the present demand supply situation. We would of course continue to look at Chinese market when the market is in a favorable condition to the company during the peak arrival most of them in the current year 2022 during the first quarter and the second quarter. For now, our focus continues to remain mainly on the US and EU market.

Now coming to our business performance during this quarter and 9 months gone by: As we have been communicating the issues relating to sea transportation has had a direct impact on our shipments or on revenue and cascading impact on overall financial performance. We have had to limit our production in line with the container availability or the lack of it. Our capacity utilization was at around 45% in the 9 months of FY21 as against 41% in the full year of FY21. We hope to increase the production and shipments further going forward as logistical issues continued to improve.

Another key point as most of you would be aware has been reduced export incentives as the MEIS Scheme which garnered us almost 5% of FOB value has now been replaced by RoDTEP wherein the incentives form close to 2% to 2.5% of FOB value. However, despite these challenges we are pleased to share that net revenue posted growth of 11% year-on-year in the first 9 months of the year FY22. Please note that we have not accounted for the RoDTEP linked incentive scheme in the reported financials of the Q3 and 9 months of FY22. The growth in revenue has been on the back of the growth in both volumes as well as realization. The volume sold in the 9 months of the current fiscal grew by almost 7% year-on-year to 9,637 metric tons and Shrimp realization grew by almost 8% year-on-year. The growth in realization is a combination of stable prices globally and our improved product mix we have been able to grow sales of higher value-added products which are of course also the higher margin to the company the ready to eat products from almost 15% in FY21 to around 20% in the first 9 months of FY22.

Coming to the profitability, while the overall availability of containers is improving slightly as we move in the current fourth quarter. We are still having to pay very high premium rates for freight rates for reserving booking our containers for shipping our finished products. Like we mentioned on the previous quarterly concall, this is slightly offset by increased realizations as well as the support which we received from our customers to the best extent possible in terms of additional pricing as well as reimbursement of additional freight cost during the Q2 especially and Q3 to certain extent. Nonetheless higher operating and other expenses led to lowering of EBITDA margin from 12% last year to 10.2% in the first 9 months of FY22. Although please note that export incentives in 9 months of the FY22 have been at a very subdued level due to reasons explained earlier.

Going forward we believe that with the improved utilization and sales the profitability should return to normalcy with our new plant and new product profile we are well geared to capitalize on the growth opportunity in the sector. So with that I now request Mr. Vijaya Kumar our CFO to take you to the financial highlights of the third quarter and 9 months of the current fiscal. Thank you.

Vijaya Kumar: Thank you. Good evening everyone and hope all of you are keeping safe. I shall brief you on the financial highlights of the quarter gone by. Our overall capacity utilization stood at almost 45% in 9 months FY22 as against 41% in FY21, this is lower than the 54% reported in H1 FY22 as we limited our production and rather used some of our finished goods inventory. Amidst the challenging key transport situation, Shrimp sales volume in Q3 FY22 grew by 30% year-on-year to 2,833 metric tons. Please note that due to seasonality factor, sales are not comparable quarter-on-quarter basis. In 9 months FY22 the Shrimp sales stood at 9,637 metric tons higher by 7% year-on-year. Most importantly for us, the share of our high volume ready to eat products increased to 20% in 9 months of FY2022 versus almost 15% in FY2021. As a result of improving product mix and stable prices, our total income increased by 40% on year-on-year to Rs. 2,203 million in Q3 FY22 and by 12% in a year to Rs. 7,177 million in 9 months FY2022.

As far as the profitability is concerned EBITDA margins improved year-on-year however stood below the expected range on the back of higher export expenses and lower export incentive. The EBITDA for Q3 FY22 came in at Rs. 201 million, up 69% year-on-year and accounted for 9.1% EBITDA margin as against 7.6% margin in Q3 FY2021. For 9 months of FY22 EBITDA came in at Rs. 733 million and margin stood at 10.2% as against 12% last year. Depreciation and interest cost remained at reasonable level when compared as a percentage of income. The PAT for Q3 FY2022 stood at Rs. 85 million higher by 275% year-on-year. The PAT for 9 months FY2022 stood at Rs. 338 million versus 359 million in 9 months 2021. The geographic backup of sales in Q3 FY22 is as follows 81.5% claim from US and 18.5% from EU.

