

One Stop Investment Avenue



GEPL
CAPITAL

IPO Note

MUKKA PROTIENS LIMITED

February 29, 2024



Mukka Proteins Limited





February 29, 2024

Details of the Issue

Price Band	₹ 26 - ₹ 28
Issue Size	₹ 224 Cr
Face Value	₹ 1
Bid Lot	535
Listing on	BSE, NSE
Post Issue Mcap	₹ 840 Cr
Investment Range	₹ 13,910 - ₹ 14,980

Important Indicative Dates (2024)

Opening	29 - Feb
Closing	04 - Mar
Basis of Allotment	05 - Mar
Refund Initiation	06 - Mar
Credit to Demat	06 - Mar
Listing Date	07 - Mar

No of shares (Mn)

Fresh Issue of Shares	80
Offer for Sales	-
Total No of Shares	80

Lead Manager

Fedex Securities Pvt Limited

Offer Details

Offer Size	₹ 224 Cr
Fresh Issue	₹ 224 Cr
OFS	-

Type	In Rs Cr	No of Shares (Mn)		% of Issue
		Upper	Lower	
QIB	112	40	43	50
NIB	34	12	12.92	15
Retail	78	28	30.15	35
Em-ploy.	-	-	-	-
Total	224	80	86	100

Company Profile

Established in March 2003, Mukka Proteins Limited specializes in the production of vital components such as fish meal, fish oil, and fish soluble paste, crucial for aqua feed, poultry feed, and pet food manufacturing. The company, certified to ISO 22000:2018 and ISO 9001:2015 standards by NQA and UKAS, exports its products to over 10 countries, including China, Saudi Arabia, and Vietnam. With 385 employees across various departments, it operates six production facilities (four in India and two in Oman), three blending plants, and five storage facilities strategically located near the coast. Additionally, the company, as of December 31, 2022, has contractual agreements with third-party manufacturing units in Karnataka and Maharashtra for fishmeal and fish oil supply.

Business Highlights & Services

Over the past seven years, company have consistently received recognition from the Marine Products Export Development Authority (MPEDA) for their outstanding export performance, particularly in the fish meal, fish oil, and related products category. This acknowledgment extends to their remarkable achievements in Fiscal 2021, Fiscal 2020, and Fiscal 201. As evidenced by their accolades and industry standing, it consider a key player in India's Fish Protein sector.

In Fiscal 2023, the company's revenue amounted to ₹10,663.98 million, contributing significantly, ranging between 25% and 30%, to the estimated revenue of the Indian fish meal and fish oil industry, which is projected to be in the range of ₹32,000 million to ₹41,000 million for the same period. This solidifies their position as a substantial contributor to the industry's overall financial landscape. Diversifying their product portfolio, it have spearheaded the commercialization of insect meal and insect oil, collectively referred to as "Insect Protein. The company stands among the pioneers in India to introduce Insect Protein as a valuable ingredient in aqua feed, animal feed, and pet food. Combining Fish Protein and Insect Protein, it encompass "Animal Proteine" in their offerings.

As manufacturers of Fish Protein products, it specialize in the production and supply of fish meal, fish oil, and fish soluble paste. These products play a vital role in the production of aqua feed (for fish and shrimp), poultry feed (for broiler and layer), and pet food (dog and cat food). Additionally, it fish oil serves diverse industries such as pharmaceuticals, soap manufacturing, leather tanneries, and paint industries. Notably, Omega-3 pills and related products derived from their fish oil contribute to the growing market for high-nutrient and healthy dietary supplements. The market presence extends both domestically and internationally. It not only cater to the domestic market but also export their products to more than 10 countries, including Bahrain, Bangladesh, Chile, Indonesia, Malaysia, Myanmar, Philippines, China, Saudi Arabia, South Korea, Oman, Taiwan, and Vietnam.

As of September 30, 2023, company have engaged third-party manufacturing units in Sasihithlu, Udupi, Ullal (Karnataka), Taloja, Porbandar (Gujarat), and Mangrol (Gujarat) for fish meal and fish oil supply. Units in Udupi and Ullal operate on a job work basis, converting raw fish supplied by them. These units strategically located near their key raw material source, pelagic fish, enhance their presence along the western Indian coastline. Actively seeking more such units for operational efficiency and raw material access is an ongoing initiative.2023, and for Fiscal 2023, respectively. It import of raw material contributed to 1.13% and 0.83% of revenue for the respective periods.



