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CIN: L15490AP2012PLC080067

Date: 19<sup>th</sup> August, 2024.

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

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

Dear Sir/Madam,

**Sub: Transcript of Q1&FY25 Earnings Conference Call held on 13<sup>th</sup> August, 2024-Reg.**

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Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, kindly find enclosed a transcript of the Q1&FY25 Earnings Conference Call, which was held on 13<sup>th</sup> August, 2024.

The aforementioned Earnings Conference Call, as per the transcript enclosed, incorporates mainly the highlights of Un-Audited financial results for the 01st Quarter ended 30<sup>th</sup> June, 2024 and other related information which is already in public domain and/or made available/uploaded on the Company's website.

Please take the same on record.

**For Apex Frozen Foods Limited**

KARUTURI  
SUBRAHMANYA  
A CHOWDARY  
Karuturi Subrahmanya Chowdary  
Managing Director  
DIN: 03619259

Digitally signed by  
KARUTURI SUBRAHMANYA  
CHOWDARY  
Date: 2024.08.19 13:46:50  
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“Apex Frozen Foods Limited  
Q1 FY '25 Earnings Conference Call”  
August 13, 2024



**MANAGEMENT: MR. CHOWDARY KARUTURI – MANAGING DIRECTOR  
AND CHIEF FINANCIAL OFFICER– APEX FROZEN  
FOODS LIMITED  
MR. DURGA PRASAD – FINANCE – APEX FROZEN  
FOODS LIMITED**

**Moderator:**

Ladies and gentlemen, good day, and welcome to the Apex Frozen Foods Limited Q1 FY '25 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

We have with us today from the management of Apex Frozen Foods Limited, Mr. Chowdary Karuturi, Managing Director and CFO; and Mr. Durga Prasad from Finance team along with Stellar IR advisors. The management will be sharing key updates and financial highlights for the quarter ended June 30, 2024, which will be followed by a question-and-answer session.

Please note this call may contain some of the forward-looking statements, which are completely based upon our beliefs, opinions and expectations as of today. These statements are not a guarantee of our future performance and involve unforeseen risks and uncertainties. The company also undertakes no obligation to update any forward-looking statement to reflect developments that occur after a statement is made. Documents relating to the company's financial performance are available on the website of the Stock Exchange, just you have been able to go through the same.

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

**Chowdary Karuturi:**

Thank you, Siddhant. Good morning, everyone, and thank you for joining us on this investor call for the first quarter ended June 2024. We have uploaded the investor presentation on the website of the Stock Exchanges and we do hope that we have a chance to go through it.

Let me begin by going through the numbers for the quarter. The net revenue for Q1 FY '25 came in at INR186 crores as against INR162 crores in Q4 FY '24 and INR254 crores in Q1 of the last fiscal. EBITDA margin at 6% improved year-on-year and quarter-on-quarter. Profit after tax at INR38 million grew 4% year-on-year from a loss of INR4 million quarter-on-quarter. Coming to the shrimp volumes sold by our company, it stood at 2,571 metric tons in Q1 of FY '25 as against 2,302 metric tons in Q4 FY '24 and 3,447 metric tons in Q1 FY '24.

The sales have been largely led by the European Union market, which continues to do well. The share of the EU in the overall sales mix increased to 39% in Q1 FY '25 from 18% in Q1 of FY '24, making it a more diversified sales mix geographically. It is important to note that this growth is only from our Ready-to-Cook products, as you all would be knowing that we still are awaiting the regulatory approvals for our high value-added Ready-to-Eat products for the EU market, which has been pending since the past 5 years almost. Our company, of course, we are optimistic about the future growth prospects of this market and the opportunities it provides, particularly once the Ready-to-Eat approvals are in place, we are confident that the volumes into the EU market could pick up even more.

Coming to the U.S. market, the demand continues to remain weak. On top of that Countervailing Duties by the U.S.A. acted as a further dampener and the ongoing geopolitical tensions and the

Red Sea-related issues led to sea transportation issues, mainly affecting the availability of containers, reefer containers, which are used for shipping goods to overseas locations. And they also have thereby increased our freight costs and with the additional shipping days, the transit - the sailing days, sorry. Due to such headwinds, of course, Ecuador's shrimp supply continued in the U.S. as they have shorter sailing periods thereby they are closer to the North American market.

We are exploring newer markets in the EU, along with the other markets in Asia and Central America which we have been doing in a small volumes. This is mainly to increase the company's overall sales, which have been under pressure due to the slow demand from the U.S. market, which our company has been significantly dependent on in the past years.

And now coming to the Indian market. In the light of the current scenario, the current state of supply is on the lower side. However, the recent announcements in the Union budget, 2024, '25 underscores the government's focus on developing the fishery sector, especially the shrimp sector. Some of the measures which were announced include, of course, financial support for developing imported -- I mean, for importing of Broodstock.