With that, I conclude our opening remarks and now I request the moderator to open the floor for questions. Thank you.

Moderator: Thank you sir. We will now begin the question and answer session. I now invite Mr. Ritesh Gandhi from Discover Capital. Please go ahead.

Ritesh Gandhi: Sir you had indicated that the demand supply actually mismatch and the industry continues to be reasonably strong if you could highlight to us the demand drivers on to the Shrimp side and also any sort of supply chain disruption which you are seeing to give us an indication of how sustainable this is as opposed to just being in a near term driven by the entire supply chain issues which are going up?

Choudary Karuturi: Basically what we were specifically mentioning is that the demand continue to remain stable as far as from the overseas market was concerned however supply related issues have been increasing and hopefully they are likely to ease up in the near future mostly by end of this month or early next month as such because on the supply side there were quite a significant amount of smaller sized harvest which have predominantly happened in the months of December, January or even part of November which basically means that some of our medium and as well as large sized Shrimp supply which was supposed to be originally available during the last quarter also kind of got affected because of premature distress harvest which have happened earlier. So, we are looking forward for a better improvement in the supply side which mostly as I mentioned just now most likely more towards the end of this month and that is into the towards the end of Q4. So, we do expect that the supply could be improving as this is the time as you know traditionally for the climatic conditions most of the producers primary producers focus on seeding or stocking seed into the farms across the country during this period starting from December, January onwards till April, May, June and as you also know historically our sector has a much better performance in the Q1 and Q2 of financial year, which have a much robust supply and as well as the demand also remains stable during that period.

Ritesh Gandhi: Overall if we look at like actually gross aggregate demand we have been reading a few report how China is leading to an overall increase in demand of Shrimp as an alternative protein, so are you seeing overall global demand also increasing or how should we be overall looking at the demand supply situation and overall, India positioning in this entire Shrimp export industry?

Choudary Karuturi: Overall demand has been quite stable, of course there was more demand which was observed during the middle of last year especially because of the aftermath of the various phases of COVID disruptions in supply chain overall. So the demand was quite high now that is kind of stabilized and that is very consistent and as far as countries like China is concerned market is there for China it is just that the products which are required by the Chinese customers are not worthwhile for us to be produced by our company during this period that is why even in my opening remarks if you remember we have clearly stated that we would be looking at China more towards the later part of this year as supply comes during the peak time. So, the demand from China has been there, but however there have been certain non tariff barriers which have been placed in the last two years which are slowly easing out with regard to China so there is still requirement coming in from China and they need as they are net importer which you would be aware for the past three years almost they have been importing more product. At the same time with regard to exports yes India has been competing with countries like Ecuador in the recent past primarily Ecuador as well as Indonesia and based on that our supply definitely has to be improving and as more area is getting added and better yielding is expected productivity wise at the farm level output wise as it improves. We would be continuing to look at good steady exports from the country as such and our company also will continue to play its role.

Moderator: Thank you. We will now move on to the next question I now invite Ms. Nitin Awasthi from InCred Equities. Please go ahead.

Nitin Awasthi: My first question would be we had quite a high inventory position reported last quarter so we had close to about almost the sales that we did this quarter as inventory is shown up of course the sales is at the mark up, but what I am trying to get to is when we had such a high inventory position with us since the sales have been much higher and the gross profit margins much better and the reason why this could not be delivered is because the previous quarter stock was actually sold during this quarter and the inventory which you have accumulated will actually get sold in Q4?

