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To
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Bombay Stock Exchange Limited,
Phiroze Jeejeebhoy Towers,

To
The General Manager,
Listing Department,
National Stock Exchange of India Limited
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“Apex Frozen Foods
Q1 FY20 Earnings Conference Call”

August 20, 2019

MANAGEMENT: MR. KARUTURI SUBRAHMANYA CHOWDARY - EXECUTIVE DIRECTOR - APEX FROZEN FOODS
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Moderator: Ladies and gentlemen good day and welcome to Apex Frozen Foods Limited Q1 FY20 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 this 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 over the conference to Mr. Subrahmanya Choudary. Thank you and over to you Sir!

Subrahmanya C: Thank you, Lizaan. Good evening everyone and a warm welcome to our post earnings conference call for the quarter ended June 30, 2019. I have with me on call, Mr. Vijay Kumar, our CFO and Stellar IR Advisors, our Investor Relations Advisors.

We hope that you all have received our first quarter FY20 results update presentation and have gone through the same. We have also uploaded it on the Stock Exchanges and the Company's website for your reference.

We will begin the call with a brief summary on the company's business performance during the quarter gone by and key updates followed by the question and answer session.

Now as far as the past quarter that is Q1 FY20 is concerned, our capacity utilization improved more towards the second half of the quarter and we were able to clock sales volume of 3609 metric tonnes which was marginally lower than 3680 metric tonnes sold in the same period of last year, that is Q1 FY19. When compared sequentially, the volumes sold were about 38% higher; however, that is to be attributed to the factors like seasonality, and low base of Q4 FY19 due to demand slowdown in second half of FY19.

The average realization in Rupee terms too remained largely stable as the fall in shrimp prices in dollar terms was more or less compensated by depreciating value of the Indian rupee on a year-on-year basis. Consequently the net revenue before export incentives was just a tad bit lower by almost 2% year-on-year in the first quarter of FY20; however, the total revenue in the Q1 FY20 was about 7% lower year-on-year due to a one-time refund of antidumping duty of around 11 Crores net, in the corresponding quarter of last year.

Despite a flat topline year-on-year, the profitability dropped due to higher raw material cost. While the shrimp demand showed initial signs of revival, the raw shrimp supply constraint continued in the past quarter and still remains, thereby leading to procurement of raw material at a relatively higher price. While other costs were well contained, the impact of raw material cost dented our profit margins - both EBITDA and PAT in Q1 of FY20.

Going forward and as we enter the pre-holiday season, while we expect the demand to sustain in the coming quarters, we are also cautiously optimistic about the supply scenario in India. As also mentioned in the previous calls, the first crop of shrimp aquaculture in Andhra Pradesh was delayed due to climatic conditions which have created a shortage of raw material shrimp, especially for the sizes required by the company. The producers have now stocked in the months of June and July and the harvest is expected to begin from September and October with some minor losses expected due to the recent flood situation. The producers seem to be optimistic about the upcoming crop subject to climatic conditions and incidence of diseases as otherwise the market has very well improved compared to the last year.

With that and our new facility coming on stream soon, we look forward to enhancing our overall performance. Our new processing plant is ready for trial production and which we expect to begin in the current month. The commercial production will commence after receiving certain regulatory approvals and certifications. The total capex incurred on the new facility is around Rs.108 Crores as of July 2019, which was funded by IPO proceeds and a small portion of internal accruals. The total installed capacity would be 20000 metric tonnes per annum of which 5000 metric tonnes per annum would be towards a more value-added product category, that is, Ready-to-Eat products.

In terms of market diversification we continue to explore newer markets and have also forayed into China although its contribution in our geographical mix is still miniscule. In the first quarter of Q1 of FY20, almost 89% of our total sales was to the USA, about 10% to EU and remaining close to 1% to China. The share of the EU market has fallen due to the weakened demand from that market.