And are we also to use the dependence or the imported Broodstock, developing more on the domestic side and thereby also a project financing by NABARD and lowering the custom duties on certain inputs related to the shrimp feed industry and the industry in general, including reducing the custom duties on Broodstock from overseas locations, which is likely to reduce the cost of production at the farm level, mainly in the future. Also, the recent improvement in the global shrimp prices, which has been noted in the past few weeks, albeit gradually, it continues. It could encourage primary producers to increase stocking activity in the coming periods going into the winter crop.

Overall, we remain cautiously optimistic in the near term. At Apex, we have our capacities in place to offer a well-diversified product basket from RTC, Ready-to-Cook products to Ready-to-Eat. And we are optimistic, as I mentioned, also on the primary producers going for -- looking ahead for stocking of shrimps in their ponds in the present improvement in the market and farmgate pricing, which is there in place.

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

**Moderator:** We will now begin the question-and-answer session. The first question is from the line of Bala Murali Krishna from Oman Investment Advisors.

**Bala Murali Krishna:** First of all, could you give a breakup of this Ready-to-Eat and Ready-to-Cook total quantity for this quarter?

**Chowdary Karuturi:** For this quarter, the Ready-to-Eat sales of course, it was 222 metric tons, which is around 9% of the sales, what has been done during this quarter of Q1.

**Bala Murali Krishna:** Yes. And what could be the impact of this Red Sea issue on the EBITDA margin or the approximate percentage so the crisis may be we will get into in a few quarters. So what was the impact of that in this quarter?

**Chowdary Karuturi:** Overall, the global logistical challenges have increased our freight costs -- trade costs because of the lack of availability of equipment and the demand which is there from other countries in the world, especially China, for such equipment for shipping our goods. So currently, our ocean freight costs have gone up during the first quarter, and we continue to be -- we are continuing that pattern currently.

Apart from that, because of the Red Sea issue, our sailing periods have increased by 10 days additionally, which means normal sailing period of 35 days is currently taking around 45 days. So what does that do to impact is it also affects our debtor cycle in the overall scenario because as you know, the debtor, we get paid upon the cargo reaching the destination. And this 10 days delay, obviously -- 10 to 12 days delay, obviously, will also a little bit increase the debtor cycle. So that is the impact because of mainly on the Red Sea and also the overall demand in reefer container equipment for shipping.

**Bala Murali Krishna:** But is it possible to quantify that any percentage on a whole amount?

**Chowdary Karuturi:** Well, actually, currently, we speak like on the ocean freight, it has -- freight costs have actually almost increased by 60% to 70% on the freight component. So earlier it was around \$4,000 approximately on an average. Now it has almost gone to \$7,000, \$7,500. It's also going up. Some destinations it's also gone up to \$9,000, which was until 2 months ago, it was hardly around INR\$3,000, \$4,000. So that is impact almost, yes. So some destinations, which has increased a little higher, significantly, especially, there are some issues even on the West Coast of the U.S.

So some were whichever shipments we do for the U.S. West Coast, especially the Los Angeles Port is a real big challenge to get equipment and thereby the freight costs are also -- are increasing every week or rather every 2 weeks, I'm sorry.

**Bala Murali Krishna:** That increase was in Q1 only right? Q4 there are...

**Chowdary Karuturi:** That is still there. That impact is on continuing as we speak, please understand. It's not the logistical challenges have come to an end. Definitely, these logistical challenges currently, which are there, are not as bad or as worse as they were during the COVID pandemic time but still they do have an impact on additional costs with regard to ocean freight, primarily affecting our export expenses.

**Bala Murali Krishna:** And then in case of Ready-to-Eat there is no approval for the Europe market? Is it possible to increase our Ready-to-Eat share in any new geographies or existing geographies? Is it possible to take it from what the percentage should be from 9% to 15%, 20% without the EU approval?

**Chowdary Karuturi:** The main two markets, which we have been focused really, of course, was U.S. and looking -- we were looking forward for Europe. And like you rightly pointed out, there is one other market, which is Canada, number one, which we have, of course, very doing a little -- very less volume, that is another market where we can improvise on the cooked shrimp.

Apart from that, the cooked shrimp also goes, but we haven't done any shipments until now apart to Australia but we are more optimistic about improvising in Canada. And we seriously look forward for the approvals in EU because we have already made a customer base already in place

basically. That customer base is already there, and it is much easier for us to jump start immediately and rather waiting for testing the waters of that market. So -- and we are positive that we would get it -- even though we have been positive, optimistic for past few years regarding the EU approval. But we understand from the government that things are moving sooner, especially with both governments involved in the current year after the new government took charge.

**Bala Murali Krishna:** Okay. And on the pricing side, that average pricing looks shaky for now. So what is the current trend in this quarter -- running quarter? So do we expect it to go beyond 100 or something in this quarter by the end of the quarter? How is the trend?

