



**SMC Ranking**  
★ ★ ☆ ☆ ☆ (2/5)

### Issue Highlights

Industry	Fertilisers
Fresh Issue (Shares)	80000000
<b>Net Offer to the Public</b>	<b>80,000,000</b>
Issue Size (Rs. Cr.)	208-224
Price Band (Rs.)	26-28
Offer Date	29-Feb-24
Close Date	4-Mar-24
Face Value	1
Lot Size	535

### Issue Composition

	In shares
Total Issue for Sale	80,000,000
QIB	40,000,000
NIB	12,000,000
Retail	28,000,000

### Shareholding Pattern (%)

Particulars	Pre-issue	Post-issue
Promoters & promoters group	100.00%	73.33%
QIB	0.00%	13.33%
NIB	0.00%	4.00%
Retail	0.00%	9.33%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

\*calculated on the upper price band

### Objects of the Issue

The Company proposes to utilize the Net Proceeds from the Issue towards funding the following objects:

- Funding working capital requirements of the Company;
- Investment in the Associate, viz. Ento Proteins Private Limited, for funding its working capital requirements; and
- General Corporate Purposes.

#### Book Running Lead Manager

- FEDEX SECURITIES PRIVATE LIMITED

#### Name of the registrar

- CAMEO CORPORATE SERVICES LIMITED

### About the company

Incorporated in March 2003, Mukka Proteins Limited manufactures fish protein products. The company produces and supplies fish meal, fish oil and fish soluble paste, which are essential ingredients for the production of aqua feed (for fish and shrimp), poultry feed (for broilers and layers) and pet food (for dog and cat food). The company exports its products to over 10 countries, including Bahrain, Bangladesh, Chile, Indonesia, Malaysia, Myanmar, Philippines, China, Saudi Arabia, South Korea, Oman, Taiwan and Vietnam. The company currently operates six production facilities, including flts in India and two in Oman, which are held by its foreign subsidiary Ocean Aquatic Proteins LLC. In addition, the company operates three blending plants and five storage facilities, all of which are located in India. All of the company's facilities are strategically located near the coast. As of December 31, 2022, the company has contractual arrangements with third-party manufacturing facilities in Sasihithlu (Karnataka), Udupi (Karnataka), Taloja (Maharashtra) and Ratnagiri (Maharashtra) for the supply of fishmeal and fish oil.

### Strength

**Its position as a leading manufacturer and exporter of Fish Protein products:** Mukka Proteins stands as a pioneer in the Indian market, having successfully commercialized insect meal and insect oil ("Insect Protein") for use in aqua feed, animal feed, and pet food. This innovation complements their core Fish Protein products. The company's impressive growth is reflected in a revenue CAGR of 39.62%, rising from Rs. 6038.34 million in Fiscal 2021 to Rs. 1177.12 crore in Fiscal 2023. For the six months ended September 30, 2023, revenue reached Rs. 606.10 crore. Fish Protein remains Mukka Proteins' primary revenue driver (97-99% for 2021-2023), but its commitment to quality has fueled expansion into demanding markets like China and Japan. This dedication is a key factor in its overall 24% operating revenue CAGR from Fiscal 2020 to 2023. Export revenues also demonstrate strong growth, reaching Rs. 561.03 crore in Fiscal 2023 and representing over 50% of revenue for that period.

**Established customer base and strong relationships:** The success of this strategy is evident in Mukka Proteins' expanding international reach. The company has exported to over 10 countries in the past three years, including Bahrain, Bangladesh, Chile, Indonesia, Malaysia, Myanmar, Philippines, China, Saudi Arabia, South Korea, Oman, Taiwan, and Vietnam. Export revenue is substantial, reaching Rs. 559.72 crore in Fiscal 2023 and accounting for over 50% of its revenue from operations. Mukka Proteins' commitment to quality is further reflected in its long-term overseas partnerships, with 8 out of 29 customers associated with the company for over three years.

