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: 07th February, 2025.

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 Q3&9MFY25 Earnings Conference Call held on 04th February, 2025-Reg.

***

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, kindly find enclosed a transcript of the Q3&9MFY25 Earnings Conference Call, which was held on 04th February, 2025.

The aforementioned Earnings Conference Call, as per the transcript enclosed, incorporates mainly the highlights of Un-Audited financial results of the 03rd Quarter ended 31st December, 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: 2025.02.07 11:02:55 +05'30'

Karuturi Subrahmanya Chowdary
Managing Director
DIN: 03619259

Encl: a/a

"Apex Frozen Foods Limited Q3 & 9 Months FY25 Earnings Conference Call"

February 04, 2025

MANAGEMENT: MR. CHOUDARY KARUTURI – MANAGING DIRECTOR AND CHIEF FINANCIAL OFFICER, APEX FROZEN FOODS LIMITED
MR. P. DURGA PRASAD – SR. MANAGER, ACCOUNTS

Moderator: Ladies and gentlemen, good day, and welcome to the Apex Frozen Foods Limited Q3 and 9 Months FY25 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. Suyash Samant from Stellar IR Advisors. Thank you, and over to you, sir.

Suyash Samant: Good morning, everyone, and thank you for joining us today.

We have with us today, the Senior Management team of Apex Frozen Foods Limited, Mr. Choudary Karuturi, Managing Director and Chief Financial Officer; and Mr. Durga Prasad, Senior Manager (Accounts) who will represent Apex Frozen Foods Limited on the call.

The management will be sharing the key operating and financial highlights for the Quarter and 9 months ended 31st December 2024, followed by a question-and-answer session.

Please note, this call may contain some of the forward-looking statements, which are completely based upon the Company's beliefs, opinions and expectations as of today. These statements are not a guarantee of the Company's future performance and involve unforeseen risks and uncertainties. The Company also undertakes no obligation to update any forward-looking statement to reflect development that occurs after a statement is made.

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

Choudary Karuturi: Thank you, Suyash. Good morning, everyone, and thank you very much for joining us on this investor call for the Q3 and 9 months FY '25.

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

At the outset, we are happy to share that global shrimp prices have continued to increase, definitely backed by an improving demand. In regards to the demand from the U.S. specifically, which is one of the largest global markets for shrimp, it has continued to show improvement as inventory levels have been gradually declining.

This trend suggests a recovery in consumption and purchasing activity, which could also lead to increased import volumes in the coming months. As stock levels normalize, buyers may become more active in sourcing fresh supplies providing a positive outlook for shrimp exporters overall.

The European Union market remained robust. The Company recorded a 73% year-over-year sales growth during Q3 FY '25 and 42% year-over-year growth on 9 months FY '25. The share of the EU market in the overall sales mix increased to 45% in the Q3 FY '25 from 36% in Q3 FY '24 and to 45% in 9 months FY '25 versus 30% in 9 months FY '24, resulting in a more geographically diverse sales mix.

We remain optimistic about the market's growth potential and the opportunities it offers, especially once our long pending ready-to-eat approvals are also secured for our new facility, which we have been waiting literally for the past almost 5 years due to some regulatory issues between both the country, India and the EU.

In light of the improving demand, the resultant global shrimp prices have also been rising. Our average realization registered a growth of 13% year-on-year and 8% quarter-on-quarter in Q3 FY '25 to Rs. 749 per kilo.

However, due to continued constraints in the raw material supply in India, which many of you would be aware because of the long consistent low pricing at the farm gate level in the later part of FY '24 and the early part of FY '25, definitely as we explained in our earlier calls also, the mood of the primary producers was definitely low and they were having a very conservative approach with regard to stocking shrimp, post-larvae peels or seed at the farm level and going for stocking and thereby reducing the overall farm level production.

The farm gate prices were quite low for most of the early part of last year in 2024. And it is only in the second half, almost from around September, the prices also started increasing very well.

So, currently, because of the conservative approach of the farmers and the primary producers, of course, that definitely had an impact on the overall raw material supply. And because of these constraints, the farm gate prices grew even further. Our average purchase cost of raw materials grew 21% year-on-year and 15% quarter-on-quarter to Rs. 372 per kilo in Q3 FY '25.

Since aquaculture shrimp in India, as you all know, most of you would know, is primarily export driven and follows global price trends, the rising shrimp prices are definitely expected to encourage shrimp farmers to increase seed stocking, which was as explained earlier, which was lacking in most of 2024, and we are expecting it to be increasing in the upcoming cropping season, which is already in the process right now.

As we have mentioned, the current fiscal saw a lower supply of raw shrimp. And in this context, increased shrimp production would definitely be a positive development for the sector in the medium term, especially with early signs of rising demand.

Coming to the Financials:

The net revenue for Q3 FY '25 came in at Rs. 231 crores, up 16% quarter-on-quarter as against Rs. 200 crores in Q2 FY '25 and 56% year-on-year as against Rs. 148 crores in Q3 of FY '24.