Choudary Karuturi: Actually if you also look at it with regard to the consumption of the inventory which were prevailing towards the end of Q2 in fact they have been partially consumed quite well that is one of the reasons why our purchases were also lower and we have used quite a good part of our inventories which were already prevailing into for doing our shipments as logistical constraints were easing out a little bit gradually. So, we did used good part of our inventories of Q2 even with reduced purchases during Q3 and apart from that there were further more shipment which could not happen because of the lack of equipment for certain destinations and it was proving costly otherwise to divert them to other destinations so those products are being shipped out in Q4 those which got stranded from Q2 also. So, it is like you rightly said there has been a mix of products between the inventories, a part of the Q2 inventories as well as the purchases during Q3 which made up for that increased sales compared to of course that is compared to Q3 of last year, but we still have some of the inventories which could not get shipped because of the lack of equipment when we have as of now as on date we have done very well with those products they have been shipped out, but in the current quarter it is more of the regular supply issues have been there so that is being as the supply constraint ease out I am pretty sure everything will be reflecting more in the Q4 as supply also improves.

Nitin Awasthi: So how much inventory would be there in the books on December ending quarter and how much of this would be finished product?

Choudary Karuturi: Actually, all the product is in finished products.

Vijaykumar: As on 31st December finished goods quantity 2,931 metric tons.

Nitin Awasthi: The next question sir I had was due to the shipping cost increasing our competing country which is Ecuador is going to have a hard time shipping all the way to China and we are going to have an advantage in that sense to shipping to China and the pricing in China seems quite favorable, so would we see more of Indian produced getting diverted to China and if that happens up produce from India has to actually increase, so how much production increase are you seeing happening this calendar year?

Choudary Karuturi: Well first thing is we do have an advantage by being closer to China for sure as a country, however you would be aware about the kind of products which are exported predominantly in Shrimp to China are commodity based number one and number two is they are all low value smaller sized product. So, in both these cases typically the basic Headless Shell-on or commodity Shrimp along with the small sizes they are only those products could be shipped mainly to China while at the same time the pricing of such products is not really favorable or lucrative during the whole year except during the peak season time for making it worthwhile to be shipping or selling to the Chinese market for those products. While in the case of Ecuador you were mentioning that they are affected because of the distance to China, but at the same time parallel as you also know they are much closer to the United States. So, if we consider that they have a disadvantage sending to China, but there are also at the same time they are also having their own advantage in selling to the US. It is not really the Chinese market is not really the way to look forward for the entirety or the majority part of our business and it will always continue to be minor and part of our business for sure and it is also feasible and suitable to be done during the peak time arrivals when the supplies is very much abundant and as especially when small sizes only are being harvested especially during the coming summer period of Indian climate period.

Nitin Awasthi: And how much are you seeing the production rising this calendar year by?

Choudary Karuturi: Well we do have good demand of course lot of seed has been stocked and it is being added however we should see how the success rate at these farm levels will be. So, at this point we would expect at least maintenance of last year supply for sure, as far as growth is concerned we are not seeing a significant addition of newer areas, but whatever we have understood from the market is more of the existing areas have very well planned out and they are stocking up their seed. So, we look forward to any area increase as such but we do not have that information as on date with regard to additional area being added because currently it is only the addition of area in our country is basically giving out better supply or rather increased quantity. So, personally we do not have the exact information regarding the addition of area as of now, but we do feel that the area under culture has definitely been geared up well for the summer crop of 2022.

Moderator: Thank you very much. We have the next question from the line of Mayur Gathani from OHM Group. Please go ahead.

Mayur Gathani: So what I understood on the logistic issues the container prices etcetera are worse off than Quarter 2?

Choudary Karuturi: Actually yes.

Mayur Gathani: As of there was an improvement so we did not see any improvement in the container prices in fact it worse off?

Choudary Karuturi: We are seeing improvement in availability of containers to certain extent to certain destinations which was there, but as far as freight cost are concerned they are definitely at the highest levels and we hope to see them also easing out as things get better. So, for now of course the freight cost are definitely at among the highest levels after recent past. Our Q3 freight cost were significantly higher than Q2 for the volume which was shipped out.

Mayur Gathani: And how is it now I mean is there a gradual improvement on the availability plus the pricing?

Choudary Karuturi: Availability is there, but only restricted to specific destinations. There has been very big trouble with regard to getting equipment for the US West Coast especially for the one and half almost two years.