**Strategically located Facilities:** Mukka Proteins manufactures fish meal, fish oil, and fish soluble paste from pelagic fish sourced from local fishers and procured fishmeal, fish oil, insect meal, and insect oil. They prioritize quality, pricing, and market availability when selecting suppliers, which include local fishers, processors, and international suppliers. Mukka Proteins strategically operates 4 manufacturing facilities, 3 blending facilities, and 5 storage facilities along India's western coast, alongside 2 facilities in Oman for efficient production and cost control. As on September 30, 2023, its annualized aggregate manufacturing capacity is 1,15,050 MTPA of fish meal, 16,950 MTPA of fish oil and 20,340 MTPA of fish soluble paste.

**Entry Barriers:** Mukka Proteins, a manufacturer of fish meal and oil for animal feed, faces unique challenges. Stringent regulations in their customers' industries, combined with seasonal availability and regulatory restrictions on its key raw material (pelagic fish), create a barrier to entry for new players. This, in turn, helps Mukka Proteins maintain its market position and achieve consistent growth and profitability.

**Strong and consistent financial performance:** Mukka Proteins boasts consistent financial growth, demonstrating a 39.62% CAGR in revenue from operations over the past three years. Their revenue reached Rs. 1177.12 crore in Fiscal 2023, showcasing significant growth from Rs. 603.83 crore in Fiscal 2021. Mukka Proteins attributes this success to their expanding operations, effective management, strong customer relationships, and cost control measures. This sound financial health has empowered the company to scale up operations and enter new markets.

**Focus on Quality, Environment, Health and Safety (QEHS):** Mukka Proteins recognizes that strict quality standards are crucial for its continued growth. The company has implemented robust quality control across all manufacturing facilities, ensuring product consistency and safety. This dedication is evidenced by past customer audits, internationally recognized certifications (GMP+, ISO 9001:2015, ISO 22000:2018, Halal, HACCP, EIA, MPEDA, IFFO membership), and its unique status as an EU-certified Indian company. Recognizing the importance of employee health and well-being, Mukka Proteins also prioritizes regular health check-ups and initiatives to promote overall employee welfare.

## Strategy

**Strengthening its foothold in its existing markets and expanding to new geographies:** Mukka Proteins, a leading producer of fish meal and fish oil, operates both domestically and internationally, exporting to over 10 countries. The industry is poised for significant expansion in fiscal 2023, with estimated value growth of 130-150% and 90-110% in volume. Rising oil sardine landings and advantageous market conditions are fueling this surge. Mukka Proteins leverages its robust manufacturing capabilities, quality focus, and strong customer relationships to meet rising demand. Their commitment to excellence, including high social, environmental, and food safety standards, has allowed them to successfully penetrate even the most stringent markets, like China and Japan. This dedication is reflected in their impressive 39.62% revenue CAGR from Fiscal 2021 to Fiscal 2023. With an estimated 25-30% market share of India's fish meal and oil industry, Mukka Proteins is focused on further expansion. Strategies include strengthening their position in existing export markets (China, Chile, Japan), exploring new markets (USA, Turkey), and optimizing working capital for competitive raw material procurement, ultimately leading to cost reduction and margin improvement.

**Expanding its presence in new protein source:** Currently, the use of insect feed in aquaculture is still in its early stages, primarily as a niche ingredient. However, limited sustainability in traditional ingredients like fish meal creates a significant growth opportunity for the insect feed industry. To capitalize on this, Mukka Proteins aims to scale up its insect protein production capabilities. This expansion will be achieved through further investment in EPPL, including equity, debt, or a combination sourced from the proceeds of the Issue. This strategic move positions Mukka Proteins as a leading player in the emerging market of sustainable aqua feed.

**Pursue strategic inorganic and organic growth opportunities:** Mukka Proteins manufactures fish protein products. Its primary ingredient, pelagic fish, is subject to seasonal availability, environmental factors, and fishing regulations. Since raw fish is perishable, the company seeks to mitigate risk. To reduce sourcing risks, Mukka Proteins has expanded manufacturing facilities along India's western coast and near fish landing sites in Oman. Mukka Proteins is exploring new manufacturing facilities on India's eastern coast. This would improve raw material access, reduce reliance on western coastal fisheries, and lessen regulatory risk. Mukka Proteins seeks domestic and international investments to secure raw materials, expand its market share, and develop new products, including alternative proteins. Mukka Proteins plans to consolidate its legal structure and will pursue acquisitions, joint ventures, partnerships, and facility expansions that benefit the company and its stakeholders.