In fact, it is the first time ever that our Q3 revenue is higher than the Q2 revenue. Ours is slightly a seasonal business which most of you would be aware. Typically, Q2 is the strongest of all the quarters in any fiscal year mainly because of the robust supply, which is usually available during that period of every year because of the favorable conditions for the farmers to grow at that point of time.

For 9 months FY '25, the net revenue came in at Rs. 616 crores as against 643 crores in 9 months of FY '24.

While global sea transportation issues are easing with freight costs gradually decreasing, the domestic raw material prices remain firm, thereby impacting the profitability in Q3 FY '25. Our gross margins stood lower at 25% in Q3 FY '25, mainly due to the higher raw material prices which I have just explained. The gross margin in nine months FY '25 were at 28%.

The shrimp volume sold by our Company stood at 2,903 metric tons in Q3 FY '25 and up by 37% year-on-year and 7% quarter-on-quarter as against 2,117 metric tons in Q3 FY '24 and 2,710 metric tons in Q2 of FY '25. Shrimp volumes sold by our Company stood at 8,184 metric tons in 9 months of FY '25 as against 8,646 metric tons in 9 months of FY '24.

In conclusion, we do remain optimistic in the near term driven by the signs of inventory liquidation in overseas markets and the uptick in the overall demand and the reduction in major ocean freight costs mainly. Additionally, with the current favorable pricing scenario for Indian shrimp farmers, we are hopeful about increased shrimp cultivation in India in the near to medium term.

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

Moderator: Thank you, sir. We will now begin with the question-and-answer session. Anyone who wishes to ask a question may press "*" and "1" on their touchtone telephone. If you wish to remove yourself from the question queue, you may press "*" and "2". Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Tushar Raghatate from KamayaKya Wealth Management. Please go ahead.

Tushar Raghatate: Yes, good morning, sir. Thank you for the opportunity. Sir, I just wanted to know like the reduction in the basic custom duty for frozen fish paste and fish hydrolysate. What would be the benefit of that to our Company?

Choudary Karuturi: Firstly, we are using the raw material sources from domestically and our Company is not into importing of these products in our processing. But that is more for reprocessing and either selling domestically or re-exporting. So, it is for such companies. In our Company's case, it is more of we are mainly focused on the shrimp as you will be aware.

Tushar Raghatate: Got it, sir. Sir, just wanted to know, like you said the realization has been increasing, but there is a disconnect in the margin. I understand it is because of the raw materials. So, can we consider this margin as a new normal or you are seeing that margin to revert back in terms of gross margin, I am talking. So, you went near about 35% gross margin. Now it came back to 25%. So, do you see that reversal happening in the near future?

Choudary Karuturi: Well, as mentioned in our opening remarks, yes, we are quite positive. See, the main point in regard to the gross margin is that there was a drastic impact on the supply issues because of the overall conservative approach of the farmers which was explained.

So, because of that, definitely the supply of the shrimp had impacted almost most part of the year we have noticed it and now the conservative approach of the farmers is also slowly easing. It's slowly easing. It's not like there is an overnight change, but it is slowly easing. As for the past three months literally, they have been seeing a very consistent higher prices, better prices for them, for them to realize on their production at the farm gate level compared to what they have seen for almost over 12 months prior.

So, this definitely is an encouragement and as the farmers also can see better margins on their end and they can, you know, justify their costs, so that way it is definitely an encouragement, definitely much better than what it was like 6 months or 9 months ago. So, that way, we expect the supply also to improvise, which definitely once the supply improves, obviously, we would have a better, you know, leverage for sure. So, which is currently the supply is the key challenge right now, which we are foreseeing. And I mean, we expect that as explained, we expect that to be changing. And obviously, as the supply improves, we expect a better, you know, kind of stabilization of the raw material prices also, which will definitely improvise our margins in the overall in the gross margin level.

Tushar Raghatate: Got it, sir. Actually the ground for this question is coming from the listed player of yours in the seed business. So, they mentioned that the increase in the shrimp prices is kind of adjusting towards the Countervailing duties and the import duties on the shrimp. So, any say on that?

Choudary Karuturi: There is definitely some amount of impact, but at the same time, definitely with regard to the countervailing duty, there is certain amount of impact. But at the same time, we also have to understand that the increase in the sales price, whatever increase was there was not, you know, on par with the increase what we had at the farm gate prices.

Definitely, that was one major part, which means because of the shortage of supply, the farm gate prices obviously were at a higher level. I mean, there was a difference, of course, almost around 3 to 4% was the difference between we have seen as far as the increase rate is concerned. And it depends on different companies.