Mayur Gathani: When you see equipment you mean container right?

Choudary Karuturi: Correct.

Mayur Gathani: So your H1 is generally better than your H2?

Choudary Karuturi: Yes traditionally as well as historically because it is very much conducive to grow the product at the farm level also during the summer period because during the winter period especially in Northern parts of India it is difficult for where it gets cold much sooner and the duration of the colder climate is also for longer period. So, usually it gets difficult say in the states of Gujarat for example they cannot go for stocking during the winter period. So, most of the time the whole country is gearing up as well as have always geared up for successful crop during the summer period of the country that is typically the harvest start usually around March, April and it last all the way till July, August in abundance.

Mayur Gathani: Two more question sir what is the utilization of the new plant how is that coming up your overall utilization was only 44%, so how is the new plant shaping up?

Choudary Karuturi: The new plant for the quarter we have that has we have produced around 1,063 metric tons in ready to cook and ready to eat both of them put together it is around 1,600 metric tons for the new plants compared to the old plant at 900 metric tons during the quarter. So, the share of RTE specifically for the quarter is being at 20% with regard to production, but now the focus is on of course utilizing the newer plant which has better productivity efficiency which are involved because of the methods as well as the technology the focus is also on increasing or basically utilizing it to the maximum and then if any reduction because of supply constraints for example then the priority is basically given to the newer plant rather than the old plant. So, for Q3 FY22 combined production was 1,500 metric tons approximately.

Mayur Gathani: From the old plant was 900?

Choudary Karuturi: Yes correct.

Mayur Gathani: So when do we see this is it next year can we expect a 60%, 70% utilization levels on the new plant?

Choudary Karuturi: As we hope that supply is going to start from hopefully by the current quarter as we close the financial year we definitely seriously hope that we are going to utilize it in a much better manner to taking it to 60%, 70% and also added with our additional line later in the next financial year. We definitely are positive of utilizing it in a better way. So yes we look forward for that.

Mayur Gathani: You are adding a new value addition plant you have a 5,000 capacity in new plant you want to add another 5,000?

Choudary Karuturi: Yes another 5,000.

Mayur Gathani: Eventually in the last two, three quarters either you are not seeing so much of demand, but you still want to add up another 5,000 on the value addition or ready to eat, is that you predict that the demand will come back to normal?

Choudary Karuturi: The ready to eat demand was also there. However, we are handicapped with the amount of capacity utilization which we could do because of only one single line. So now when we add both the second line the priority of the company will be to utilize the ready to eat capacity to the highest level even if it means to be comprising some of the utilization of the ready to cook naturally because in such a scenario if at all anything basically if there is any sort of supply related issues our focus as well as priority will be more towards utilizing the entire capacity of ready to eat at that point of time which would be almost likely by the middle of the next financial year by around say July, August almost it will be 10,000 metric tons of ready to eat alone in that facility.

Mayur Gathani: And sir on the European issues what is it I mean Indian government and the European government have to sit across?

Choudary Karuturi: Yes, they have not yet approved any of the facilities in the last two years so that has been ongoing pending subject between the Government of India and the EU Health Authorities. So, it has been that has been kept pending for the past two years they have not approved any new facilities.

Mayur Gathani: And on the 5,000 additional value added ready to eat what is the CAPEX?

Choudary Karuturi: It will be approximately around 7 to 8 crore but all put together it is less than a million US.

Mayur Gathani: And sir you did mention about some supply side issues in this quarter assuming that things get back to normal and the season is there in Quarter 4 end of first quarter thing should come back to routine and you would not have a supply side issue in the forthcoming quarter.

