

Company Overview

Incorporated in 2003, Mukka Proteins Ltd. is engaged in the manufacturing of fish protein products. The principal vertical of the company is the production and supply of fish meal, fish oil and fish-soluble paste. These are essential ingredients for the production of aqua feed (fish and shrimp). In addition, they also go into poultry feed (broilers and layers) and pet food (dog and cat food). Mukka Proteins Ltd. operates six production facilities, with four production facilities located in India (Gujarat and Karnataka) and the remaining two are in Oman in the Middle East. These Oman facilities are owned through the global subsidiary Ocean Aquatic Proteins LLC. Apart from these production facilities, Mukka Proteins also operates three blending plants and five storage facilities, so the production process is fully forward and backward-integrated. All these blending and storage facilities are located in India. The company, Mukka Proteins Ltd, also has a very strong export franchise, with most of its blending storage facilities in India located near the coast. The company exports its products to more than ten countries, including Bahrain, Bangladesh, Chile, Indonesia, Malaysia, Myanmar, Philippines, China, Saudi Arabia, South Korea, Oman, Taiwan, and Vietnam. As of FY23, the company employed 385 people across its technical, production, marketing, sales, and operations divisions. The company also outsources some of its production on a contract basis.

Objects of the issue

The net proceeds from the fresh issue will be used towards the following purposes:

- ⇒ Investment in Associate, viz. Ento Proteins Private Ltd, for funding its working capital requirements;
- ⇒ General corporate purposes.

Investment Rationale

Positioned as a leading manufacturer and exporter of fish protein products

Mukka Proteins is dominant in India's fish protein industry, consistently receiving awards from MPEDA for export performance over the past seven years. The company offer a range of fish protein products, including fish meal, fish oil, and fish soluble paste, catering to various sectors such as aqua feed, poultry feed, pet food, pharmaceuticals, soap manufacturing, leather tanneries, and paint industries. The company is among the first in India to commercialize insect meal and insect oil, expanding offerings to include insect protein products. This shows the company's commitment to innovation and adaptation to changing market demands. With exports to over ten countries, including Bahrain, Bangladesh, Chile, Indonesia, Malaysia, Myanmar, Philippines, China, Saudi Arabia, South Korea, Oman, Taiwan, and Vietnam, Mukka Proteins has been a key player in the global animal protein market. In FY23, the company contributed 25-30% to the estimated revenue of the Indian fish meal and fish oil industry, indicating a significant market share. The industry's estimated revenue growth from Rs. 32,000 mn to Rs. 41,000 mn suggests ample opportunities for further expansion and revenue generation. The growing recognition of the nutritional benefits of fish oil, especially Omega-3 supplements, further strengthens the demand for product & ensures stable revenue in the long term.

Established customer base and strong relationships to aid financial performance

Mukka Proteins has established enduring relationships with key customers who are significant aqua feed, poultry feed, and pet food producers. These long-standing partnerships serve as a key differentiator, emphasizing commitment to quality and customer satisfaction. The company's focus on delivering high-quality products tailored to customer specifications has driven business growth and expanded market presence. This customer-centric attitude has developed existing relationships and enabled acquiring new clients. Over the recent years, Mukka Proteins has consistently expanded its customer base, serving many clients across domestic and international markets. As of September 30, 2023, a substantial portion of customers has been associated with the company for extended periods, contributing significantly to revenue. The export network extends to over ten countries, including Bahrain, Bangladesh, Chile, and China. This diverse international presence underscores the company's ability to penetrate and thrive in global markets, strengthening the company's revenue performance. The company's established customer base, through long-standing relationships and a commitment to quality, global market reach, and consistent revenue contribution from exports, enables the company to take advantage of a robust & attractive investment opportunity in the fish protein industry.

Issue Details	
Offer Period	29 th Feb, 2024 - 04 th Mar, 2024
Price Band	Rs. 26 to Rs. 28
Bid Lot	535
Listing	BSE & NSE
Issue Size (no. of shares in mn)	80.0
Issue Size (Rs. in bn)	2.24
Face Value (Rs.)	10

Issue Structure	
QIB	50%
NIB	15%
Retail	35%

BRLM	Fedex Securities Pvt. Ltd.
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Registrar	Cameo Corporate Services Ltd.
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Particulars	Pre Issue %	Post Issue %
Promoter & Promoter Group	100.00%	73.3%
Public	0.00%	26.7%
Total	100.00	100.00

(Assuming issue subscribed at higher band)

Research Team - 022-61596138

Mukka Proteins Ltd.