As you also are noticing, our Company also is diversifying and we are not, you know, having the same amount of exposure what we have been having for years together with the U.S. market alone. So, which you can also see that we are also, it's not that we can ignore the U.S. market. It will continue to be our main market. but at the same time with the current, you know, issues related to the CVDs, the higher rate of CVDs or any tariff related issues with regard to the U.S., we will have a better balancing environment for our business when it is obvious that we have to diversify even more than what we would have normally done. And that is the reason you can see our sales to the EU also growing very well.

So, that is a big step which we have been taking from the beginning of the fiscal. As you can see, every quarter we have been, you know, growing our overall quantities to the EU market, which we have never done this much amount of volumes in the past to the EU especially, which is our next big market, which most of you would know.

So, yeah, that way, you know, it depends on each Company, how they work, but we are focused on diversification so that we don't really have the impact of CVD on a majority or most of our sales. That's how our Company is trying to mitigate this issue.

Tushar Raghatate: Got it. So, that was helpful. I will get back in the queue. Thank you.

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

Nitin Awasthi: Hello, sir. First question from my side, just wanted to understand, like you said in your opening remarks, there is a lot of optimism when it comes to the farmer side of things. How are you seeing the hatchery demand given that we have our own hatcheries? How are the conversations happening there? How is the pickup expected in that segment? Because that could indicate how the stocking happens.

Choudary Karuturi: Definitely very well asked, Mr. Nitin. On that point, we have seen an improvement in our hatchery operations, but we wouldn't comment on the general environment because at the same time while we would specifically say about because of certain changes which we made within our operations and also, as you know, we have a long built farmer network over the years, most of the farmers who were quite conservative, got conservative in the past few months are definitely increasing their inquiries on the requirement of post-larvae, I mean, sorry, on the shrimp seed, which they are actually increasing their inquiries.

But at the same time, there are quite a number of hatcheries which are cancelling their appointments related to quarantine, which means they are cancelling the requirement of their broodstock, maybe depending on their business needs. Because farmers are very conscious, the primary producers are very conscious on the quality of the seed, especially with the problems which they have been facing in the past years.

They are very conscious, and they are taking careful, you know, a very careful and studied decision of from where to procure their seed. And in that regard, we have seen a growth, and currently we are actually increasing, also in the process of increasing our import of broodstock to produce more number of post-larvae or seed for the requirement of the farmers.

To put it straight off, hatchery, definitely we are having a very good improvement in the enquiries with regard to the seed. And for a few other purposes, we have also been requesting and kind of insisting that all the produce from our hatchery seed, all in its entirety, should be coming back to us as a raw material, which was not, we were really not pursuing in that direction in the past.

But now because of some technical changes in which some of our customers need in regard to the European Union market about animal welfare and in that regard, so we definitely need, we would want to buy the entire product, raw material which is produced out of the post-larvae produced out of, sorry, supplied by us. So, that way, we are seeing better inquiries from our Company's hatchery operations as such. It started almost, the entire Q3 was like that and it's slowly growing now.

Nitin Awasthi: Understood sir. Heartening to hear that you are heading in that direction to make it more traceable, and I think that's where the whole industry is also headed. So, second question regarding the CVD part, I will break the question down into three specific parts because it's a very broad discussion that happens. I just want three very, very specific parts. One, the first part, when is the revision due? Because what we happen to understand it's an annual thing, but however we cannot estimate when the revision is due. So, that is the first part.

The second part, we paid on certain assumptions till the final rates came out. So, have we adjusted and paid the additional amount or no?

Last question, the third part is what the current rate from cost for the quarter going forward will always be adjusted for the sales to U.S. Is that understanding correct?

Choudary Karuturi: Okay, the current rate is at 5.77%. Firstly, it was 4.36%, which was preliminary. And the period for which we paid 4.36% was the first four months of the fiscal year, coincidentally, from April

1st to, I think, sorry, from April 1st to July 31st, yes, we paid 4.36%. And then there was a hold from August 1st to almost December 17th. And from December 17th to December 27th, 26th, we paid for that 10 days, you know, we paid 4.36%. But from December 27th onwards, we continue, we started paying 5.77%, which we will continue to pay till the early part of 2026.

And to answer your first question, the review will be initiated towards the end of December 25, sorry, December 25. And that review, the decision of that review, which will likely be mostly will conclude within three months from the initiation, which means by around, roughly by around March, April, we will have a clarity in 2026 of what the retrospective duty would be which means for all this period what we are paying at 5.36% and that little part which we, few months which we paid at, sorry, 5.77% which we have paid currently and 4.36% which we paid for every period, it is all subject to review.

And like you asked once that is the review is concluded sometime around March, April 26. And we expect at this time that it should be reducing with much which was long awaited justifications and the information to be submitted by the Government of India also with regard to, you know, the justifications mainly about two major programs what we, as you know, which we benefit from is the RoDTEP and duty drawback. They are nothing but basically a reimbursement of the various indirect taxes which are imposed on the entire supply chain from the hatchery side till the processing.