Choudary Karuturi: See I have also explained with regard to that in the opening remarks also is that there were premature distress harvest which were happening and which have happened during the Q3 period. Typically, in a livestock activity where the size is of importance as they grow they take longer time for growing to larger size in the case shrimp. When you have premature and distress harvest happening in a particular period, it naturally means the wipe out of larger size is of the subsequent period. So, that is exactly what has happened especially in the year 2021. So, otherwise we would still be continuing to have the good amount of supply in Q4 also. So that supply chain and supply issues which I have also mentioned to one of the previous caller has been there more towards the end of Q3 and it is there partially in Q4 too, but as I also mentioned to you just few minutes ago that typically the summer crop harvest would also be starting in smaller size more towards the later part of the last quarter of the financial year that is Q4. So, the supply also look forward to be improving and as stocking of seed also is happening in a good way we definitely expect a good amount of supply starting from April onwards with the current available area of aquaculture in the country.

Mayur Gathani: So last question with the ready to eat contribution increasing in the first half from the newer plant that is already active and second half we will see the additional new plant coming in, so the margins being at 10%, 11% should we see an incremental improvement in the margins for the next coming year and next year?

Choudary Karuturi: Yes definitely that is the whole objective of enhancing the margins levels by looking at higher value products and naturally even ready to eat capacity increases automatically whatever sales happened they will be at a much higher level compared to the ready to cook realizations or margins which are prevailing for ready to cook. So, that is the whole objective of adding the second line it is not a second plant please understand it is the second line we have an existing line of a 5,000 metric ton it is a second line of another 5,000 metric tons which we want to add up so that we can double our ready to eat product capacity as and when the supply also improves and we would rather by realizing a higher realization per unit, unit value realization will be higher definitely on more quantity and also thereby the margins also accordingly also increase because of they being a higher value as such. So that was the main reason we have decided in the last calendar year in 2021 that we would go for the second line.

Mayur Gathani: Can you quantify what kind of an improvement can we see in the margins assuming that since supply side is fine so can you see a 200-basis point incremental days?

Choudary Karuturi: Like currently there is a difference of almost like $2 per average price realization is almost $2 to $2.5 of course in the increased market scenario between ready to cook and ready to eat, but usually it is around say $1.5 to $2 per kilo additional realization as such while on the margin front it would be ranging anywhere from 50 cents to $1 per kilo dependent on the products which are produced. So, an example is last year Q3 we have had $8.85 per kilo in the ready to cook and the ready to eat was $11.13 cents and of course this year the ready to cook is $9.46 cents approximately and ready to eat is $11.70 cents so I mean of course when the prices went up even they went up for both ready to cook as well as ready to eat and I was just giving you the price difference between the two items of the ready to cook and ready to eat.

Moderator: Thank you. We have the next question is from the line of Yugansh Mittal from Mittal Analytics. Please go ahead.

Yugansh Mittal: The capacity utilization is around 40%, 45% and going forward you hope to ramp up so sir if I look at overall industry there are certain other players who also have some bit of unutilized capacity and then the other players like say coastal who is putting up a fairly big capacity and they will be almost coming 10,000, 12,000 tons capacity, so going forward do you expect some pressure in terms of ramping up this capacity or are you confident that the industry will see growth of such levels that there would be any problem for filling up the capacities for you or it is overall an industry issue, so any thoughts on view of how the demand could shape up?

Choudary Karuturi: As far as increasing capacity by various companies in the industry including our own company has been on the go for quite number of years and it continues to be there in different states in different parts of the country and with regard to utilization of the capacities it is more related to the supply side the key part for our company as well as for our sector in the country we feel that it is more as the supply improves and as the supply grows that will be the answer to better utilization of capacities of course subject to their respective individual or marketing or sales agreements and arrangements which they have for themselves. So, it will be mainly depended on the supply and as there are few not in state of Andhra, but there are some other areas where also slowly they are getting added and as more areas are added for aquaculture and more stocking happens and with successful crop and good harvest definitely the supply is bound to be there and it is expect in this year because now currently for the past three to four months the pricing also has been very attractive to the primary producers to look forward for stocking of Shrimp seed at the farms because of the better farm grain prices which have been prevailing especially as I said in the last 2 to 3 months almost 4 months.