### Risk factor

- The company relies heavily on a small number of customers for a large portion of its revenue.
- Its recent venture into the insect protein business carries the risk of failing to execute its expansion strategy or secure a suitable market, which could significantly harm its financial performance.
- The company depends primarily on fishmeal sales in India, China, Vietnam, and Japan for the majority of its revenue.
- The company has a history of negative cash flow from operations, which could continue in the future, impacting its business, future possibilities, financial health, cash flow, and operational results.
- The company relies on a limited number of suppliers for a significant portion of its operational needs.

### Peer comparison

Co_Name	Total Income	PAT	EPS	P/E	P/BV	BV	FV	Price	Mcap
Waterbase	337.57	-7.59	0.00	0.00	1.86	43.76	10	81.41	337.26
Avanti Feeds	5178.38	346.42	25.70	19.83	3.17	160.77	1	509.60	6943.08
Godrej Agrovet	9496.69	333.56	17.35	29.80	4.20	123.07	10	516.95	9936.34
Zeal Aqua	398.11	6.72	0.53	22.47	2.06	5.77	1	11.91	150.14
Mukka Proteins Limited	1212.19	65.96	2.20	12.73	1.89	14.85	1	28.00	840.00

\*Peer comparisons are based on TTM

\*\* Mukka Proteins financials are based on estimated annualised FY24.

### Valuation

Considering the P/E valuation, on the upper end of the price band of Rs.28, the stock is priced at pre issue P/E of 9.34x on estimated annualised FY24 EPS of Rs.3.00. Post issue, the stock is priced at a P/E of 12.73x on its EPS of Rs.2.20.. Looking at the P/B ratio at Rs.28, pre issue, book value of Rs. 10.07 of P/Bvx 2.78x. Post issue, book value of Rs. 14.85 of P/Bvx 1.89x.

Considering the P/E valuation, on the lower end of the price band of Rs.26, the stock is priced at pre issue P/E of 8.67x on estimated annualised FY24 EPS of Rs.3.00. Post issue, the stock is priced at a P/E of 11.83x on its EPS of Rs.2.20. Looking at the P/B ratio at Rs.26, pre issue, book value of Rs. 10.07 of P/Bvx 2.58x. Post issue, book value of Rs. 14.85 of P/Bvx 1.75x.

### Industry Outlook

Fish meal is predominantly used as a rich source of protein in Compound Feeds. The demand for fish meal and fish oil in India is driven by the aquaculture industry. The production of fish meal and fish oil depends on the natural availability of fishes and prevailing climatic conditions. In value terms the industry is expected to grow at of 5-9% between fiscal 2022 and 2026 reaching Rs. 16-20 billion. Insect based nutrition is emerging as a new source of protein in the global animal feed industry led by various factors such as high protein content, less water and land requirement, etc.

### Outlook

Mukka Proteins Limited, a leader in manufacturing fish meal, fish oil, and related products, holds a substantial market share (25-30%) in India, a predominantly coastal nation. The company is pioneering the Ento Protein market, aiming to capitalize on its high global demand and potential for increased profitability. This venture, however, carries risks associated with execution and market adoption, potentially impacting Mukka's financial performance. Supported by the government's recent budget allocation of Rs 2,248 crore to the Department of Fisheries and the positive industry outlook, Mukka is well-positioned for future growth. However, this opportunity may only be suitable for investors comfortable with high risk.

An Indicative timetable in respect of the Issue is set out below:

EVENT	INDICATIVE DATE (On or about)
BID/ISSUE OPENS ON	29-February-24
BID/ISSUE CLOSES ON	04-March-24
Finalisation of Basis of Allotment with the Designated Stock Exchange	05-March-24
Initiation of refunds (if any, for Anchor Investors)/unblocking of funds from ASBA Account	06-March-24
Credit of Equity Shares to Demat Accounts of Allottees	06-March-24
Commencement of trading of the Equity Shares on the Stock Exchanges	07-March-24

## Annexure

### Consolidated Financials

#### Profit & Loss

Rs. in Cr.