So, that information is already being sought after by the Government of India and they are also compiling that. So, as they provide this information, which will be very, very helpful. Unfortunately, that couldn't be done in the earlier investigation period. But once that is done, we definitely expect a reduction. And today, we wouldn't really want to comment on that at what percentage it would reduce. But whatever reduced duty will be there during the March, April 2026, when they announce it, that will be effective prospectively as well as the refunds, I mean as we expect a reduction, the refunds for all this period whatever we have paid that will also be affected at that point of time. So, I guess that answers the dates as well as the process in most part.

Nitin Awasthi: And just one clarification. So, I want you to just clarify this so that there is no confusion. So, the CVD is basically an annual calendar year process, starts on January 1st and ends on December 31st. However, the hearings happen in the middle of the year, hence the final decision comes in the middle of the year, hence the adjustment which has to be made. Correct?

Choudary Karuturi: But the most important point here is we are not going to make any adjustments. If you are asking me, if we are going to make any adjustments in the financials, no, if that's what you are asking. So, it is very clear, we paid for certain amount of shipments, we paid at 4.36% in the current fiscal. And the remaining shipments which are arriving, when I say we are paying duties there, please understand the duties are upon arrival.

So, whatever shipments which got arrived from December 27th, we are paying 5.77%, which means most of the shipments which went in part of them in October and all the shipments of November and all the shipments from December are affected by this order, right? So, we have been paying on all that, and there is no more adjustments. So, whatever we paid that is obviously it is got into the books and we are not going to make any adjustments.

If the U.S. Department of Commerce decides when they decide in the future, supposedly, you know, as stated sometime in March, April 2026, based on their decision, at that time, they may initiate a refund. So, we would know at that point of time and then whatever refund, if any refund happens at that time, we would be, you know, basically taking it as an income because it's we get it at that. As you understand, there are no adjustments in any financial year as such with regard to these changes because in our case we do not consider this as an adjustable or kind of a changed duty or changed rate until that order is given. Whatever the effective date of the order will be taken for our books. That's all. You got it. So, we don't make any adjustments if there is any change in the future because the change of that will be applied from that date of arrivals, which means our shipments which are on the way will be to that effect. You got it?

Nitin Awasthi: Yes, sir, understood. Thank you, sir.

Choudary Karuturi: Thank you.

Moderator: Thank you. The next question is from the line of Siddharth Sreekumar from ithought. Please go ahead.

Siddharth Sreekumar: Yes, thanks for the opportunity. My first question is, in this quarter, what would be the sales volume of ready-to-eat?

Choudary Karuturi: The sales volume of ready-to-eat in this quarter was only of 244 metric tons in this quarter. Of course, the overall sales in this Q3 was 8% only to answer your question.

Siddharth Sreekumar: So, the RTE plant is now operating at 8% utilization.

Choudary Karuturi: No, I do not take the sales number as the operational capacity, please. The sales is what goes as a shipment. There is always a gap between the sales and the shipment, I mean, sorry, the production and the sales, always that is always there. So, at this, for the quarter, whatever shipments have happened with regard to RTE, that is 8% of our total sales. You got it?

Siddharth Sreekumar: 8% of total volumes.

Choudary Karuturi: Sorry.

Siddharth Sreekumar: 8% of total volumes.

Choudary Karuturi: Yes.

Siddharth Sreekumar: Okay. So, my next question is regarding the...

Choudary Karuturi: Sorry to just re-clarify. Just to clarify to you, if you ask, it was 11% of our production of Q3 FY '25 are RTE. Yes. Okay.

Siddharth Sreekumar: Okay. So, the next question I have is regarding the production scenario in Ecuador. What is your comment about that?

Choudary Karuturi: I don't really have much of information at this point about the production. I mean, the production is there. They are continuing to export, but their overall exports we believe are affected because of an energy crisis which they are facing, which we hear from the news as such. And they are having issues with regard to processing also at the farm level, the feed plants.

Overall everything is we understand in general is affected. But we do not know how long those effects will be there and how long they will last. But currently, we see a kind of a tapered reduced volumes of theirs into the U.S. market especially. And it is also definitely maybe they are also maybe looking at change of strategy and maybe kind of reducing their production at this.

I don't know how that's going to fare as far as 2025 is concerned with regard to Ecuador at this point as I guess it's too early to say, but so far what we know is they have issues related to electricity basically. So, it depends on those troubles. Accordingly, if those troubles intensify, obviously, their production would be getting affected because electricity or energy is a major component for farm level production, the processing plants, the feed plants, everything to run, it's a major component, you know, without which it will be very difficult to provide the required variation at the farms, which is the key part for the shrimp to survive in a pond, right?

Siddharth Sreekumar: Yes. So, one more question I have is in USA, how are shrimp processors like Apex, Indian shrimp processors paring compared to the Ecuadorian ones? Are we losing market share? And what is the realization trend for Indian shrimp in America and Ecuadorian shrimp?