So, definitely we look forward for a great supply in 2022 and the reasons itself as I said are a very good lucrative farm grain prices which are available to the primary producer. So with that supply available and we are gearing up with other methods and some of the arrangements which we are making with these apart from addition of infrastructure and addition of capacities which I was just discussing. We are very much positive of utilizing it and to be optimum and also in a great way for FY23 especially for the full year we have geared up very well and now we are leaving behind whatever COVID hiccups were there and we have also been making some arrangements with also with logistic side in general. So, with certain shipping line so that we do not get caught next year for sure in this manner and we are looking forward definitely for a better utilization of capacity hopefully with the supply improving and as well as other things take care like logistics we definitely believe we will be able to utilize our capacity as well as to a great amount of shipment thereby the sales happening.

Yugansh Mittal: Sir on supply side that was really helpful so also on the demand side do you anticipate the industry will be able to grow and say 15%, 20% to take care of this increase processing capacity and also is there any visibility from any of your customers or contract sort of stayed wherein your capacity is getting booked if you can share some light in terms of how you are seeing filling up your capacity and also invest in demand?

Choudary Karuturi: Like you said there are quite a number of players and some of them are adding capacity, some are building newer projects etcetera, but as such our company with the arrangements we have with our customers and we definitely with the talk so far we have had with all these issues as they are easing out all these problem with regard to logistics, destination constraints etcetera over the next few months. We definitely are looking forward and we have been given assurances as well as because fortunately for us some of our customers who have been added over the past two to three years are also adding up more outlets for their business which indirectly helps us in growing our volumes also. So, that way we are quite confident not just betting on the supply side, but also the demand also being created automatically not just be going to some newer clients which is always there approaching newer clients and newer markets that is a separate path which is always there, but even our existing clients as they are adding more outlets of their change primarily retail outlet definitely we are looking forward for our capacity to be booked well in advance and this also a good part on the ecommerce front. So that is also been addressed and it has been worked out by some of our clients and that is what is assuring us about how we could be planning our capacity utilization for the next year basically at the 2022.

Yugansh Mittal: Also, on the demand side just a follow up you see Ecuador is catching up in terms of supply to US and has been growing their market share at a rapid pace, so do we see them as a big threat or do we see that we will be able to maintain share in US despite particular has been going for the last few months?

Choudary Karuturi: Definitely Ecuador has become the topic for everybody over the past few months and especially the year 2021 like you rightly said. Yes they have been growing their supply, but at the same time they have moved more towards the US market mainly because of the non-tariff barriers which were hit by the Chinese market also because Ecuador number one export country until 2020 was China actually. China was a largest importer for Ecuadorian shrimp and of course because of those non-tariff barriers they have also been looking at other markets and the closest market for them export market was USA. Yes we are definitely watching them, but at the same time that our cost of production and the size available if we can grow to more of medium and larger sizes especially out of India we do not feel that Ecuador will be a high threat like you just mentioned, but yes it is always producing supply nation to watch upon at any given point of time and meanwhile as things could be developing in India with regard to supply and farm level and infrastructure wise definitely we also can keep up with that.

Yugansh Mittal: Secondly on the margin front so if we see the couple of developments that have happened for our industry for example reduction in export incentive like you mentioned in the beginning of the call then there was some higher anti-dumping duty by US implemented. Secondly the cost pressure that we see in terms of for the farmer with the higher feed prices and so on and so forth, so do we see that given these change industry dynamic there is a part of a margin pressure do you see yourselves getting stays on the margin side or you expect the margins could be back to the 11%, 12% given the strong demand that you just spoke about, so how do you basically see the margin site playing out in next couple of quarters?

Choudary Karuturi: Like you said there have been issues affecting the margins with regard to pricing and also the cost at the supply side, but just to correct you there has not been any increase of anti-dumping duty in general I mean it has been there for certain companies when you say for Apex Frozen Foods, anti-dumping duty continues to remain as of now at 1.35% that does not change and if there is any change definitely we would inform to you and everybody else, but for us we continue to have 1.35% there has not been an increase of duty to a large part of the industry out of India.