**Chowdary Karuturi:** The realization prices have improved in this quarter. Currently, they are -- I mean they have improved, as we mentioned in our opening remarks, they have definitely improved. But however, there are limitations to what stage they can go to because, as you know, that global inflationary pressures still do prevail and there are issues where there is also certain opinion related to recessionary fears and all that. So overall, there will be pressure for the improvement not to be on a significant side, but definitely, they are better than what they were in the recent past.

But at the same time, our supply here in India currently because of some heavy rains and those issues, weather conditions, a lot of supply also got affected. So right now, even our supply farm gate prices are also have improved significantly. They have gone to a little bit higher than what they were last -- than the higher side of last year -- last fiscal. So we are looking forward how this will also be encouraging definitely sales price increases.

Obviously, this will also be -- it's an encouraging point for the primary producers also to look forward for stocking, which we were conservative, especially in the past 6 months.

**Bala Murali Krishna:** Lastly, on the budget support...

**Moderator:** We request you to get back to the question queue for any follow-up questions. The next question is from the line of Nitin Awasthi from InCred Equities.

**Nitin Awasthi:** Sir, first question was with regards to the primary producers, there has been a change in the state government in which maximum shrimp has been produced in this country. And the government that came in had promised to ease out the concerns with regard to electricity on electricity rates, with the farmers were facing because there were a lot of complications in getting the subsidies with regards to these rates, has that thing been sorted, are the farmers benefiting from dual electricity prices as of now? Or is the process on and the benefit is yet to be seen?

**Chowdary Karuturi:** The process is on actually to be precise. We also have to acknowledge that it has hardly been a month or so, maybe around approximately around 2 months since the new government has taken charge, but they have been working and they have been gathering all the information related to the zones, which were there, which they were considering earlier aquaculture zone or non-aquaculture zone. And the main point which we present -- sorry, the new government also -- because we understand that they have informed several producers, primary producers that

irrelevant of the zoning, the benefit could be passed on to everybody who is into the aquaculture business so that all of them get the benefit.

So they are working right now, as you have pointed out on your second point, there is still -- it's being worked out, and that benefit is looked forward by several producers those who are not getting that benefit in the past few years. So we should wait mostly in a month or so. As I said, they just took charge 2 months ago and -- almost 2 months ago, they are working on those details right now as we speak.

**Nitin Awasthi:**

Understood, sir. Sir, second question on your balance sheet is quite healthy now. I think the healthiest has been change listing although we are facing tough times on the profitability front. But however, we have been able to clean our balance sheet to a very good extent. Are we looking to take advantage of any of the central government schemes and get into the BMC business, Broodstock Multiplication Center business?

**Chowdary Karuturi:**

Our company is -- right now, we -- as you know, that actually -- sorry hatchery business has been at a very low level for our company in the recent years. And currently, our focus is more to increase and improvise on that part as far as growing our business on the hatchery side when it comes to what steps we will be taking on the primary producer level. Apart from that, there have been discussions within the company and -- I mean, the company's Board also about looking at what the activity of the primary production level, but more on a technical front and not just -- I mean not just on a component level, but more of using technology and again, relooking at our thought process about getting into primary production also to a certain extent, not to the complete extent because definitely, that's a large huge task, which was never there in the past.

But getting into that since, as you all know that we have stopped all the major -- our role in the primary production since 2020 -- since the end of 2020. So we are now contemplating that, and we are working on those as far as on the primary production side is concerned. And as I stated on the hatchery side, we are really looking forward to improvise that first because that is -- in the case of BMC what you have specifically ask you also need support of a nucleus breeding center. And without such a breeding center, which has the genetics, the separate, different lines in place stand-alone BMC, I mean, alone is not going to suffice.

As you know, several hatcheries in play in India, they bring in Broodstock from outside, in on our own hatchery we do bring the Broodstock from outside, especially from Hawaii, Florida, in U.S.A. So that is the present situation with regard to our primary -- our role in the primary production.

**Nitin Awasthi:**

Understood, sir. So the primary production that we're looking at, this is going to be on the land of the company, which still the company is holding because the lease -- and if I'm correct, has all been given up?

**Chowdary Karuturi:**

That is correct. Yes, correct. It will be mainly on the company-owned land that is kind of -- that's why which needs more on technical with a lesser footprint and I mean trying to enhance production in a smaller area. That is more on a technical aspect and not just generally on earthen

ponds. So that project is still not conceived and it is still at the planning stage. So we have been discussing about that at our internal meetings.

**Nitin Awasthi:** Understood. So this would be the company getting into the farm-to-fork model if I'm not wrong. So this specific production for specific clients and doing the full value chain farm-to-fork. Is that correct?

