

Comparative Analysis

6th October, 2023



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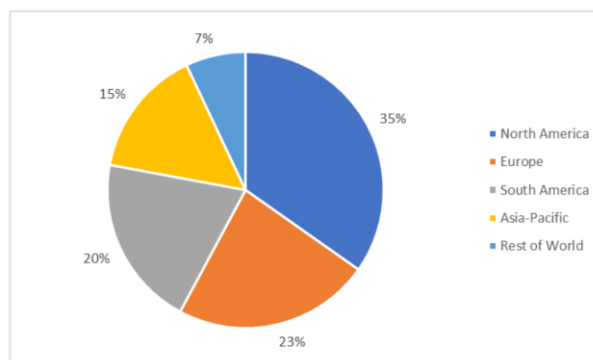
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1. About the Industry

- The egg powder market size in India reached US\$ 150 Million in financial year 2022-23. Looking forward, the market expected to reach US\$ 225 Million by 2028, exhibiting a growth rate (CAGR) of 7.1% during 2023-2028, according to Egg powder fraternity.
- India, world's third largest producer of egg, currently exports table eggs and egg powder to about 30 countries, and also had started exporting to Russia last year onwards.
- Indian egg powder is comparatively cheaper than the product in other countries.
- India's egg powder industry mostly relies on exports, with the main markets being Europe and Japan.
- Andhra Pradesh and Tamil Nadu account for almost half of the country's egg production.
- Ukraine and Turkey are the main suppliers of eggs to Gulf nations. However, as the war with Russia continues, the supply from Ukraine has been hit. Also, over the past few months, egg prices on the Ukrainian market jumped by nearly 50% and therefore the exporter has increased the prices of eggs because the production cost has gone up. Market participants warned that a further rise remains likely as the largest egg farms affected by hostilities are not likely to resume operation soon enough
- India is intending to begin its exports in Saudi Arabia and UAE, which are one of Ukraine's main markets for commodities. UAE accounts for approximately 40% of the egg exports of Ukraine. The UAE has recently lifted the five-year-old prohibition on the shipment of poultry items and eggs from India. The transition involves the assurance of New Delhi, that it would adhere to World Health Organization for Animal Health bio safety standards in order to prevent bird flu infection.
- The global egg powder market is expected to reach volumes of around 251,076 tons by 2024, exhibiting a CAGR of 4% from 2020-2024.
- Some of the key players in the industry include- Sanovo Group (Denmark), Weko Group (Netherlands), Eurovo SRL (Italy), Rembrandt Enterprises Inc. (USA), Rose Acre Farms Inc. (USA), Kewpie Egg Corporation (Japan).

Global Data

Egg Powder Market- Geography (%) for 2021.



1. North America has the most significant share in global egg protein powder market. Increasing trend over the years has been observed on account of rising raw material

- availability, growing consumption of ready-to-eat (RTE) and processed food item in the region
- Europe is the world's second largest market because of high demand in the region for bakery goods that are high in protein. The European bakery industry is the oldest and most renowned in the world
 - The Asia-Pacific region is expected to experience growth in coming time as Japan and China are the largest egg consumers in the region

Bifurcation based on product type

- Egg powder is divided into 3 types- Whole Egg powder, Yolk Egg powder, White Egg Powder.
- Whole Egg powder represents the largest market share.

Bifurcation based on application

- Break-up based on end use: Food Industry, Personal care & cosmetics, Nutraceuticals and Pharmaceuticals, Animal feed, Household and others.
- Bakery sector represents the largest share of egg powder consumer.

Manufacturing Process



- Material selecting:** Eggs are cleaned by an egg washing machine with a nylon brush or stainless-steel wire ball brush to avoid pollution.
- Egg breaking and shell removing:** Eggs are de-shelled. Can be done manually or by egg breaking and separating machines that can collect egg liquid and separate yolks from whites to produce different powders.
- Mixture filtering:** Eggs are filtered from porous sheet to remove shell pieces and collected by a container.