With regard to the maintenance of margins like you rightly pointed out with these increased cost and the whole objective for us especially to look at having additional lines towards ready to eat is that part is so that we can mitigate all these additional higher cost by basically earning higher realization whereby assuring our minimum margins of those 11% which you are asking about so that it does not contract. So the objective is that we produce more volumes by adding of course more infrastructure accordingly in that scope the ready to eat products. So that is one way which we would be addressing this issue if any regarding margin crunch if any and we are positive with all these steps which we are taking we are positive that we would be maintaining that margin levels and which also be aided by the supply of course. So we are definitely around that front.

Moderator: Thank you. We have the next question from the line of Dipesh from Equirus. Please go ahead.

Dipesh: Sir you have talked about the supply demand issues to various participants, but if I look at the 9 month volume the fact is that Indian exports were around the 35% while your volumes have grown by only 6% to 7% of the same period, so if you can please help me understand why this gap and do you think you are losing the market share and how and by when you will be able to cover this gap?

Choudary Karuturi: We have not really lost any market share of course our volumes which I think we have also mentioned in the previous calls too there were times where we had restricted also our production levels as there were constraints with regard to our shipment specifically which we have been discussing over the past few calls and it did not make sense for the company to continue its production on an ongoing basis even though when the outlets were gapped up because of the constraints. So, for us from the ports which we were doing and the then existing contracts with the shipping line which were prevailing at that point of time. So, definitely the lack of equipment had affected our company specifically and with the arrangements we had at that time so that is one of the main reason we are looking at making a much better and concrete arrangement for the year 2022 so that we are not affected or impacted by any of these logistical constraints anymore at least on equipment support. Now the overall exports when you say have grown that is all in comparison to of course 2020 I think you are comparing it to the previous fiscal year. So, definitely the previous fiscal year was like a one off for the industry globally with all the issues which we were prevailing so naturally that growth has been there.

Dipesh: But sir if I look at 2020 numbers also like the industry has grown by 10%, but you have actually still lower than the FY20 levels for the first 9 months at least so that is why if you talked about the East Coast and West Coast disparity, but I just want to understand if a client basically gives an order of 500 tons for example if you are not able to deliver on time, so does he take from anybody else who will be able to deliver that?

Choudary Karuturi: Well they would be taking on intermediary requirement they would be taking some other countries as well as some other people also they would be taking it, but the point is we did not have any issues with regard to delay shipment as such we still have the contracts pending and yes we got affected initially with regard to the logistics and of course subsequently in Q3 especially we got hit with a supply constraints also. So that is one of the reason you can also see our utilization has dropped in the Q3, we constrained our utilization overall because of the lack of ability to do more number of shipments than what we were envisaged to do with all the orders which were there pending. So, for the past three quarters we have been stuck with higher level of inventories and we hope to normalize that and get rid of these higher-level inventories volume of inventory at least by the end of Q4 or by the end of the current financial year.

Dipesh: Sir you also gave the number of inventory at the end of December I think 2,931 tons so do you think we will be able to shift them out fully this quarter or do you think you will have to wait before the demand is already over now?

Choudary Karuturi: Actually most of these inventories have been sold actually they have all been made to order, but of course because of the lack of ability to ship them out in time they got stuck, but most of the inventories we will be also able to clear them out we are looking forward to clear out most of them and in fact by the end of this quarter and we are quite positive about it.

Dipesh: That means the Q4 volume can be higher than Q3 volumes for the first time in your history?

Choudary Karuturi: That is what we are expecting, but as I have mentioned because of the challenges with regard to the West Coast which was told to us even in the month of December onwards the challenges with regard to shipping to the US West Coast had significantly hit us. So, we are looking forward for every outlet or any every basically shipping line who are able to support us with regard to that because it is not an Apex specific problem with regard to shipments to US West Coast. It is actually a global problem because of the congestion there they do not want to gives us newer equipment to shift there because they are worried that their equipment is getting stuck there and it cannot be exported back from there so that is the reason we definitely are hopeful that we can push out most of the shipments we are working with our customers.

Dipesh: Sir last question is sir the US imports grew very strong in 2021 so just wanting to understand how the inventory levels are currently there and given all the overall inflationary pressure that the US is seeing and Shrimp being an expensive food item, do you think that the same demand can be negatively impacted this year?