That is largely on our business and industry updates. We continue to focus on optimally utilizing our capacities and strive to reduce costs through backward integration and value addition product offering. That is all from my side. I will now hand over the line to our CFO, Mr. Vijay Kumar to brief you on the financial performance for the quarter ended June 2019 and post that we would be happy to take the question and answer session. Over to you Vijay.

Vijay Kumar: Good evening everybody. I am hereby presenting you the highlights of last quarter ended June 2019.

The company reported total income including net revenue and other income of Rs.226 Crores as against Rs.244 Crores in the same period of last fiscal, which included the one-time refund of close to Rs.11 Crores. The same stood at Rs.167 Crores in Q4 FY19.

The volumes sold in Q1 FY20 stood at 3609 metric tonnes, marginally lower than 3680 metric tonnes sold last year in Q1 FY19 and almost 38% higher than 2616 metric tonnes sold in Q4 FY19, which is on account of seasonal factor as explained by Choudhary earlier. The average realization in Q1

FY2020 came in at Rs.626 per kg versus Rs.663 per kg in Q1 FY2019 which included the one-time income. At the EBITDA level, the company reported Rs.16.4 Crores as compared with Rs.37.1 Crores in the same period of last fiscal. On an adjusted basis, the comparable EBITDA margin contracted to 7.3% in Q1 FY20 versus around 11.2% in Q1 FY19, mainly on account of higher raw material cost.

Profit after tax stood at Rs.8.3 Crores as compared with Rs.21.2 Crores in the same period of last fiscal and Rs.8.4 Crores in Q4 FY2019.

That is all from our side. I would now request the moderator to open the call for question and answer. Thank you.

Moderator: Thank you. We will now begin the question and answer session. The first question is from the line of Praveen Sahay from Edelweiss. Please go ahead.

Praveen Sahay: Thank you for taking my question. The first one as you had already mentioned that higher raw material prices impacted your margins. So, how much is going farm gate prices last quarter? How is the farm gate prices last quarter Sir?

Subrahmanya C: The average raw material price was around Rs.307 for the Q1 of the current fiscal.

Praveen Sahay: How much is the capacity right now, 15240 metric tonnes?

Subrahmanya C: Right now it is 15240 metric tonnes.

Praveen Sahay: Is there any ready to eat or ready to cook in that?

Subrahmanya C: There is only ready to cook. There is no ready to eat in the current format. Now from this quarter onwards when once the new facility starts we will also have ready to eat.

Praveen Sahay: As your competition has also reported the numbers in the processing business and they have not given such a large deterioration in their margin as compared to you. So what is the difference between you and the competition?

Subrahmanya C: I would not much comment on the competition's performance as such, but with regard to our company, we have been emphasizing very much from almost the past two quarters that we have had pending contracts which we could not execute because of lack of availability of raw material in specific sizes which were required to execute those orders and hence we had to close all those orders

in the first quarter predominantly and a little bit into the second quarter but most of it has been closed in the first quarter thereby in order to procure that raw material of those sizes, we had to pay higher prices and in fact because of the shortage of supplies and we had to get those done. Naturally, when such a scenario where we have relatively lower selling prices of the previous contracts, which is being executed with a relatively higher purchase price because of the lack of availability or lack of supply of those sizes, that definitely has an impact on the margins. That is on one front. Second point is our capacity utilization of course even though overall it looks good pretty much flat as similar to last year, but major issue is that our new facility which will have value added business would have also had a significant impact. Definitely we look forward now since the plant is coming up soon, for its utilization not only in ready to cook, but also ready to eat as that would be a significant value addition even on the realization part. So, we are looking forward for that.

Praveen Sahay: So that is the new capacity will be operational from this quarter?