4. **Pasteurization:** Necessary to kill bacteria in the eggs, pasteurized at 60-65 degree Celsius for 3-5 minutes.
5. **Storage and drying:** Liquid is pumped into a storage silo at low temp to remain freshness and prepared to be dried.
6. **Freeze drying:** Material is pre-frozen at -20 degree Celsius for 2 hours, and then it is freeze dried at -45 degree Celsius for one day under vacuum.

2. About the Companies

Product Portfolio:

SKM Eggs Export (India) Ltd.	Ovobel Foods Ltd.
Whole Egg powder, Egg Yolk Powder, Egg White Powder, Bakery Mix, Egg Liquids, Egg White cubes and other value-added products	Whole Egg Powder, Egg Yolk Powder, Egg White Powder, and Frozen Egg

Major exporting Countries

SKM Eggs Export (India) Ltd. (SKML):

- Company accounts for 70-75% of total egg powder exports from India
- It is the only company in India to enter into Russian markets
- Shipments to South Korea have also started from this year onwards

Rs. In Crores	2018	2019	2020	2021	2022	2023
Revenue	317.62	334.51	313.01	269.11	302.47	661.77
Exports	229.71	276.55	241.48	182.85	173.02	527.39
(% of revenue)	72.32%	82.67%	77.15%	67.95%	57.20%	79.69%
Japan	65.62	102.87	58.00	54.09	29.61	137.53
(% of exports)	28.56%	37.20%	24.02%	29.58%	17.11%	26.08%
Russia	44.23	34.79	61.85	44.39	51.71	171.99
	19.25%	12.58%	25.61%	24.28%	29.89%	32.61%
Europe	56.97	75.77	56.08	28.06	13.60	77.41
	24.80%	27.40%	23.22%	15.35%	7.86%	14.68%
ROTW	62.90	63.12	65.56	56.31	78.11	140.46
	27.38%	22.82%	27.15%	30.80%	45.14%	26.63%

Ovobel Foods Ltd.

Rs. in crores	2019	2020	2021	2022	2023
Revenue	97.30	108.70	110.73	125.09	221.34
India	12.59	10.64	5.69	6.40	22.51
Exports	84.71	98.07	105.03	118.56	198.59
(% of Revenue)	87.06%	90.22%	94.85%	94.77%	89.72%
South east Asian countries	-	96.90	103.87	118.56	198.59

Bifurcation for South-East Asian Countries:

(In '000 \$)	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Vietnam	5897.2	5511.92	8426.23	9492.28	11442.10
Indonesia	5205.49	5374.03	5154.34	6718.9	11523.20
Philippines	774.46	1003.34	891.37	580.73	1272.50
Thailand	-	-	22.64	143.57	705.94
Taiwan	341.50	111.60	132.85	135.90	75.21
Malaysia	759.52	173.01	191.71	105.61	821.19
Nigeria	-	156.72	49.90	49.90	-

Following data has been extracted from Volza, as no such trend is provided by the company

Realisation Levels for the company

SKML

	2018	2019	2020	2021	2022	2023
Revenue (Rs. In cr.)	317.62	334.51	313.01	269.11	302.47	661.77
Volume (in tons)	6295	6420	6831	5581	5955	12229
Price per ton (In Rs.)	5,04,551.78	5,21,050.24	4,58,221.43	4,82,181.69	5,07,920.91	5,41,148.42

- SKML has an installed capacity to produce 7500 MT as on March 2022
- Ovobel installed capacity is 2500 MT as on March 2012, no recent data provided by the company
- No data regarding realisation levels provided by Ovobel Foods Ltd.

Capex Cycle of SKML

Rs. in crores	2018	2019	2020	2021	2022	2023
Capex	7.85	8.36	6.86	3.05	8.94	28.25
Plant and machinery purchased	4.91	6.82	5.70	1.12	8.05	16.62

Comparative Analysis between SKML and Ovobel Foods Ltd.