Particulars	Period ended 30-Sep-23 (6 Months)	Period ended 31-Mar-23 (12 Months)	Period ended 31-Mar-22 (12 Months)
Revenue from operations	606.09	1177.12	770.50
Total expenditure	514.03	989.90	663.76
<b>Operating Profit</b>	<b>92.07</b>	<b>187.22</b>	<b>106.75</b>
OPM%	15.19	15.90	13.85
Other Income	6.79	6.68	5.64
<b>PBDIT</b>	<b>98.86</b>	<b>193.90</b>	<b>112.39</b>
Depreciation	6.08	11.89	8.58
<b>PBIT</b>	<b>92.78</b>	<b>182.01</b>	<b>103.81</b>
Interest	49.79	117.53	68.84
<b>Profit after share of Net Profit / (loss) of Associates and Joint Ventures</b>	<b>42.99</b>	<b>64.48</b>	<b>34.97</b>
Share of Net Profit / (loss) of Associates and Joint Ventures	-0.09	1.46	1.01
<b>Restated Profit Before Tax</b>	<b>42.90</b>	<b>65.94</b>	<b>35.98</b>
Tax	9.92	18.42	10.16
<b>PAT</b>	<b>32.98</b>	<b>47.52</b>	<b>25.82</b>

Balance sheet is on next page

## Balance Sheet

Rs. in Cr.

Particulars	As on 30-Sep-23	As on 31-Mar-23	As on 31-Mar-22
<b>Non-current assets</b>			
Property, plant and equipment	82.07	83.38	81.26
Intangible Assets	0.03	0.05	0.01
Investment Property	1.32	1.34	1.38
<b>Financial Assets</b>			
Investments	30.73	21.34	20.53
Loans	0.24	1.14	0.26
Other Financial Asset	1.95	1.47	1.14
Income Tax Assets	1.34	1.38	1.34
Other Non Current Assets	3.76	1.02	0.00
<b>Total non-current assets</b>	<b>121.44</b>	<b>111.12</b>	<b>105.91</b>
<b>Current assets</b>			
Inventories	230.36	229.77	164.86
<b>Financial Assets</b>			
Trade Receivables	148.49	113.27	61.33
Cash and Cash Equivalents	19.14	26.55	11.54
Other bank balances	29.47	2.47	2.36
Loans	2.34	2.32	2.67
Other Financial Assets	8.89	13.96	6.51
Other Current Assets	81.05	75.71	37.12
<b>Total current assets</b>	<b>519.74</b>	<b>464.04</b>	<b>286.39</b>
<b>Total Assets</b>	<b>641.18</b>	<b>575.17</b>	<b>392.30</b>
<b>Non-current liabilities</b>			
Borrowings	4.93	5.36	6.88
Long-term borrowings	4.79	5.33	1.18
Other Financial Liabilities	0.11	0.26	0.11
Provisions	1.72	1.47	1.12
Deferred Tax Liabilities (Net)	2.39	3.84	3.17
Other Non-Current Liabilities	0.25	0.27	0.36
<b>Total non-current liabilities</b>	<b>14.18</b>	<b>16.52</b>	<b>12.81</b>
<b>Current liabilities</b>			
<b>Financial Liabilities</b>			
Borrowings	312.80	249.47	166.62
Lease Liabilities	1.99	1.70	0.41
Trades Payable - MSME	64.62	65.04	37.11
Trade Payables - other than MSME	45.83	65.77	60.44
Other Financial Liabilities	3.09	3.89	2.74
Other Current Liabilities	0.53	1.77	1.13
Provision	1.28	1.28	0.72
Income Tax Liabilities	8.27	13.89	7.25
<b>Total current liabilities</b>	<b>438.40</b>	<b>402.80</b>	<b>276.41</b>
<b>Total</b>	<b>452.57</b>	<b>419.32</b>	<b>289.22</b>
Net worth represented by:			
Equity Share Capital	22.00	22.00	22.00
Other equity	157.94	125.80	76.37
Non Controlling Interest	8.66	8.04	4.71
<b>Net Worth</b>	<b>188.61</b>	<b>155.85</b>	<b>103.08</b>

## RANKING METHODOLOGY

WEAK	★
NEUTRAL	★★
FAIR	★★★
GOOD	★★★★★
EXCELLENT	★★★★★

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