Subrahmanya C: Right now the trial production is starting this month, so most likely we believe we will be able to start the commercial production around the end of this quarter or early next quarter. To be precise, commercially we should see the impact on revenue as well as profitability for the second half of the financial year but of course subject to the conditions of the supply, which this year in India, we have also emphasized in the previous quarter concall that the supply scenario in the current year was a little bit weak compared to last year, so we expect some supply reduction. But yes, the utilization of the new facility, which is more efficient because with its state of the art technology there and also Ready-to-Eat capability, we will look forward for a better performance from the second half of the current financial year once that is fully effective. So that is what we see.

Praveen Sahay: Any benefit this time in the sales?

Subrahmanya C: It is only in the current quarter, the MEIS has been reduced actually, from 7% to 5%, it is effective in the second quarter, but as we have also mentioned in the previous concalls that increase of the margins on a per kg basis independent of the incentives being provided by the Government of India is the ultimate goal and for which we are exploring newer markets along with value-added products both in Ready-to-Eat as well as Ready-to-Cook categories. So now once we are out of those old contracts, which we had of last year we look forward that irrelevant of the existence of MEIS we will definitely be able to better.

Praveen Sahay: So, your old contracts have been over, so the way forward we will see an improvement in the margins with this? I am saying your old contracts are over for which you have taken a hit in this quarter so the way forward, we will see an improvement in the margins?

Subrahmanya C: Yes, definitely we look forward for that because we have completed all those pending contracts of last year, which definitely is a good thing for us, because we are in the real time market scenario and now we can look forward to utilizing the current available supply of the present year for the orders of the present market.

Praveen Sahay: How are your contracts because of unavailability of the shrimps impacted your business the last quarter and your order, so how is the contract, whenever you go forward to or in a year or for you are in a long-term contract, how is that so that you can procure in the prior year and make some good margin, so how is that exactly?

Subrahmanya C: One important point with regard to the contract is last year there was a significant lack of supply in some certain specific sizes which were supposed to be available for us last year unfortunately those contracts, which were dependent on those sizes got affected and hence post that we have balanced the contracts for the sizes so that our concentration is not specific into any of the sizes which can impact our margins so we have made those changes and now since we have already been telling that we will be looking into value added products, we believe we will be helping us eventually from this quarter and next quarter onwards.

Praveen Sahay: Regarding your geographical mix, the way forward we will see the same contribution like 10% of the UK and some single digit?

Subrahmanya C: The 10% was in European Union. The 10% was almost 25% by the end of FY18. Major impact being in FY19 once the prices got corrected, there was marginal improvement, but then once the farmers supply reduced from the current year and the prices started firming up, the EU market's demand was not on par like it was in the past and hence we expect things to be changing and definitely we want to increase the 10% to EU to maintain it to 20% to 25%. Apart from that, we of course just started with a very insignificant business to China at hardly 1% but we are looking forward to increase it to anywhere between 5% and 10% but in non-commodity items, not in commodity, we would like to increase.

Praveen Sahay: Sir, nothing worrying in the EU market, basically for India, is there some incidents happened or it is just the demand slowdown?

Subrahmanya C: In the present year, it was short of demand, number one. Number two, because the pricing which was coming out of EU, was not on par with the rest of the markets for the specific products, but of course added to that we should see from next year how things make way for like in FTA, free trade agreement with Vietnam which EU had, we should see how that would be, but we also discussed with our customers and the customers still value Indian product because of better quality, so that is what

they have informed us that they will continue to be doing business with India on the raw product especially. So on the cooked we should see how things evolve between Vietnam and India, but otherwise we definitely hope that we will increase the business mix and we believe that we will be able to do it because we have our customer supporting us for the quality products which we supply.

Praveen Sahay: Great Sir. Thank you for taking my question. All the best.

Moderator: Thank you. The next question is from the line of Deepesh Kashyap from Equirus Securities. Please go ahead.

Deepesh Kashyap: Sir, to begin with can you please me the export incentive benefits in this particular quarter?

Subrahmanya C: The export incentive benefit was 15 Crores, approximately 15 Crores.

Deepesh Kashyap: 15 Crores so that is 7% right of your exports, the benefits came to 7%.