**Chowdary Karuturi:** Precisely.

**Moderator:** The next question is from the line of Yash Chandorkar from Vivog Commercial Limited.

**Yash Chandorkar:** To understand the industry outlook, and can we expect the demand from U.S. to improve further?

**Chowdary Karuturi:** Yes, the current outlook of the industry in India specifically, because of consistent low price levels of last year -- I mean, in the last year in 2023, especially that did act as a dampener for the primary producers to be conservative on the stocking of ponds, which we have been reiterating in our earlier calls too -- quarterly calls, to that -- because of that, of course, overall, they added also because of the disease and certain other conditions, climatic conditions.

The overall -- it did have an impact on the supply currently, as we speak, the supply is kind of coming down and the overall production was being looked at on a lower side during the first half of 2024 compared to what it was in the earlier years. But because of the change in the global shrimp pricing even though not significantly, but they did improve a little bit and thereby also affecting the farm gate prices, we expect that this would be, as we stated in the earlier remarks - - in the opening remarks also to the other participants. We do expect that this is going to support or rather encourage and bring that confidence among the primary producers who relook at their strategy of going with a less conservative manner and increasing and improvising their stocking densities and increasing the area which they are doing aquaculture and shrimp culture in.

So we do expect some positive impacts for the second half of the year with regard to stocking. However, as we all know that during the second half, the winter cold climates do have an impact on the growth of the livestock option. So -- but overall, it is a good sign that there is a marginal improvement in the overseas selling price, thereby which also gives a possibility for several processing and export companies to support the primary producers at the farm gate price level.

So that is an important point. And currently, as such for demand -- as we mentioned, the pricing has improved also because of the demand. And the buying for the current year holidays, especially the Christmas and New Years holidays, is being taken up by all the customers across countries. That is one of the reasons why the prices also have improved and increased. But however, we have to be cautious and to the extent of exposure we can take as a company because considering the supply situations which are currently prevailing in the country. So we are trading carefully but overall, the demand has been has started to improve in the past 1 month.

And this is more to do with the current year holiday requirements and their order placements and also we understand that the inventories which were there in -- towards the end of last year, would have basically been consumed in a well -- in a good manner during the summer holidays which are going to -- which are ending in this month in those countries and those markets.



So this is a positive sign thereby now they are content and they are preparing themselves for stocking of inventories for the holiday sales. So that is the overall demand picture for the current year. And -- but how that would continue into the next year as such, it all depends on how the rest of the year goes.

And because as we also stated to an earlier participant, the global recessionary fears are still there so that would impact and the inflationary measures I think the increased cost -- overall living costs also are there. So we are seeing and there are certain marketing campaigns, which are also being done -- which are planned, sorry -- which are being planned to improve the overall shrimp consumption around the world. So that has been done. That's been planned out right now, and hopefully, they come into play by the end of this year. So that can benefit next year. We should see -- we are waiting.

**Yash Chandorkar:** Okay. As we are seeing demand from Europe also. So would be expecting demand from some of the countries also in further future?

**Chowdary Karuturi:** As we stated, a major part of business, which we are currently are missing almost for the past 4 to 5 years, 4 years is the business related to EU, Ready-to-Eat. And however, yes, even though we have had a drop in our Ready-to-Eat sales in the current -- in the Q1 because of our reduction of business to the retail segment -- which is, again, the new orders have started coming from the retail segment in the U.S. in the present day.

But the major business, which we are looking forward for on the Ready-to-Eat is the EU. But also as stated to one other participant, Canada is a market where we are pushing a little bit. And we did start our sales to some countries in Central America, but their -- I mean, the volumes are low in number, and they are mostly commodity priced. So we still look forward to improvising our sales, our volumes more in the markets where there is a value for the products that we produce. And one of the reasons why our overall sales growth in the EU has also improved in this year is because of that, even though it was not Ready-to-Eat, but are Ready-to-Cook volumes also have increased -- they have been improving in the EU also.

East Europe is another area, which we have been getting inquiries that we have been doing in a slow manner but we do find that market also to be interesting and really look forward. We will continue to pursue that.

**Yash Chandorkar:** Do we also expect further margin expansion?

**Chowdary Karuturi:** Currently, if the sales prices are increasing a little bit. So -- and that would -- because as you know that our costs also have gone up with regard to export expenses, I mean on the ocean freight costs and other aspects. But for that, to support that, technically, our sales prices also have been increasing a little bit. But we also have to keep in mind at the same time that our farm gate prices have also been increasing in tandem. So we are -- we wouldn't be able to really kind of give a concrete forecast or say that we would have a significant jump in the margins in this year.

But overall, definitely, we will be on a positive note, and we are -- we would definitely see it will be much better than what it was last year on the margin front. But as we speak, the farm

gate prices are also increasing significantly because of lack of supply. So when that happens, there is a limit to what the sales prices would increase. It would be beyond which the prices would not increase because as -- because of the overall inflationary pressures and the cost of living in these markets. So -- but however, because of lack of supply, declining producer level, the farm gate prices might be going on a higher side.