Particulars / Years	2019	2020	2021	2022	2023	Comments	
Revenue & Growth							
SKM Eggs Export Ltd.						<p>The growth in income was driven by healthy demand for the egg powder products from India in the exports market following outbreak of bird flu in US and UK region and due to lower production cost of eggs in India compared to other geographies</p> <p>SKM has higher margins on account of Value-added products offerings in their portfolio. Margins increased due to</p>	
Revenue	334.51	313.01	269.11	302.47	661.77		
YOY Sales Growth		-6%	-14%	12%	119%		
CAGR	19%						
Ovobel Foods Ltd.							
Revenue	97.30	108.70	110.73	125.09	221.34		
YOY Sales Growth		12%	2%	13%	77%		
CAGR	23%						
Gross Margin, EBITDA Margins, EBIT & PAT in %							
SKM Eggs Export Ltd.							
Gross Profit Margins	21.3%	20.2%	30.5%	29.9%	39.7%		
EBITDA Margins	4.0%	2.5%	11.9%	10.2%	21.8%		
EBIT Margins	3.4%	4.6%	9.0%	4.8%	16.9%		

PAT Margins	1.4%	1.5%	6.1%	2.4%	11.5%	significant increase in sales price and cost remaining at relatively similar levels
Ovobel Foods Ltd.						
Gross Profit Margins	18.4%	20.9%	18.3%	21.2%	37.4%	
EBITDA Margins	-4.7%	-2.0%	-5.8%	-0.2%	23.1%	
EBIT Margins	9.5%	4.4%	-1.3%	0.6%	24.3%	
PAT Margins	5.8%	2.5%	-1.6%	0.0%	17.5%	
Return Matrix						
SKM Eggs Export Ltd.						SKM Eggs have more stable trend whereas Ovobel Foods have shown high growth in recent year.
Dupont						
Net Profit Margin	1.4%	1.5%	6.1%	2.4%	11.5%	
Asset Turnover	1.83	1.53	1.28	1.30	1.95	
Equity Multiplier	1.89	2.05	1.83	1.94	1.74	
ROE	5.0%	4.7%	14.3%	6.2%	39.0%	
ROCE	8.1%	8.6%	13.5%	7.0%	37.7%	
ROIC	5.5%	4.7%	10.0%	4.8%	27.0%	
Ovobel Foods Ltd.						
Dupont						
Net Profit Margin	5.8%	2.5%	-1.6%	0.0%	17.5%	
Asset Turnover	2.62	2.62	2.67	2.23	2.20	
Equity Multiplier	1.83	1.83	1.99	2.81	1.71	
ROE	27.9%	12.0%	-8.7%	0.1%	65.9%	
ROCE	29.1%	13.7%	-3.9%	1.6%	61.5%	
ROIC	32.2%	16.0%	-5.1%	0.5%	78.0%	
Debt to Equity						
SKM Eggs Export Ltd.	0.46	0.67	0.57	0.72	0.52	Ovobel Foods have paid of their loans and no new debt has been issued
Ovobel Foods Ltd.	0.57	0.53	0.75	1.35	0.49	
Cash Flow						
SKM Eggs Export Ltd.						
CFO	15.67	-11.96	25.74	1.88	60.15	
CFI	-6.02	-5.48	-17.01	-8.02	-15.87	
CFF	-2.40	-8.65	-9.86	-4.69	-4.93	
Net cash Flow	7.25	-26.09	-1.13	-10.83	39.35	
Ovobel Foods Ltd.						
CFO	2.56	0.61	-1.08	-4.91	40.89	
CFI	-0.06	-0.09	-0.76	-0.29	-41.16	
CFF	-1.08	-0.27	2.56	10.78	0.42	
Net cash Flow	1.43	0.25	0.72	5.58	0.15	

	SKM Eggs Ltd.	Ovobel Foods Ltd.
Market Cap as on 6th October, 2023 (Rs. In cr.)	1194	309
CMP	452	294
52 weeks High/ Low	560/102	365/86.4
P/E	11.5	6.74
EV/EBITDA	7.57	4.54

Shareholding Pattern (as on 30.06.2023)		
	SKM Eggs Ltd.	Ovobel Foods Ltd.
Promoters	55.56%	75.08%
FII's	0.37%	0.00%
DII's	0.00%	0.01%
Public	44.08%	24.91%

4. Financials

SKM Egg Products Export (India) Ltd.