Subrahmanya C: Yes.

Deepesh Kashyap: Sir, the MEIS benefits are going to end in March 2020 and the talks that this may not get renewed, so how do you think this will pan out? Will the government give any benefits to compensate this thing?

Subrahmanya C: The government has specifically mentioned that they are looking at alternative measures in supporting the sectors especially labour intensive sectors or employment providing sectors, manufacturing industries and they did mention that they would look at and are already having consultations with various trade bodies including us about alternative measures or alternative schemes which are WTO compliant. So the key focus was that they would have schemes to support the sectors in the present scenario of the trade in such a manner that they are not affecting any WTO norms and that was the whole reason they have mentioned that we are looking at and they already have started discussing about freight assistance and some other measures, by replacing MEIS. It was not that they were not going to do away with the MEIS as such. They will do away with that scheme, but they have planned for replacement measures. That is what they have mentioned.

Deepesh Kashyap: Sir, you also mentioned to the previous caller that the MEIS benefit have reduced from 7% to 5% from second quarter, is that correct?

Subrahmanya C: Yes in the middle of second quarter, the current quarter.

Deepesh Kashyap: Any specific reasons for that because I thought like this is valid till March 2020, right? So why did they reduce in between?

Subrahmanya C: Actually the MEIS went from 5% to 7% around a year ago. That was a temporary measure which was provided and that was again withdrawn, but the duty drawbacks, MEIS at 5% and duty drawback which has been there is still continuing whatever has been there prior to last year. It is only last year just around for approximately around 16 to 18 months they have given this addition 2%, which was supposed to be withdrawn by March, but they notified in July that they will be withdrawing from July end.

Deepesh Kashyap: Sir, recently Vietnam has signed the FTA agreement with EU, so how is this expected to change the trade balance with India and how specifically it is going to hurt our exports, because like last year as you mentioned, 25% of our exports went to EU, so how do you think it will change the scenario?

Subrahmanya C: Deepesh, the first thing is our business coming down from 25% to 10% to EU in the Q1 of FY20 has nothing to do with the FTA with Vietnam or any enhanced buying out of Vietnam as such. In general, the pricing was lesser, most important point for the first quarter. Now when it comes to the original business of 25% with EU, we still believe, we will be able to continue that and maintain that, because as such the buying has been good. It means the quantities are being bought, but they are not able to give the market prices, which were prevailing in other countries. Now the FTA with Vietnam is most likely to be effective later this year or from the start of next year, which has been signed in the month of June is of course definitely I believe there would be certain impact on the cooked product, which has a 7% duty while on the raw product, 4.2% duty which is existing. We have spoken to several customers and they all believe that they are going to continue to buy from India irrelevant of that because the quality of Indian products is definitely higher, superior. When it came to the cooked product, because of the 7% difference, there could be some attrition to buying more from Vietnam. Apart from all this, India has also been in the talks for an FTA with the EU for the past I think five to six years so we should see how those measures will be coming up and how they will be producing results. If you see even in the FTA with Vietnam it started way back in 2012, almost more than seven years story since and finally it got concluded now. So, similar case, India has also been discussing about FTA for more than five years that is more of a government to government consultation process which is being going on in their talks. We should see how that would move forward and definitely if that is there, we will also be on par and there should not be any issue because we have an added advantage of India having a better advantage of supplying quality products.

Deepesh Kashyap: But still 4% difference will be there in the pricing? So that might put pressure on the pricing?

Subrahmanya C: 4.2% will be there that is true. That difference will be there.

Deepesh Kashyap: Sir, lastly you said the procurement cost in this quarter was Rs.307 per kg versus vis-à-vis the last year it was Rs.300, so I do not think there is a much difference in the procurement cost and overall your average realization is also similar to the last year, so why did the margins come down so much in this specific quarter?

Subrahmanya C: Our volume has also increased significantly. I will just give you detail about how much volume we had actually sourced. This year we have sourced almost 4654 metric tonnes vis-à-vis 4400 metric tonnes last year.