Valuation

Mukka Proteins holds a dominant position in the fish protein industry in India. It offers a wide range of fish protein products, including fish meal, fish oil, and fish soluble paste, catering to various sectors such as aqua feed, poultry feed, pet food, pharmaceuticals, soap manufacturing, leather tanneries, and paint industries. The company also established a strong customer base and enduring relationships with major aqua feed, poultry feed, and pet food producers. The company facilities, being strategically located, provide access to key raw materials, pelagic fishes such as sardine, mackerel, anchovy, etc., thus minimizing dependency on one particular coastal landing site and fish catchments. As a manufacturer of fish protein products, these must be pre-approved by customers, as customers' end products contribute indirectly to human consumption and are typically subject to stringent regulatory and industry standards. The company also has a record of sustained consolidated revenue from operations, growing at a CAGR of 39.3% during FY21-23. We believe that high entry barriers, consistent financial performance, and innovative products have helped the company to grow its business successfully. As we advance, Mukka Proteins Ltd. presents a persuasive investment opportunity in the fish protein industry, given its strong market position, diversified product portfolio, and global presence. **The issue is valued at a P/E of 9.3x on the upper price band based on FY24 earnings, which is fairly valued. We, therefore, recommend an SUBSCRIBE rating for the issue.**

Key Risks

- ⇒ The companies, some of the subsidiaries, promoters, directors and group companies, are parties to certain legal proceedings. Any adverse decision in such proceedings may have a material adverse effect on business, results of operations and financial condition.
- ⇒ The company is a party to a legal proceeding concerning an alleged violation of environmental norms by the company. An adverse outcome of the proceeding could impact the company's operations at its manufacturing facility.
- ⇒ The company's majority of revenues from operations are derived from a limited number of customers. Revenues may be adversely affected if there is an adverse development with such customers, including a dispute with or disqualification by such major customers, which may result in a significant reduction in orders from such customers, thereby resulting in a decline in revenue, cash flows and liquidity.



Mukka Proteins Ltd.

Income Statement (Rs. in millions)

Particulars	FY21	FY22	FY23	H1FY24
Revenue				
Revenue from Operations	6,038	7,705	11,771	6,061
Total Revenue	6,038	7,705	11,771	6,061
Expenses				
Cost of raw materials consumed	5,483	6,497	10,136	4,873
Purchases of Stock-in-Trade	0	0	0	0
Changes in inventory	-346	-150	-649	7
Employee benefit expenses	150	194	247	137
Other expenses	532	688	1,175	498
Total Operating Expenses	5,820	7,229	10,910	5,515
EBITDA	219	476	862	546
Depreciation and Amortization expenses	83	86	119	61
Other income	61	56	67	68
EBIT	197	446	810	553
Finance costs	80	97	165	123
Exceptional Item				
PBT	116	350	645	430
Total tax	32	96	184	99
PAT	85	254	461	331
Diluted EPS	0.4	1.1	2.0	1.5

Source: RHP, BP Equities Research

Cash Flow Statement (Rs. in millions)

Particulars	FY21	FY22	FY23	H1FY24
Cash Flow from operating activities	59	48	-544	-201
Cash flow from investing activities	-136	-123	-53	-409
Cash flow from financing activities	93	159	747	537
Net increase/(decrease) in cash and cash equivalents	17	84	150	-74
Cash and cash equivalents at the beginning of the period	15	32	115	265
Cash and cash equivalents at the end of the period	32	115	265	191

Source: RHP, BP Equities Research



Mukka Proteins Ltd.

Balance Sheet (Rs. in millions)

Particulars	FY21	FY22	FY23	H1FY24
Equity and Liabilities				
Equity Share Capital	55	220	220	220
Other Equity	602	764	1,258	1,579
Total Equity	34	47	80	86
Non-Current Liabilities	691	1,031	1,558	1,886
Financial Liabilities				
(i) Borrowings	141	69	54	49
(ii) Lease Liabilities	0	12	53	48
Provisions	4	11	15	17
Other financial liabilities	2	1	3	1
Deferred tax liabilities (net)	27	32	38	24
Other non-current liabilities	4	4	3	2
Current Liabilities				
Financial Liabilities				
(i) Borrowings	1,451	1,666	2,495	3,128
(ii) Lease Liabilities	0	4	17	20
(iii) Trade Payable	1,001	975	1,308	1,104
(iv) Other financial liabilities	13	27	39	31
Current tax liabilities	33	72	139	83
Provisions	3	7	13	13
Other current liabilities	170	11	18	5
Total Current Liabilities	2,671	2,764	4,028	4,384
Total liabilities	2,849	2,892	4,193	4,526
Total Equity and Liabilities	3,539	3,923	5,752	6,412
Assets				
Non-Current Assets				
Property, plant and equipment	776	813	834	821
Capital work in Progress	40	0	0	0
Right of Use assets	14	14	13	13
Intangible Assets	0	0	0	0
(i) Investments	118	205	213	307
(ii) Other financial assets				
Loans	0	3	11	2
Income Tax Assets	13	13	14	13
Other non current assets	0	0	10	38
Total Non current assets	974	1,059	1,111	1,214
Current Assets				
Inventories	1,499	1,649	2,298	2,304
(i) Trade Receivables	479	613	1,133	1,485
(ii) Cash and cash equivalents	32	115	265	191
(iii) Other Bank Balances	10	24	25	295
(iv) Loans	176	27	23	23
(iii) Other Current Financial Assets	94	65	140	89
Other current assets	276	371	757	811
Total Current Assets	2,565	2,864	4,640	5,197
Total Assets	3,539	3,923	5,752	6,412

Source: RHP, BP Equities Research

**Disclaimer Appendix****Analyst (s) holding in the Stock : Nil****Analyst (s) Certification:**

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