Choudary Karuturi: The realization as such definitely is at a better level with regard to for India in the U.S. market as far as it is concerned. Because please understand as far as Indian shrimp is concerned, it has almost we have been having more than two decades of presence in the U.S. market.

So, it is just not, you know, about doing volumes, but also the different types of products, the various number of SKUs which India produces for both the retail, which means supermarkets, as well as the food service sector, which is the restaurant chains, is various products which are there. And similar to other Asian peers, India does a great volume of diverse mix of products and product portfolio is much, much wider, much more vast than what Ecuador does.

Of course, Ecuador has been trying to get into those products, but we do not see that impacting our sales to the U.S. market as India definitely has met and set a standard for its products in the U.S. market and which are, to be more precise, India has earned the trust among the U.S. customers with regard to reliability and consistency on its products. I am not saying specific to Apex. It's in general like you asked. It's as a country definitely we have achieved, and we maintain our reputation for sure in the major part, we definitely have achieved. So that way, India definitely has an edge with regard to consistent deliveries and also consistency in quality.

Of course there are certain, like one of the major disadvantage when you ask between the countries which you are trying to compare is the logistical, you know, I mean the time of if the shipments from that country would go like in 10 days, but our shipments could take 30 to 40 days.

Apart from this, you know, apart from the distance which we are, which we are on the other side, apart from that, we have definitely set ourselves in a very good, you know, we have earned a very good reputation and we continue to maintain that. The customers as well as the consumers definitely trust. We are good in that way as a country. I think that answered, but I think you mentioned about companies. Sorry, you also asked about companies.

Siddharth Sreekumar: Not companies. About the realization.

Choudary Karuturi: Yes, realization-wise, as mentioned, India has been very well as a reliable supplier of a supplying nation for the various products which the U.S. market needs because it's not like India is trying to enter the U.S. market as far as shrimp is concerned in the past two to three years trying to change the overall product portfolio which we have been doing for more than two decades.

I mean, there are certain countries like you mentioned, which have been trying to do that, but India definitely has a long established reputation, which it contains and which is recognized very well. So, that way, our realizations are much better than Ecuador.

And as stated, it is only the logistical part which maybe, you know, sometimes makes certain customers look at some other countries and also a small part of the customers who are from the Latin America or South American countries who have their operations in the U.S., for example, any of the, you know, Latin American or South American owned stores or restaurants may be preferring products from those countries.

You got the point? So, that is where a big difference is as far as requirement of Indian products as well as on a realization front, we have a better edge as far as realization is concerned.

Siddharth Sreekumar: Okay, got it. Thanks.

Choudary Karuturi: Thank you.

Moderator: The next question is from the line of Shaurya Punyani from Arjav Partners. Please go ahead.

Shaurya Punyani: Hi, am I audible?

Choudary Karuturi: Yes, please.

Shaurya Punyani: Just one small question. So, as you are saying the demand is recovering, so at what target we are expecting to close this year? Because on revenue front, we are more or less flat nine month revenue year-on-year.

Choudary Karuturi: Yes, definitely, but as also stated in the opening remarks, we expect improvements in the supply. We did have a good, slowly picking up supply. The supply will become a key part for us to really look at the numbers what you are asking or give a, you know, opinion or statement about that because the Q4 supply is yet to pick up. It is not very significant. But we are positive and we try to, we will try to definitely, you know, do better, you know, Q4 compared to the earlier Q4s, quarter 4s.

As you would have noticed, our Q3 of this fiscal is much better and as stated in the opening remarks. So, we do expect that if subject to supply conditions, because as you also would have understood that the farmers are looking at stocking now or in the past one to two months. So, we are expecting those harvests to be starting more towards end of this month and next month and onwards it will continue to happen as they stock more.

So, as you know most of the farmers stock, sorry, harvest after almost around 80 to 90 days usually. They start around 60-70 days, but most of the harvest happen after 80 to 90 days. So, the stockings which started improvising from around November and December, mostly in January, now is the time when they are picking up more.

So, based on the supply, we may be remaining more on a flattish basis like you indicated, but we will, if the supply improves because our order book is very intact and it's good, we are just waiting for the supply and we do have, currently we are still running at around 35% capacity utilization currently, but we expect that to be improving based on the supply conditions. If the supply improves, definitely our Q4 should be better than the earlier Q4s.

Please understand, as stated in the opening remarks, Q3 and Q4 or usually the second half of the year is usually the lower performance period. This year it was different. Our first half was kind of lower and weak because of mainly on the supply front as well as the demand front whatever. So, based on the supply, we expect things, as the supply improves and as the harvest happens mainly, we are looking forward for that. Definitely we expect it to be better.

So, overall, of course, it will remain flattish mainly because the dominant period in our industry for us is the first half which was, as you would have noticed, was kind of lower. So, for our

Company, it would remain mostly flattish compared to, you know, last year and as the supply improves, we are looking forward for better Q1 and thereafter because of the supply conditions increasing, improving, sorry.