Deepesh Kashyap: Why is that?

Subrahmanya C: Remember, we have been telling that mainly the volume is at a higher level because of to fulfil those pending contracts we had which we have been discussing for almost two quarters mostly saying that we had those pending contracts, for which the sizes were not available. So definitely to finish them of course, the Q1 volume was on a higher side, which was buying the product at a higher price compared to last year, but at the same time, it was the realization price was very less compared to the present quarter so which we are done now with those contracts, we will be on par with the market conditions as such.

Deepesh Kashyap: Sir, out of the 100 Crores that you have spent on this new plant, how much was on the land and civil works?

Subrahmanya C: I also need to just correct this. I think one of you had mentioned Rs.300 as last year's raw material. I think there was some mistake there. I need to correct this on this call. It was Rs.269 last year's first quarter average price.

Deepesh Kashyap: Rs.269?

Subrahmanya C: Yes, it was Rs.269 for last year first quarter.

Deepesh Kashyap: About the capex thing that you said, around 100 Crores capex, so how much was on the land and civil works?

Subrahmanya C: The land alone would be around 7 Crores and the civil works, we will provide it. Meanwhile we will take the next question, I will provide you that answer in the meanwhile.

Deepesh Kashyap: Sir, last question is basically your employee cost and other expenses have fallen very drastically in this quarter. Now whenever a new plant is going to start, generally the employee cost increases upfront, but the employee cost has actually fallen, so I just wanted to know the reason why it has been so?

Subrahmanya C: One of the most main point was that in fact no employees have been retrenched or anything, but it was to do with the employee-employer insurance cost, which was there that cost was pre-period and post-period that was adjusted by the auditors. That is the reason it shows to be lesser, but otherwise, it is for the first quarter because of the adjustment of the insurance payments, premium payments, as such we have not had any revenues.

Deepesh Kashyap: But the employees that we added for the new plant that has already been in the last quarter numbers, right, 12 Crores for the quarter, so the new guys have already been added or we still need to add more?

Subrahmanya C: Part of them have been added. They are working in the new premises and they are all going to get transferred, added to that a little marginal increase will be there in newer employees which is being taken up right now as we speak.

Deepesh Kashyap: I will join back in the queue.

Subrahmanya C: I will get back to you on the civil question.

Moderator: Thank you. The next question is from the line of Shalini Gupta from Quantum Securities. Please go ahead.

Shalini Gupta: Good evening Sir. Just wanted to check about the contracts; the contracts that you sign, they are fixed priced contracts, is it?

Subrahmanya C: Shalini the contracts will be fixed priced contracts.

Shalini Gupta: Sir, this is for a year your prices are fixed?

Subrahmanya C: Not really. We have different contracts where we also take on a monthly basis, some are on the quarterly and some are six months basis. Now in this specific case, which we have been emphasizing about not able to fulfill certain contracts in the late second half of the last year and it just got carried over. It was more with extensions being provided by the customers to get those contracts out as and when the raw material supply is available. So it is not that it is an annual contract. As on date we have

not signed any annual contracts but those contracts got extended so that they also waited for the supply and we also have been waiting for the supply to pickup, which happened in the first quarter.

Shalini Gupta: Sir, I just want to check are you able to generally pass on the cost increase or do you have to absorb it? How does it go?

Subrahmanya C: The cost increase in general it would be passed on. Of course when there is a cost increase, you mean to say when the supply is less for example, if you see the first quarter supply has been less, so naturally the prices have picked up and accordingly the sales prices also have increasing because of the lack of supply, so the cost increase also would be passed on at the same time, if there is a reduction in the sales price that will also be passed on vice versa to the supplier base. You understand what I told. It is a demand supply situation.

Shalini Gupta: Sir, let us say that you have a quarterly contract and cost increases during the quarter, at the end of the quarter when you go to renew your contract, at that time, you are able to fully pass on the cost increase?