So it is -- unfortunately, had the supply being there, that situation wouldn't have been there, and we would have been more confident of higher margins in this year, but that is the situation which we are facing. Maybe going forward in the next 2 months, hopefully, as the stockings improve and increase and if there is a good output at the supply side, definitely, there should be more of a positive impact towards the Q3 -- I mean, because it takes 2 months minimum for the shrimp to grow.

As you know, it takes minimum 60 to 90 days for getting a good supply out of the pond. So that's -- we would be looking forward more, not immediately in current quarter, but we should see how it could be more into Q3, depending entirely on the supply side. As such, we have a good confidence and a good feeling about how the sales prices are in the overseas markets. But it is at the primary production supply, which we have to be -- we have to look out for.

**Moderator:** The next question is from the line of Sakshee Chhabra from Svan Investments.

**Sakshee Chhabra:** I had a couple of questions on our Ready-to-Eat and Ready-to-Cook side. I wanted to know what is the situation in the U.S. currently in terms of the demand?

**Chowdary Karuturi:** The demand, as we have been stating to the earlier participants too, we have informed that -- we just informed that we see that the -- some of the inventories, which have been -- they have been holding more towards the end of last year, seem to have been cleared up in a good way so far. It did take more time than what it would have taken in the normal course because of inflation and other issues at the cost level for them, for the consumers. It did take more time.

And our customers right now are placing orders more for the upcoming holidays as well as into early next year, which they want to confirm orders. We have been doing to certain extent, but at the same time, we are trading carefully of not having a high exposure because of -- we also have to keep the supply in our mind. The demand overall has been good in the present period because mainly they are covering up -- they are trying to cover up for their requirements for the holiday sales, which is more into November, December and January period.

**Sakshee Chhabra:** Got it. And in the first quarter, what was the contribution to revenue from the Ready-to-Eat and Ready-to-Cook segments?

**Chowdary Karuturi:** That was in the case of the Ready-to-Eat was 9% of the total.

**Sakshee Chhabra:** So overall sales?

**Chowdary Karuturi:** Overall sale, yes, yes, yes.

**Sakshee Chhabra:** Okay. This is combine Ready-to-Eat plus Ready-to-Cook?

- Chowdary Karuturi:** Yes. The total sales is Ready-to-Eat plus Ready-to-Cook and in that 9% was Ready-to-Eat.
- Sakshee Chhabra:** Okay. But what is the -- no, what I was asking was is the Ready-to-Eat plus Ready-to-Cook, what is the combined of the total -- of your total revenue?
- Chowdary Karuturi:** And so what we did in quantities or -- sorry, I didn't specifically understand your question. Are you asking about -- the total quantity was 2,571 metric tons of sales, in which 222 tonnes was Ready-to-Eat. We did mention this too to an earlier participant.
- Sakshee Chhabra:** So other than the Ready-to-Eat and Ready-to-Cook, you do not supply the raw shrimp?
- Chowdary Karuturi:** The raw shrimp, frozen shrimp are -- the Ready-to-Cook constitutes the raw shrimp.
- Sakshee Chhabra:** Okay. I got confused. So I thought that the raw is separate and the Ready-to-Cook is a separate segment.
- Chowdary Karuturi:** The raw is basically Ready-to-Cook.
- Sakshee Chhabra:** Got it. And what would be our margins in the Ready-to-Eat segment?
- Chowdary Karuturi:** Typically, the Ready-to-Eat -- in a normal case, it would be in the present scenario, it would be around \$0.50 to \$0.75 per kilo over and above the Ready-to-Cook in the case of Ready-to-Eat.
- Moderator:** The next question is from the line of Tushar Vasuja from Yogya Capital.
- Tushar Vasuja:** I only have one question. Can you speak a bit about the competition that you are facing from Ecuador and how is it affecting you? And what is your outlook for the same going forward?
- Chowdary Karuturi:** With regard to the competition from Ecuador, yes, they have increased their production significantly and they're being close to the U.S. market, especially because until 3 years ago in the case of Ecuador, China was there. Even today, China continues to be the largest market for Ecuador and European Union is the second largest market and followed by U.S. The big difference is what the scenario -- what it was 3 years ago and what it is now.
- They have, of course, concentrated heavily apparently to the U.S. market also, and they have increased their volumes into the U.S. And yes, their proximity to the U.S. market does give a certain advantage for the customers to consider the supply from Ecuador because, for example, the sailing days from Ecuador to the United States ports is only 10 days, while the sailing days from Indian ports is currently hovering around 40 days.
- Obviously, these parameters also do affect our thinking of the -- psyche of the importers or customers, distributors. But at the same time, the limitation related to regarding the products, what they can produce or the scale at which they can produce, the volumes they can produce, definitely give an advantage to the Asian producing countries, including India.
- There are certain limitations, which Ecuador and other South American countries to have with regard to producing in volumes with regard to the products because their production -- the farm level production, which has let us say, has increased to around 1.2 million or 1.3 million metric

tons per annum. This was primarily based on head-on, shell-on whole shrimp. I mean, that was the product, their number one product, which we sell even today out of Ecuador to the world, whether it is to China or the European Union. Their number 1 selling product is head-on shell-on, which means whole shrimp, they wouldn't do any processing.