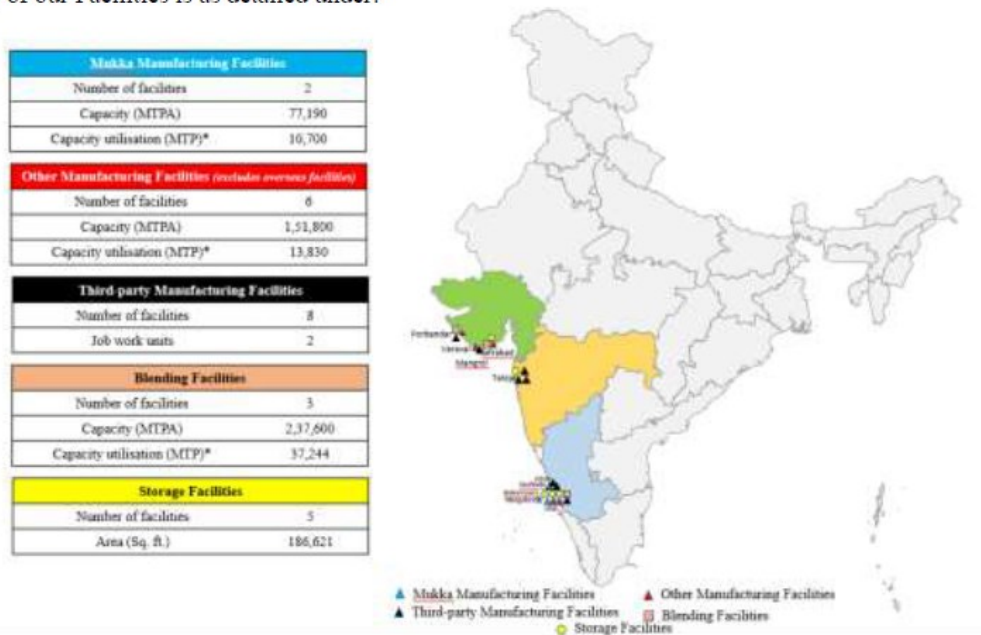
Their primary raw material is pelagic fish sourced locally. Additionally, it blend fish meal, fish oil, insect meal, and insect oil based on quality, pricing, and market availability, procuring from local fish catchers, processing units, and international suppliers, including their subsidiary, Ocean Aquatic Proteins LLC. Cost of goods sold accounted for 80.52% and 80.60% of revenue for the six months ended September 30, 2023 and for the Fiscal 2023, Fiscal 2022 and Fiscal 2021, respectively.

Company hold ISO 9001:2015, ISO 22000:2018 certifications, EU certification, and AQSIQ license from China, providing a competitive edge. Their Mukka Manufacturing Facility I is GMP+, Halal, HACCP, EIA, MPEDA certified and an IFFO member. The Oman Manufacturing Facility I holds ISO 9001:2015, ISO 22000:2018, and GMP+ certifications.

Manufacturing Facilities

The company have 6 (six) manufacturing facilities operated by the company, out of which 4 (four) manufacturing facilities are located in India and 2 (two) manufacturing facilities, held through their Foreign Subsidiary, namely Ocean Aquatic Proteins LLC is located in Oman. Further, The Company operates 3 (three) blending facilities and 5 (five) storage facilities located in India. All their Facilities are strategically located within the close proximity to the coastline. As of September 30, 2023, their annualized manufacturing capacity stands at 115,050 MTPA for fish meal, 16,950 MTPA for fish oil, and 20,340 MTPA for fish soluble paste. Contractual agreements with third-party units in Sasihithlu, Udupi, Ullal (Karnataka), Taloja (Maharashtra), Porbandar (Gujarat), and Mangrol (Gujarat) contribute to fish meal and oil supply. Udupi and Ullal units operate on a job work basis, converting raw fish supplied by them, strategically positioned near their pelagic fish source along the western Indian coastline. It actively seek new units for efficiency and raw material access. All Manufacturing Facilities feature in-house biochemistry labs, with Mukka Manufacturing Facility I hosting a micro-biological lab. These labs, equipped for EIA parameter testing and customer specifications, employ 25 lab technicians, including 9 EIA-approved technicians in India. In-house labs ensure quality testing of raw materials and finished products, meeting regulatory standards.