Subrahmanya C: No even for example, if we take a three months contracts or a six months contract and if the market's supply prices increase naturally we will be discussing on a new sales based on the new price.

Shalini Gupta: Sir, I just wanted to understand last year as well as this year there was a supply constraint. So what is the situation on the supply front going forward?

Subrahmanya C: In the first quarter basically there were premature harvests which were done in the month of April last month of last quarter which was in March and April in smaller sizes, and added to that because the pricing was quite low in the last financial year the farmers were waiting for the market to improve and so that they could stock seeds for the second crop into their ponds, which made them to wait for at least one to two months minimum thereby they started stocking which I also mentioned in the opening remarks that they have started stocking again in the month of June and July and we did mention in our previous concall also that if the second crop stocking which basically started in June and July survives and sustains, we are really looking forward for a good output as such because a lot of these farms have been dried up and the measures required to be taken for starting a new crop have been fully implemented by these farmers. They are very much enthusiastic with the prices which are there in today's market which is attractive for them and they are looking forward for stocking more of the area, but at the end of the day, we also have climatic conditions, which could have certain impact on some of the areas, for example some areas could have had the impact of certain flood situation, but that does not really may have an impact on the overall Indian supply scenario, but it is specific areas which may get affected, but of course the farmers who got affected are again restocking with the seed

so as such we look forward for a good supply in the second crop. It is also going on now as we speak.

available at relevant price, and in that case our spreads are not good enough for our profitability at the levels that we have seen in the past. How do we see things getting addressed on both these fronts?

Subrahmanya C: Nitin, first thing is on the capacity wise which you are referring to and supply scenario in India. Supply in FY20 in India is going to be lesser than FY19 for sure. But the first crop did not really give the same amount of volume, which was available last year, which if you also remember and you recall from the previous concall, where I had mentioned that we expect at least a minimum of around 100,000 metric tonnes to be lesser in the current year, so that is one part. To answer your question about excessive supply to be absorbed and pushed into certain markets as such supply this year is not going to be on par with last year but we definitely hope for the second crop to be successful because they have all had taken measures and also we just hope that the climate supports and if the second crop comes out good, definitely we will be able to supply, but definitely it will not be matching up of what it was last year for sure. We all expect there will be a little bit shortage of supply from India. One of the major reason for the price increase in the Q1 and onwards price increase which was there between last year and this year is also because of the supply shortage. Supply as such was less and demand was higher and the customers were willing to pay higher prices in order to meet their requirements and accordingly the prices have moved up. So that is on the supply and the capacity as such. Now in our case, with regard to Apex if you recall, we have already had partial utilization of our new facility being done outside, so it is more of transfer or utilization of capacity from outside from a leased premises to own premises in the ready to cook and in the ready to eat, it is a totally a new capability for the company, but that is going to be accomplished much sooner than even the ready to cook as we see and we note from our customers in the US who are willing to take a majority of the ready to eat products from our company which we have been discussing already and to be precise they have already started asking us for quotes, but we are just waiting for the trials to get over with the commercials, we will be starting that. That is about the supply and capacity utilization. We are fine with our existing customers to absorbing these products because in general, everybody within the US and EU accept the Indian product to be of a good quality and it has been maintained consistently. That is on the front of capacity and utilization. The second question you were mentioning about the prices?

Nitin Gosar: I think both answers are related. So, one was with regard to the raw material prices, which have gone up so, I was seeing a familiar or similar kind of response from the realization front in sales. Are sales price is going up?

Subrahmanya C: As you know by now that the trade is all dealt with and deemed by demand supply situation. When the supply was less and the demand was higher, the realization prices were the ones which moved up north and also moved the raw material supply prices accordingly. So they move in tandem even

though there could be a bit of lag now and then because it does not happen exactly in real time, so both of them have moved up. So it is a different scenario that company specific each company could have old contracts or new contracts. That makes certain differences on a quarter-to-quarter basis.