It was a very easy path obviously, for years together for them to do in the past 30 to 40 years. Now -- and now in order for them to switch which they have been doing in a phased manner, but is very slow, and it is quite a challenging task for them to really switch entirely. So for them to switch to value-added products, whether even if it is in Ready-to-Cook or Ready-to-Eat, there are capacity constraints and mainly not just on infrastructure, but also on manpower. So their ability to compete in the Asian countries come back is a little bit constraints, which does give an advantage to the Asian countries, including India.

And that was one of the reasons we still have U.S.A still as a major market, even though it has come down whether it is our company or any other company. It still holds a major part of our sales growth because we do have that advantage with regard to producing such products, which they are a bit having certain constraints -- as they continue to have such constraint over. That is the overall gist with regard to the certain advantages, which they have on the logistical front because of being closer to North America.

At the same time, the disadvantages, which we have is catering to the products, which are mainly -- those which are mainly sold in North American market, are not that product, which they have been doing for many years, especially to China and Spain and France, for example, those 3 were their major countries after EU, U.S. was largest country for them.

So that is the overall scenario, how we face the competition with them. But we also have to see now coming into play, the Countervailing Duties from U.S. and the antidumping duties, which are coming into play. It is going to be more of a level playing field because until last year, obviously, Ecuador did not have any set of or amount of duties as such. So -- because this is also a key factor when it comes to competition. And since your question was emphasizing on competition from Ecuador or how India would go.

Obviously, now it is more of -- it is going to be more of a level playing field as they also have those antidumping or countervailing duties, which India has been having for the past 20 years with regard to the United States market. So in that way, in one way, it is good, even though Ecuador is a challenge, it is not like it is a smooth ride for them, and there are for these various constraints which they have and the new regulations and the various tariffs which are coming into play, definitely, that will be the situation.

Parallely, we are hopeful and we are positive, if the FTA gets signed between India and EU. We are positive that there is currently a 4.3% duty, which is there on Indian shrimp in the EU market which could get removed if the FTA signed. So we are actually eagerly looking forward. Again, our FTA, which EU would have India to increase its sales its business even further with the EU market with regard to shrimp sales thereby, it is just not that Ecuador is getting heavy into the U.S. market, but we will also -- we're able to open up more into the new market.

We will be able to open up our sales -- we would be able to -- sorry, the EU market will be opening up more for the Indian products, and we could increase our volumes there too. So the major markets.

We are sorry, we apologize. It was beyond our control. We don't know why the line got disconnected. And sorry, I was -- I think I have -- I was specifically -- we were mentioning specifically about the Ecuador related...

**Tushar Vasuja:** Yes, sir, you were mentioning about how signing the FTA would help you get into the EU market.

**Chowdary Karuturi:** Yes. Got it. So if FTA gets done soon, we would definitely have an advantage where we would be at the level field of because currently Ecuador -- new market, and we had 4% and already, we are getting -- as mentioned earlier, we are getting into a level playing field in the U.S. market because of the new tariffs or is which have been held to levy on them. So it's a level playing field there too.

So yes, Ecuador is a competition to definitely watch out for. At the same there are certain disadvantages on both sides. There are advantages on both sides. For example, as stated earlier, markets which we are trying to -- which where we are strong in, whether it is the U.S. or Europe. Our product portfolio was a lot different from what they were primarily doing until a few years ago, even though because of the various constraints, it's not really that easy for them to change to or adapt to and definitely, it is a lot easier to do -- whether it is 1 million or 1.5 million or 2 million metric tons, it is a lot easier to just send the product as a whole shrimp as it is without doing any processing at all.

But then when you need to start to doing the processing, that's when the challenge starts and the more processing you have to do, the more value addition you have to make, it definitely has an impact on the capacity, even though you may have the capability, but that does the capacity to what extent you can use, you can for -- that's the big challenge which they do face. But anyway, we do have the advantage with regard to the cost, both at the farm level and of course, but at the processing side also currently if the supply is good, definitely, it is an advantage to India in the U.S. market, mainly the supply supported by good demand of product would definitely help India in a positive manner. Did I answer your question?

**Tushar Vasuja:** Yes, it did.

**Moderator:** Your next question is from the line of Aditya, who is an Individual Investor.

**Aditya:** Yes. It's regarding the European approvals. So it's been a long time, we have been waiting for the approvals for the second plant. So I got to know that a lot of companies which have applied it in last year, October '23, which also applied with Apex have gotten the approvals. So can you please elaborate regarding why it's getting too late -- early late?