Shaurya Punyani: That helps. Thank you.

Moderator: Thank you. The next question is from the line of Siddharth Sreekumar from ithought. Please go ahead. Siddharth, please go ahead, and kindly unmute your line in case if you have muted it.

Siddharth Sreekumar: Okay, thanks. So, my question is, how are the shrimp feed prices? How have they behaved in this quarter? And because the reason why I am asking this question is the farm gate shrimp prices higher because of higher shrimp feed price or higher demand? What is the reason?

Choudary Karuturi: Obviously, first thing is we wouldn't be able to comment much on the feed. They have been stable, very stable, I guess, as far as the feed prices are concerned. And as you would know, we don't deal much into the feed. That question about its movements is on to some other companies.

But to get to your point about whether the prices have increased only because of their costs, no, it's more because of demand. You should understand the costs have been higher even in last year, even later part of last year and even early part of, I mean, 2023 and also early part of 2024.

One of the reason why the farmers or the primary producers went conservative and where they were less interested in going for stocking or reducing their area was because their costs were higher, but their realization prices were lower. That is the whole, you know, reason why the overall approach or the mood of the farmers was very low for most on the half of, say, the first half of, sorry, the second half of '23 and the first half of '24. So, only around September onwards, August, September onwards, it started improving mainly because of demand.

So, demand, one is demand overseas, which the reasons we have stated and it is good, it is stable. The other part is the supply here also reducing. Both together added is also a natural demand because of overseas markets and as stated in our opening remarks, the aquaculture activity is dependent on exports. It is the export markets which determine how the aquaculture industry runs.

So, obviously the growth so far in all these years has been because of the various demand from different, sorry, various countries. So, definitely the farm gate price is increasing is only because of demand and less about their cost. Feed prices have been very stable. That is the only information we can convey from our side.

Siddharth Sreekumar: Okay, thanks.

Moderator: Thank you. The next question is from the line of Tushar Raghatate from KamayaKya Wealth Management. Please go ahead.

Tushar Raghatate: Yes, thank you for the follow-up, sir. Sir, I could see like in FY '24 your utilization was 32%. Do you see that this year you will be crossing that?

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

Tushar Raghatate: So, your capacity is 34,240 tons per annum. Your utilization was 32% on that in FY '24. Do you see that in this FY, you will be crossing that utilization level?

Choudary Karuturi: I think we answered, I kind of answered this question to the earlier participant where we really are betting high on the supply. So, if the supply improves, obviously our capacity utilization also. Our capacity utilization is more determined by the supply and just not by order books, the number of orders in the order book. And as stated, we have a good order book. We have very well, you know, sales done. I mean, we have commitments from the customers. We have enough of commitments which we have made and the customers have made to us, but it will be the supply which will determine the capacity utilization.

The most of the reduction in the capacity utilization what you see in this nine months of this current fiscal, that reduction is mainly attributed to the lower supply, obviously, which we have access to in the most of it lesser supply in the first half of the financial year, fiscal year. So, that definitely had impacted us. And if the Q4 supply improves, then especially in the next coming two months, so, Feb and March, we should be reaching that similar nearer to that volumes what we did in the earlier, sorry, last year to answer the question.

So, it is mainly dependent on the supply. So, we are just currently betting on a better supply, and we are waiting for the results because we know we have seen farmers who have already started stocking towards the end of November and December and now they are actually getting ready to harvest. Actually, some of them have started their harvest as we speak currently.

Tushar Raghatate: Got it, sir. Sir, like your peer in the listed space, they also have a capacity of 29,000 tons per annum. So, like in H1 FY '24, your volumes were good, like 6,531, whereas their were 5,600. But now in H1 FY '25, like the volumes, they are doing good in terms of the volume. The volumes, they kind of, it's near to 6,200, whereas in your case it was 5,281 if I am not mistaken. So, why is that disconnect? Do you see that Q4 will be the good addition to your utilization level or the FY '25 would be in the more or less the same range if not the growth compared to FY '24?

Choudary Karuturi: Well, as stated earlier, the first half itself was lower in the, like you rightly mentioned, for us in the case of the first half itself was lower, mainly, of course, because of certain, you know, demands from certain customers were quite low in the beginning. But as they started picking up towards the end of the first half, we have seen, you know, and as we started clocking in orders towards the end of the first half. And as you can see, the Q3 volumes definitely was a resultant of that as the demand picked up.

For the first half, we did have certain issues with some of our customers where, I mean, their demand, see, we are doing a B2B business, obviously, the demand from the customers when we deal with multiple customers and if some of our customers have a significant drop in their sales, thereby their requirements, that definitely has impacted us. But we also have been diversifying very vastly, not just in markets, but even within the specific markets which is one of the main reasons that we have been able to improvise our volumes in this Q3 and of course supported by that additional product supply also which was there.