Choudary Karuturi: First thing is on inventory side they are having a good set of inventory for sure post holidays also the inventories are there and because of now the reopening because of COVID and all that, but there were still restrictions placed recently because of the new variant which was existing there and invariably cases were increasing. There was certain subdued amount of consumption especially during the holidays and there are good set of inventories there and there has been a little bit of softening of pricing also in the US to be precise. Yes that has been there and it is a fact, but we are now looking forward now February and March where now as the Chinese New Year also is there and the lent period where consumption of sea food is on a higher side because of 40 day zero consumption of red meat. So, we look forward for some good things to happen now as we speak in the month of February and March but there are good set of inventories for sure. So, we should see how things go by over the next one to two months where the pricing will be taken based on the inventories out there.

Moderator: Thank you. We have the next question from the line of Mayur Liman from Profit Mart Securities. Please go ahead.

Mayur Liman: I just want to ask what are the key factors will help in the coming quarter progress and how do you see Quarter 4?

Choudary Karuturi: I think both your questions were related to Q4 am I correct can you repeat your questions.

Mayur Liman: Yes a future perspective and the Quarter 4?

Choudary Karuturi: I mean the Quarter 4 of course as I had just mentioned we are looking forward to ship out most of our inventories with the reduced supply situation subject to availability of equipment for shipping out the containers, but other than that there has been supply constraints too which we have mentioned several callers in just little while ago. There have been supply constraints and as they improve more towards the end of this quarter Q4 we should look for a good productivity at the capacity utilization wise, factory level as well as good sales to happening with the shipments being done in a better manner for next year for sure, but this year later this quarter right now the current situation is we have crisis on our supply side as well as logistical front too so we continue to have issues so we look forward for improvements on those front in this quarter.

Mayur Liman: And my next question is do we have some CAPEX plan for the next year?

Choudary Karuturi: Yes which was explained earlier there is a CAPEX plan for adding an additional line ready to eat line which is being done that would require approximately around 1 million USD.

Moderator: Thank you. We have the next question is from the line of Nitin Awasthi from InCred Equities. Please go ahead.

Nitin Awasthi: Sir just one last question from my side if I heard you correctly we got the figure right you are sitting on 2,900 metric tons of inventory cook products?

Vijaya Kumar: No, a mixture of cooked and raw and the total inventory size of finished product. Total closing stock as of 31st December is 2931 metric tons and out of this cooked product is 204 tons.

Nitin Awasthi: Could you repeat the figure that CFO sir just mentioned?

Choudary Karuturi: It is 2,931 metric ton total in that you may say cook product is 204 metric tons.

Nitin Awasthi: So basically, you are sitting on a very large inventory larger than the sales you probably have done ever and this would have been done at a lower cost also, so if you are able to shift this out can we expect at least record gross profit margins because net EBITDA margins are obviously subject to shipping cost which are not out of your control, but gross profit margins I am talking about?

Choudary Karuturi: Yes true again at the same time this inventory also are not just pertaining to lower cost, but also the higher cost product which have been procured especially during the past four, five months as you remember even in the last quarter by when the raw material prices also has firmed up quite well by then and now of course it is at the highest levels of the recent past so of course it is a mix. So, definitely we should be looking at if we are able to get these out hopefully we are so far we have had issues constraints to regarding one side of our export markets as I said the west coast we are really having issues. So, hopefully we will be able to move them out and we should be looking at on the margin side, but as I said it is not entirely low-cost products it is a mix of the product which has also been procured over the past three to four months almost so where the prices also are even now and for the past one month also the prices are also at a very high level raw material cost.

Moderator: Thank you that was the last question. I would now like to hand the conference over to the management for closing comments.

Choudary Karuturi: Thank you everybody for making it to this call our Q3 9 months FY22 quarterly concall and we do hope that you all keep safe and for any further queries you can always reach out to ir@apexfrozenfoods.com and thank you very much and have a nice day.

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