**Chowdary Karuturi:** The approvals what they have given last year were mainly meant for wild-caught shrimp, not for aquaculture shrimp. Those companies supposedly who have received approval for wild-caught shrimp, which means sea-catch or ocean-catch, cannot be legally shipping aquaculture

products to the European Union. That is the current status. All companies, all facilities since 2019, in India are still awaiting approval for aquaculture products exports to the EU, that is the status as of now.

And we are among that it is nothing Apex specific. We are among several companies which are still waiting. And since our company has been mainly focused on aquaculture products, which is our core strength, key product we are awaiting for such an approval. And we -- as we stated, we cannot do in any manner. It's not like we can get an approval for one species or one type of product and do another product. So even though we could have gotten an approval for wild-caught shrimp, but that is not something which we deal with, and hence, we did not really attempt for that, number one point. And we cannot export aquaculture production just because we have an approval for wild-caught or ocean-catch products.

**Aditya:**

That's clear. And one more thing. Can you just please comment on the decline pre-tax profit margin, which is right now, I guess, around 2%, which is very low compared to our peers around -- like for example, Avanti is clocking it's around 8% in shrimp processing...

**Chowdary Karuturi:**

In our case, of course, we have had -- the most important point, of course, is our sales is captured more on -- it's based on the sales which are done in the current quarter. Of course, our sales have been captured based on the shipments and we do understand there are a few other companies whose sales are captured more on the receipt basis. That is on one front.

Second part is, as we stated our costs and also our expenses overall with regard to ocean freight did increase during the Q1 part. We do not know how other companies operate with regard to their sourcing or their cost of supply as such, we are not aware what other benefits or any other support, which they have from any government schemes or any other products, which any other benefits, which other companies have. But we would just state that to the extent of the 2 benefits which we received with regard to RoDTEP, the Remission of Duties and Taxes on Export Products and duty drawback.

These are only 2 schemes which our company is currently getting. We do not know what other schemes. As such, we -- our company, as you know, you might know that we have not applied for any PLI scheme or any other such schemes. So we do not have such benefits accruing into our books, number one point.

Number two, as we stated earlier, we are not totally aware of how their costs or how the other companies costs are -- sales are being captured as we know, but the costs, we don't know what - to what extent the effect is. But again, at the same time, we also know that in the past quarters, we have had our certain provisions, which were made especially in the last year, which definitely those provisions were also required and certain write-offs were also there.

Of course, there's nothing to do with Q1, even though there is certain provision of around a marginal amount of around INR1 crore, INR1.5 crore but that doesn't significantly answer your question with regard to overall lesser margin front. But as stated, we don't have access to or we do not have any other major benefits by any other government scheme currently. Our company

does not receive any other. So we don't know which other companies receive -- to what extent they receive.

**Aditya:**

So can we expect the profit margin growing in the next coming quarters?

**Chowdary Karuturi:**

Well, as we stated earlier to many other participants, we definitely see an increase in the sales prices and our new orders are also being booked at a higher level. Subject to ocean freight cost do not increase further, hoping that they don't increase further and remain at this level. But at the same time, we also see the farm gate prices also increasing significantly. Hopefully, it is for a shorter period of time, maybe in a month or so because they are increasing significantly right now because of the lack of supply.

And as the supply improves and there is a little bit of correction and rather stabilizing of the raw material prices, definitely, we see there will be an improvement in margin because of the increase in sales prices. We hope that answers your question.

Our sales prices definitely are which are the key major point for improvement of margin definitely when that is happening. But at the same time, because of lack of supply in the country currently as we speak, there are certain issues on the supply side. So as that improves, we believe there will be a normalization in the farm gate prices and we could definitely be protecting our margins going forward into the future, whether it -- I mean not -- we wouldn't state precisely where it is in Q2, but maybe as we stated earlier to one other participants, we expect things to be improving, supply to be improving better more into Q3. That's what we expect.

**Moderator:**

The next question is from the line of Anik Mitra from Finnomics Solution Private Limited.

**Anik Mitra:**

Sir, due to the audio disturbances, I could not get a couple of points. I just wanted to understand what is the quantum of Countervailing Duty applicable in U.S. for Indian as well as for Ecuador shrimp?

**Chowdary Karuturi:**

In the case of India, it is 4.36%. But in the case of Ecuador, it is the -- I think it's around 2%, I think, so we would come back to you on that. But in the case of Ecuador, their antidumping duty is also there. So they have 2 types of duties. As you would know, India had antidumping duty for the past 20 years and countervailing duty is a new one which is likely to start this year. Why we say that it is likely to start is even though there have been preliminary duties which have been assigned, the final determination of the duty means the percentage of duty as well as whether or not these duties have to continue will be decided more into the months of October and November, then there will be final hearing and final decision-making done by U.S. ITC, that is the International Trade Commission and the U.S. Department of Commerce.