A summary of our Facilities is as detailed under:

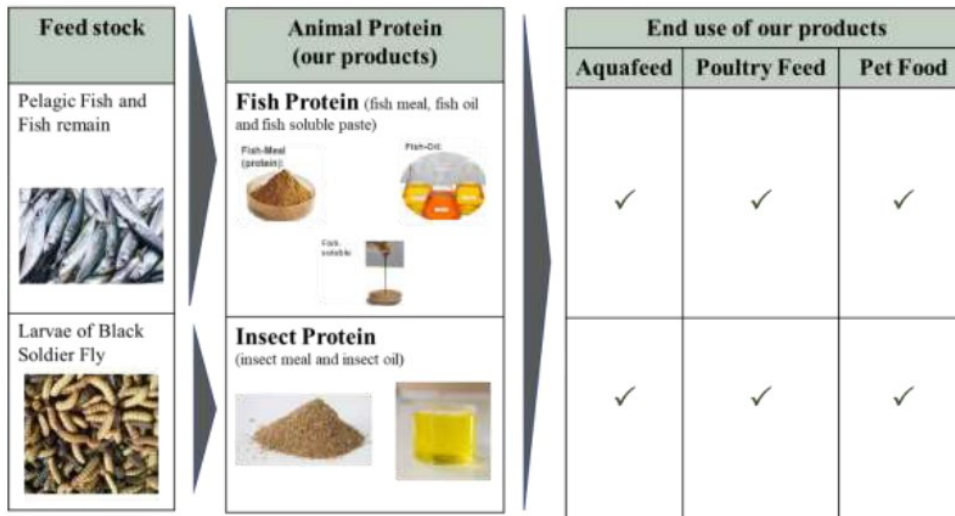


Product Wise Revenue

(₹ in million except share data)

Name of Products	As on September 30, 2023	As % of Revenue from Operations	As on March 31, 2023	As % of Revenue from Operations	As on March 31, 2022	As % of Revenue from Operations	As on March 31, 2021	As % of Revenue from Operations
Fish meal	5,221.79	86.16%	9,620.72	81.73%	7,120.81	92.42%	5,468.30	90.56%
Fish oil	536.63	8.85%	1,653.21	14.04%	325.50	4.22%	370.58	6.14%
Fish soluble paste	136.46	2.25%	269.13	2.29%	211.06	2.74%	77.79	1.29%
Total (A)	5,894.88	97.26%	11,543.06	98.06%	7657.37	99.38%	5,916.67	97.99%
Insect meal*	10.06	NA**	27.90	NA**	7.52	NA**	-	-
Insect oil*	6.81	NA**	18.88	NA**	5.10	NA**	-	-
Total (B)	16.87	0	46.77	0	12.61	-	-	-

Product Portfolio



Geography Revenue

(₹ in million)

Name of Products	As on September 30, 2023	As on March 31, 2023	As on March 31, 2022	As on March 31, 2021
Within India revenue	1,901.21	4,865.00	5693.24	2638.66
Outside India revenue	3,993.66	6,678.06	1964.13	3278.00
Total revenue from sale of products (A +B)	5,894.88	11,543.06	7,657.37	5,916.67
Others	10.51	20.57	4.05	(11.59)
Export Benefits	155.36	207.21	43.27	130.17
Discount received	-	-	0.05	0.38
Deferred Income (Subsidy on Machinery)	0.19	0.38	0.30	0.30
Other operating income	-	-	-	2.42
Revenue from operations	6,060.94	11,771.22	7,705.03	6,038.34

Seasonal and Natural resource

Period Season Particulars	September 30, 2023		Fiscal 2023		Fiscal 2022		Fiscal 2021	
	Peak Q3	Slack Q1	Peak Q3	Slack Q1	Peak Q3	Slack Q1	Peak Q3	Slack Q1
Production (MT)	NA	9,176.48	15,771.75	7,675.70	12652.88	5017.71	13683.31	1738.81
Sales (MT)	NA	21,783.51	36,379.32	17,616.20	30225.51	15424.82	27127.47	12861.32

Utilization of IPO Proceeds

The company propose to utilize the Net proceeds of fresh issue towards funding of the objective:

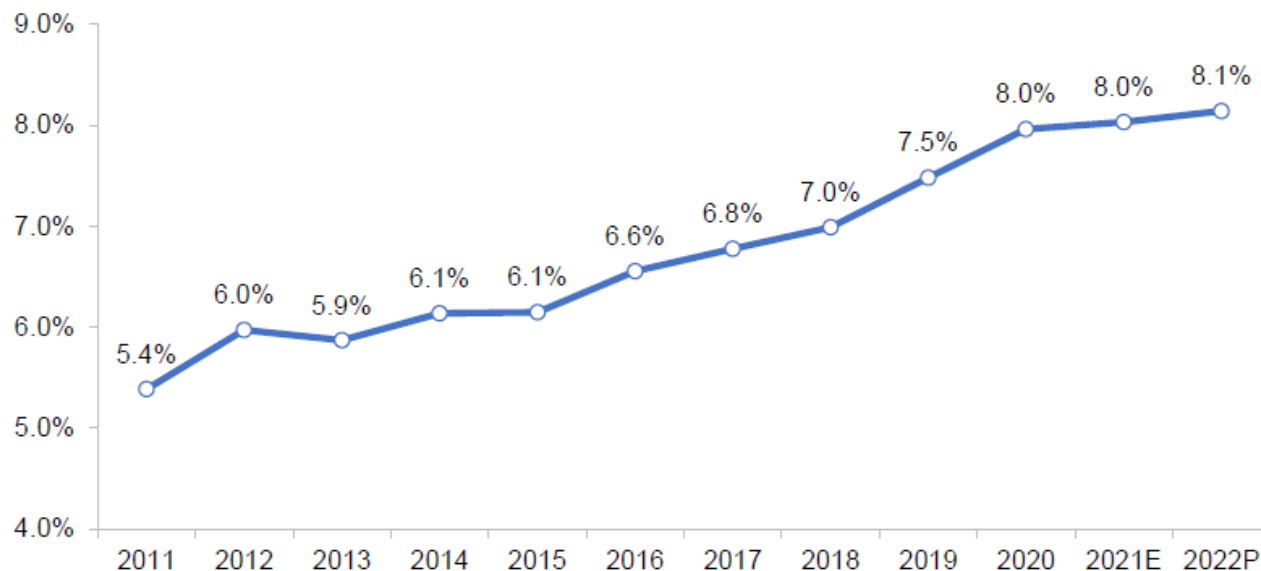
- Funding working capital requirements of the Company of ₹ 120 Cr.
- Investment in their Associate, viz. Ento Proteins Private Limited, for funding its working capital requirements of ₹ 10 Cr.
- General Corporate Purposes.



Industry Outlook

As per OECD-FAO data, India occupied 8% share of global fish production in CY 2021. The share has grown from 5.4% in CY 2011. As per OECD-FAO data, fish production in India has grown at 6.2% CAGR from CY2011 to CY 2021 while the global fish production has grown at 2.1%.

India's growing share in global fish production



Companies Competitive Strength :

- It position as a leading manufacturer and exporter of Fish Protein products Entero is one of India's largest and fastest growing healthcare products distribution platforms.
- Established customer base and strong relationships Differentiated business model offering comprehensive and integrated commercial and supply chain solutions.
- Strategically located Facilities.
- Entry Barriers.
- Strong and consistent financial performance.
- Focus on Quality, Environment, Health and Safety (QEHS).
- Experienced Promoter Directors with extensive domain knowledge.

Key Strategies Implemented by Company

- Strengthening their foothold in their existing markets and expanding to new geographies.
- Expanding presence in new protein source.
- Pursue comprehensive marketing and distribution collaborations with healthcare product manufacturers.
- Expand their product adjacencies, private label and service offerings.
- Continue to invest in and leverage the technology, scale and synergistic adjacencies to drive efficiencies and profitability.
- Continued focus on digitized operations.



Particular (Rs. In Cr)	6MFY24	FY23	FY22	FY21
Equity share capital	22	22	22	22
Reserves	149.26	117.76	71.65	56.75
Net worth as stated	188.6	155.84	103.07	69.05
Revenue from operations	606	1177.12	770.5	603.8
Revenue growth %	-	52.77%	27.61%	-
EBITDA	61.3	94.31	54.23	31.81
EBITDA Margins%	10.11%	8%	8%	5%
Net Profit /Loss for the period	32.98	47.52	25.81	11
Net profit % as stated	5.44%	4.04%	3.35%	2%
EPS	1.47	2 .00	1.1	0.41
ROCE%	9.41%	17.62%	13.86%	5.86%
ROE %	19.15%	36.71%	30.00%	17%

Valuations and Recommendation:

- Based on annualized FY24 earnings to post-IPO paid-up equity capital of the company, The issue is priced at a P/E of 12.73. Thus the issue appears fairly priced compared to peers.
- However, The company faces operational risks due to weather-sensitive operations, including cyclonic storms and unpredictable rainfall. Revenue heavily depends on a few customers, with the top 2 customers contributing 42.17% and 36.91% in the six months ended September 30, 2023. Legal proceedings involving the company, subsidiaries, promoters, directors, and group companies pose a potential threat. Exchange rate fluctuations affect the company, as a significant portion of revenue comes from exports (62.68% in the six months ended September 30, 2023). Negative cash flows from operating activities in FY2023 and the six months ended September 30, 2023, may impact the business. Capacity utilization issues persist, with low percentages recorded for manufacturing facilities in India and Oman. The company's main product supply is to the aqua feed, poultry feed, and pet food industry. Livestock disease outbreaks, especially in shrimp and poultry, can severely restrict operations. Non-compliance with regulatory filings, delays in GST returns, and Employees Provident Fund payments may lead to regulatory actions and penalties. Hence, we recommend an "Avoid" rating for the issue.



Notes

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