Nitin Gosar: During this quarter, had it not been the challenge of the previous contract, which we were yet to run down then what could have been the difference in terms of realization for this quarter?

Subrahmanya C: The realization in present quarter would have been at least a minimum of 50 cents to 60 cents per kg.

Nitin Gosar: So, roughly Rs.20 to Rs.25 may be around Rs.30 or Rs.35 better per kg as compared to what you otherwise would have done?

Subrahmanya C: That would have been the case as far as the realization is concerned. Remember the costing also moved up in tandem to that.

Nitin Gosar: In this quarter your cost has already gone up, but your realization was what you had earlier locked yourself into? So this time for the quarter you got 50 cents lower than you normally got, right?

Subrahmanya C: No. We have got high, this year, you mean the first quarter our realization would have been higher by 50 cents, yes except for some of those contracts, which were already locked, but there are other contracts, which we still did get, but majority of it was previous two quarters contracts.

Nitin Gosar: Can we now put a number to this quantity that we sold for this quarter? How much was pertaining to the previously locked contract and how much was pertaining to the fresh realization that we have now started supplying?

Subrahmanya C: I will have to get back to you on that.

Nitin Gosar: Any rough split will help, like 60:40, 50:50?

Subrahmanya C: We can say around 65%:35%.

Nitin Gosar: 65% was for old price and 35% is pertaining to…

Subrahmanya C: It is approximate. I do not have the exact but I will definitely get back to you on that.

Nitin Gosar: Sir, second question was the new facility that we are going to have that is roughly 15000 tonnes coming up, roughly 5000 may get with our existing lease and remaining 5000 we may go for R-T-E, so now we will be left with 5000 which we have to deploy? Is this a right understanding?

Subrahmanya C: Out of 20000, 5000.

Nitin Gosar: So, we have 20000 coming up, sorry?

Subrahmanya C: New facility is 20000.

Nitin Gosar: So, we have to now deploy?

Subrahmanya C: 9000.

Nitin Gosar: So now we have to deploy roughly around 9000, 10000?

Subrahmanya C: Correct. We have utilized, already outside will get transferred and 9000 will be the remaining.

Nitin Gosar: So now this 9000 will be targeted towards which market, Europe, US?

Subrahmanya C: It continues to be the US and Europe and Canada which we look forward to doing more volumes. Currently we are not able to do because of lack of capacity. We will be able to do that, but of course, US and Europe will continue to occupy the dominant space of the capacity.

Nitin Gosar: Amongst these three markets, US, Europe and Canada, profitability wise which is the best market right now?

Subrahmanya C: It depends on different times of the business, there are times where the EU was the most profitable, but that was not the scenario in the present year. US has been more aggressive, so it is all purely demand supply scenario. So how that markets demands are whether they are consuming or not that is all, it depends on various reasons. It is not that all the time it is going to be the same. Traditionally EU was always good. That is how we moved our business from 15% to 25%, if you recall the old results. This year it was different. Of course, we also had additional contracts, which were pending for US and apart from that the overall demand was slow out of EU and hence we had been focused more on the US market this year, but as such we would definitely be diversifying more into EU and other markets as we do not want to concentrate heavily; however, we will not disregard the fact that The United States is the largest importer of shrimp products in the formats which we want to do that is in the value added and high value realizing products.

Nitin Gosar: Sir, last one the new facility should get absorbed in 12 months' time or it can take 24 months' time?

Subrahmanya C: You mean an optimal utilization? It is around 75% to 80% is what you are asking?

Nitin Gosar: Yes.

Subrahmanya C: Maximum 18 to 24 months.

Nitin Gosar: This facility, we will have some extra cost in near term and then it will get absorbed, the cost front that we are having, what kind of front loading of cost will first see and then it will normalize for us?

Subrahmanya C: On the front loading you mean on the employee cost? I did not understand your question.