So, we have been improvising. We will continue to do that. So, we did have certain issues with some customers losing their demand and thereby we also getting affected. That is when we took up the decisions to diversify in a much broader way. So, which helped, which is continuing, it will continue to help us going even not in just in Q3 but also in the future for better sales.

Tushar Raghatate: Sir, in B2B, what would be the percentage in terms of revenue?

Choudary Karuturi: Sorry, our entire revenue is B2B.

Tushar Raghatate: It is B2B.

Choudary Karuturi: Yes.

Tushar Raghatate: Got it. Thank you, sir. It was helpful.

Choudary Karuturi: Thank you.

Moderator: Thank you. The next question is from the line of Tom Kadavil from Geojit Financial Services Limited. Please go ahead.

Tom Kadavil: Hi, sir. Sir, can I get the freight cost percentage as a percentage of other expenses in Q3 FY '25 and Q3 FY '24?

Choudary Karuturi: Yes, just a minute. So, can you tell the period? You said Q4, sorry, Q3?

Tom Kadavil: Q3 FY '25 and Y-o-Y, that is Q3 FY '24.

Choudary Karuturi: Q3 FY '24. Just a minute. The freight component was for the Q3 FY '24, sorry, Q3 FY '23, it was 3.71 crores.

Tom Kadavil: 3.71 crores.

Choudary Karuturi: Sorry. Sorry, yes. Yes, 3.71 crores in Q3 FY '24. And yes, in Q3 FY '25, it was 8.43 crores.

Tom Kadavil: 8.43 crores.

Choudary Karuturi: 4, 3. So, in between in Q3, FY '24 it was 3.71, Q3, FY '25, 8.43, and Q2, FY '25, it was 9.09 crores.

Tom Kadavil: 9.09 crores. Okay.

Choudary Karuturi: Yes.

Tom Kadavil: Another question is, I know the volume depends on the supply. But can I get a rough estimate of the volume guidance for FY '25 and FY '26?

Choudary Karuturi: And the overall, of course, supply is detrimental, but as such, we do expect that we should be looking at FY '25, of course, we will be more flattish compared to, I mean, almost around the same as last year, mostly. But we expect that as I mentioned to the earlier participants also, it's mostly subject to supply because there were big challenges which were created from some of the farmers also which were there in this year. But definitely as these challenges are overcome and now the stable environment is there in the market, we should look at going back to our earlier volumes of that 10,000, 11,000 plus moving forward as far as, so we should be looking at better volumes. So, almost it depends on again, depends on supply, but this is to be precise, it's more of maybe around 12,000. That's what we expect.

Tom Kadavil: That is for FY '25.

Choudary Karuturi: '26, sorry. We are in FY '25. I told you we will be mostly be flattish around similar to last year. Yes.

Tom Kadavil: Okay, thank you. Thank you so much.

Choudary Karuturi: But yes.

Moderator: Thank you. The next question is from the line of Yogansh Jeswani from Mittal Analytics. Please go ahead.

Yogansh Jeswani: Thanks for the opportunity. Sir, we had been trying for getting approval from Europe and couple of previous colleagues shared that there was a pending, you know, their review in terms of our facilities. Any further progress on that?

Choudary Karuturi: No change as of now, and it is more between not specific to our Company, any facilities since 2020 onwards for the past five years almost. No change has been there. No new facilities have been approved. And it's a point which is being taken up between the Government of India and the EU Council at Brussels.

Yogansh Jeswani: Got it. And sir, in past calls you have also mentioned that you were trying to tap into other world markets as well, Russia, Japan kind of market. So, have we been able to break into any of those meaningfully?

Choudary Karuturi: In South Korea, we are starting there. But meanwhile, in the current year, as you would have noticed, we have, in fact, started some good business, not just, I mean, good business with some new customers, but also we grew additional business with other existing customers in the EU market. But outside the USA and EU, South Korea is something which we are starting as we speak currently.

Yogansh Jeswani: Got it. And sir, if we go by the numbers that you shared in terms of the freight cost, you see a lot of our margins are getting eaten up by the same. Any possibility of pushing this cost to the customer? Because now this freight issue has been consistent for a very long time. So, is there a possibility that the customer is also okay to take back some pressure of the cost on themselves or this is going to stay as it is?

Choudary Karuturi: See, when with regard to the freights, as you know, keeping aside the pandemic, after the pandemic also, we have been having issues related to either port strikes or something which are some which will be there for a limited period, but then crisis like the Red Sea environment where, you know, there is a constraints which are created logistically. Obviously, the freight costs have been kind of going up and down. As the problems ease out, freight costs come down. But if there are certain unanticipated problems like this Red Sea crisis, obviously, then the freight costs also increase.

On the part of customer sharing, please understand the pricing as such improvement is when we say demand, there is a demand, then there is also a freight cost involved, additional freight cost involved. All these play a role in the pricing. So, the customers also are providing certain extent of support for sure because of the increased freight costs. They are not ignorant to the increased freight costs to answer your question.