So those 2 authorities of the U.S. will be determining finally. So -- but currently, ours is at 4.35% -- I'm sorry, on the countervailing duty, I think -- I'm sorry, in the case of Ecuador, it was higher than -- 1 minute, please. Yes. In the case of Ecuador, it was 7.55% on the country average and...

**Anik Mitra:**

7.55?

- Chowdary Karuturi:** Yes, yes. That was 7.55%. But when they made a correction -- one moment, please. They have actually made a correction subsequently in the month of May. In the month of May -- Originally, it was 10.18% and it has been reduced to 7.55% for the countervailing duty -- I'm sorry, my mistake. I'm sorry. This is the antidumping duty, which is 10.58% -- 10.58% is their antidumping duty. And the countervailing duty was I think, around 7.55%. We will definitely mention this, we'll give you the actual numbers in our -- we'll give it to you a little bit later. We'll take it outside, yes. \* [Refer Footnote](#)
- Moderator:** The next question is from the line of Shantanu from HCMR India Private Limited.
- Shantanu:** Congrats on good numbers. So I'm going to ask do you have an update on setting up a new subsidiary in the U.S?
- Chowdary Karuturi:** It has still been in -- there were some pending issues with regard to -- in regard to the RBI and the banking, so which we are still working on that. And once we have an update and we have a -- once we have completed the process, we would definitely inform the investor community -- we would inform the stock exchanges and thereby also inform everybody.
- Shantanu:** By when can you expect that?
- Chowdary Karuturi:** We have been waiting for some -- we had -- we have been asked for some inquiries and clarifications, which we have given to them. And we look forward, hopefully, we should finish it hopefully by this month-end. We just -- we are waiting from our response from our authorized dealer bankers, which is coordinating with the Reserve Bank of India.
- Shantanu:** Okay. And do we see any sort of improvement in our margin setting up the subsidiary because we will be taking up the distribution and marketing for ourselves, if I'm not wrong?
- Chowdary Karuturi:** That we wouldn't be able to confirm or commit to anything at this point. As we have primarily stated in the past, it is more of a support which we were planning more on the logistical front and more to -- on a customer support front and not -- we haven't really decided or approved anything related to any distribution or any marketing front as of now. So it was more of a logistics point and more of a customer support office, which we were planning. And as we couldn't really get it in to start yet, so we will be able to inform you more the details and specifics once it is completed, once the process is completed.
- Shantanu:** Okay. And what percent of total expenses would be freight -- ocean freight cost? Any ballpark figures?
- Chowdary Karuturi:** One minute, please. Prasad? Ocean freight expenses total and other expense in the quarter. Yes, I need a percentage on the other expenses. Of the other expenses, it is 18%.
- Shantanu:** Are the expenses for quarter 1 18%?

*\*Update: The Countervailing Duty levied by the USA stands at 4.36% for India and 2.89% for Ecuador (earlier announced as 7.55%). Additionally, the USA also levied Antidumping Duty of 10.18% for Ecuador and 6.3% for Indonesia.*



**Chowdary Karuturi:** It is 18% of the other expenses in our -- yes, what has been stated. Now our other expenses in this quarter is -- this was -- INR36 crores, INR36.8 -- in that what is the INR6 crores is -- INR6.5 crores.

**Moderator:** The next question is from the line of Anthony Joy, who is an Individual Investor.

**Anthony Joy:** How is this union budget helping there the duty -- customs duty reduce production to 5%? How does it help you?

**Chowdary Karuturi:** Sorry, can you repeat your question? There is a -- you said there was a reduction?

**Anthony Joy:** There's a reduction in customs duty on shrimp...

**Chowdary Karuturi:** This is on the shrimp Broodstock, which we use for even our company for our hatchery operations. When we bring in our Broodstock, obviously, we did state this about this even in our opening remarks and also to the other participants. When we import Broodstock for producing the shrimp seed which means that baby shrimp, which we give to the farmers, the larvae, which we supply. That Broodstock was having duty -- of course, it was having a higher duty.

Now that has been reduced to 5% thereby this will actually reduce the cost of the seed to the primary producer, which would actually help the primary producer at this cost level, thereby which, as we stated earlier, this would encourage the primary producer to go for stocking in a better manner so that on that front when the cost of a seed comes down, obviously, it will have -- even though it's not significant, but it does have its own impact on the overall cost of the shrimp productions. So that is -- it's one way it is an encouraging point for the primary producer not to get discouraged for going for stocking at the farm level. This will help them indirectly.

**Moderator:** Thank you. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to Mr. Chowdary Karuturi for closing comments.

**Chowdary Karuturi:** Thank you, one and all, for making it to our quarterly con call of Q1 FY '25. And we look forward to talk to you another time. Thank you, Siddhant. Thank you, Stellar IR Advisors. Thank you, one and all. Have a nice day.

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