Nitin Gosar: Yes, any facility once it starts you have costs right now running and then once you start commercializing it the revenue starts at a later date, so right now for the next three to four months we will be having more of costs to get absorbed?

Subrahmanya C: The most important point is we are not starting with zero, which I have always been emphasizing. It is about starting from 6000 metric tonnes. So 6000 metric tonnes is already placed there, costs up to 6000 metric tonnes are already absorbed by the team which is there, by the business which is there. So, this question pertaining to our new project may not be exactly be applicable.

Nitin Gosar: Thank you.

Moderator: Thank you. The next question is from the line of Deepesh Kashyap from Equirus Securities. Please go ahead.

Deepesh Kashyap: Thanks for the followup. Just wanted the clarity on other expenses this year your other expenses were 35 Crores versus 45 Crores last year, so what was the difference? Is there any one-off in this other expenses?

Subrahmanya C: This year it was 35 Crores, sorry?

Deepesh Kashyap: Last year it was 45 Crores in the quarter I am saying.

Subrahmanya C: It was actually 34.95 Crores and last year was 45 Crores. It has actually come down.

Deepesh Kashyap: Come down, I am asking the reason for that?

Subrahmanya C: In the other expense earlier some of the employees who were there on causal employees have all been brought into the roles. So one of the reason even though there were people who were transferred in the grouping they have all been placed on the employee expenses because of the post and pre-insurance premium treatments, you see an overall reduction in the employee cost, but that is only specific to this quarter, you will see that the employee cost is generally much higher. So, in this case the other expenses reduction was mostly pertaining to the casual employees who were on a weekly basis or daily basis who were brought back into the roles.

Deepesh Kashyap: So, the difference cannot be 10 Crores, right because the employee cost was 10 Crores and this other expense has come down by 10 Crores, so I just wanted to know, is there any one off or something like lower logistics cost, because you procured from Andhra Pradesh or something like that, because 10 Crores…?

Subrahmanya C: Actually no. In fact we procure even from other states but that was not the only reason. I will get back to you again.

Deepesh Kashyap: I will take it offline. Lastly my question is last year we sold around 13000 metric tonnes of shrimps. This year we were earlier guiding around 40% growth but now that the commercialization of the plant has delayed by one more quarter what is the target right now. Can we sell around 18000 metric tonnes this year?

Subrahmanya C: This year it is tricky. It is just on the capacity availability for the company as such as you have also been hearing for the past two to three months, for the past one quarter that the supply scenario in this present year is little bit skeptical. As you can note for various factors, various reasons, so we should see how things pave out, how the supply scenario would be there for the rest of the year. Of course we are getting hopes on the second crop, but second crop means they only started stocking in June and July, some of them got flushed out because of some floods in some areas. It is not the case of the whole country, but we have to see how the supply will actually pan out, the rest of the year in FY20 will be mostly based on the supply scenario rather than the demand because we have the capability, we have the capacity and we have the business.

Deepesh Kashyap: Sir, regarding the value-added demand we have 5000 tonnes of capacity coming up, so you must be knowing do we have a demand for that, like can we sell that entire capacity in this particular year, 5000 tonnes?

Subrahmanya C: Majority of it.

Deepesh Kashyap: I am saying for the half like can we do like 2000 this year, how is it?

Subrahmanya C: Majority. We would be able to do majority of it.

Deepesh Kashyap: Majority of that, right?

Subrahmanya C: Yes, we can deal with majority of it, so definitely it is more than half. Of course, next year it will be completely done because we are just waiting even the customers have been waiting for the capability to come up into action.

Deepesh Kashyap: All the best.

Moderator: Thank you. As there are no further questions, I now hand the conference over to the management for their closing comments.

Subrahmanya C: Thank you, Lizaan. Thank you everybody. We have concluded our concall for the Q1 FY20. For any further queries, please get in touch ir@apexfrozenfoods.com. Thank you very much. Have a good evening ahead. Thank you.

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