They are very much aware and they are also supporting because they know that it is logistic, it's beyond us, it's not just in the scope of, I mean, it is not within the control of any specific Company, but it is the general environment for getting the product to themselves, to them, you know, for the product to reach them, which they do understand.

Yogansh Jeswani: Got it, sir. So, sir, if we have to again go back to the previous margins which we used to do of 8, 9, 10% operating margins, do you see until and unless this freight cost issue subsides or the supplier side issue subsides, it will be very difficult for us?

Choudary Karuturi: It would be if we, as long as we continue to only focus on the ready-to-cook products alone. We may have some leverage and better margin expansion as we try to improvise on our ready-to-eat sales definitely because that will be providing certain additional margin for sure. So, currently our most of our volume is on the ready-to-cook and because of some demand shortages from the US we got our overall utilization, which we also stated to an earlier participant, it went lower compared to the past, compared to last year especially.

We are definitely from the time we started our ready-to-eat products, this fiscal I think we have been at its lowest utilization because of as stated certain demands from certain customers got affected in the beginning of the year. But that has been changing currently, and as we improvise more volumes into the ready-to-eat category, I think that should definitely play an independent role on margin expansion, which most of you would be aware.

Yogansh Jeswani: Right. So, sir, you just mentioned that to a previous participant that for next year you are expecting 12,000 tons of volume. In that, how much are you penciling in from the ready-to-eat?

Choudary Karuturi: Well, actually, because the previous participant did ask, and we were just saying it is subject to supply conditions, of course, as far as capacity utilization is concerned, but in general, we don't really specifically give guidance on that. But we would definitely look at the similar volumes of like what we did like two years ago. So, around 15 to 20% is what we expect.

If the EU approvals are done, we can increase it better because our new facility where we have majority of the capacity as most of you would know is inaccessible. I mean, the EU market is inaccessible to that capacity, both ready-to-cook and ready-to-eat. That's where we are getting affected.

So, I mean, even if there was a drop in the demand from the U.S. side, we could have definitely picked it up very well in the EU in the present scenario. But unfortunately, because of the regulatory approval constraints, we are unable to do that.

Yogansh Jeswani: Got it, sir. Yes, that's it from my side, sir. Thank you, and all the best.

Choudary Karuturi: Thank you.

Moderator: Ladies and gentlemen, due to time constraints we will take one last question now, and that would be from the line of Sachin from MC Research. Please go ahead.

Sachin: Yes. Hi, sir. I just wanted to understand one quick thing. So, we have realizations of 749 for quarter 3. So, how has that trended compared to the December exit prices and what they are trending now?

Choudary Karuturi: Sorry, can you repeat your question? You said we have a realization. Hello?

Sachin: Yes. So, we had a realization of 749 for the quarter 3 average, right? So, how did that compare to the December end prices or how have they been trending towards the end of January? So, what's the trend in terms of the realization been?

Choudary Karuturi: The realization in dollar terms was similar, but you also need to understand that currently we are going at Rs. 87 a dollar as we speak. You know, that definitely makes a big impact for a Q3 part. In rupee terms, it will make an impact for sure because in the Q3, if the average was around between 84.5, 85, now as you can see there is a quantum jump from there to right now, as we speak, it is Rs. 87 plus. So that definitely will be helpful in having a better realization in INR terms. So, with a stable dollar realization and any improvements in the realization in INR, definitely it should be in a much better level.

So, I wouldn't exactly peg it at a particular number, but definitely as you can see, it will be of great support when the dollar has, the rupee has, I mean, dollar-rupee conversion is now moved up to almost Rs. 2 between, more than Rs. 2 between last quarter and now. So, this will definitely in these two months, this is definitely a better, you know, it is to the advantage of the Company to answer your question on that.

Sachin: Okay, yes. So, if we just adjust for the dollar, so have the prices moved up from that percent to 5% is the dollar?

Choudary Karuturi: In the realization front, as I stated, definitely you would see a better realization in rupee terms per kilo. Definitely it has improved. And as far as in dollars, it is kind of stable. Whatever, we have not seen any reduction and certain things we are seeing minor improvements in dollar terms, but it is very stable. That way we are kind of good, happy about that.

Sachin: Okay, sure. Thank you.

Choudary Karuturi: Thank you.

Moderator: Thank you. Ladies and gentlemen, that brings us to the end of the question-and-answer session. I would now like to hand the conference over to Mr. Choudary Karuturi for the closing comments.

Choudary Karuturi: Yes, thank you. Thank you one and all for attending our Q3 FY '25 and 9 months FY '25 con call. And for any further queries or clarification, you may please reach out to ir@apexfrozenfoods.com. Have a good day. Thank you one and all.

Moderator: Thank you, ladies and gentlemen. On behalf of Apex Frozen Foods Limited, that concludes this conference. You may now disconnect your lines.