1. Consolidated Profit and Loss Statement

Rs. In Crores	2019	2020	2021	2022	2023
Revenue	334.51	313.01	269.11	302.47	661.77
	5%	-6%	-14%	12%	119%
Expenses					
COGS	263.18	249.91	186.97	212.00	399.17
Gross Profit	71.33	63.10	82.14	90.47	262.60
Gross Profit Margin	21.32%	20.16%	30.52%	29.91%	39.68%
Employee	14.19	16.25	15.53	16.96	24.68
Other Expenses	43.77	39.15	34.69	42.66	93.75
Total Expenses	321.14	305.31	237.18	271.62	517.60
EBITDA	13.38	7.70	31.92	30.85	144.17
EBITDA Margins	4.00%	2.46%	11.86%	10.20%	21.79%
EBIT	11.40	14.38	24.19	14.47	111.80
EBIT Margins	3.41%	4.59%	8.99%	4.79%	16.89%
Finance Cost	4.37	6.12	3.86	3.84	9.41
share of Associate	-1.03	-0.70	0.37	-0.31	0.14
Profit/(Loss) Before Tax	6.00	7.56	20.70	10.33	102.53
Tax expenses	1.18	2.85	4.35	2.93	26.54
Tax %	20%	38%	21%	28%	26%
PAT	4.82	4.71	16.35	7.39	75.99
	269%	-2%	247%	-55%	928%
PAT Margin	1.44%	1.50%	6.08%	2.44%	11.48%
EPS (Basic)	1.78	1.84	6.19	2.82	28.84
No. of shares	2.71	2.56	2.64	2.62	2.63

2. Consolidated Balance Sheet

B/S (Rs. In cr)	2019	2020	2021	2022	2023
Non-current asset					
Fixed Asset	67.34	67.23	71.67	71.58	98.80
Other non-current asset	2.95	2.23	3.06	2.45	2.75
Total Non-current Assets	70.28	69.46	74.73	74.03	101.54
Current Asset					
Inventories	47.90	75.28	79.56	92.84	118.78
Cash and Bank	24.31	22.01	11.19	20.02	58.95
Trade receivables	25.45	24.04	16.35	25.41	37.90
Loans	3.81	4.97	8.70	2.79	14.27
Other financial Assets	2.50	2.50	15.30	15.47	4.04
Other Current Assets	8.43	5.73	3.77	2.13	3.36
Total Current Asset	112.41	134.52	134.87	158.66	237.29
Total Assets	182.70	203.98	209.60	232.68	338.83
Equity					
Equity Share Capital	26.33	26.33	26.33	26.33	26.33
Other Equity	70.35	73.27	88.28	93.66	168.33
Total shareholders' equity	96.68	99.60	114.61	119.99	194.66
Liabilities					
Non-current Liabilities					
Borrowings	5.21	4.27	8.61	9.42	23.43
Provisions	0.55	0.59	0.43	0.25	0.25
Deferred Tax Liabilities	6.58	6.57	5.43	5.43	5.42
Minority Interest	0.47	0.46	0.50	0.58	0.66
Total non-current liabilities	12.80	11.88	14.98	15.69	29.75
Current liabilities					
Borrowings	39.07	62.86	56.35	77.39	78.26
Trade payables	30.45	25.53	17.70	14.73	24.40
Other Financial Liabilities	1.21	1.40	0.51	0.68	0.68
Other current liabilities	1.03	1.78	3.29	2.41	6.65
Provisions	1.45	0.93	2.16	1.79	4.44
Total Current liabilities	73.22	92.50	80.01	97.01	114.42
Total Liabilities	86.02	104.38	94.99	112.69	144.17
Total Equity and Liabilities	182.70	203.98	209.60	232.68	338.83

Ovobel Foods Ltd. Financials

1. Consolidated Statement of Profit and Loss

Rs. in crores	2019	2020	2021	2022	2023
Revenue	97.30	108.70	110.73	125.09	221.34
		12%	2%	13%	77%
Expenses					
COGS	79.43	86.00	90.46	98.62	138.51
Gross Profit	17.87	22.70	20.27	26.46	82.83
Gross Profit Margin	18.36%	20.88%	18.30%	21.16%	37.42%
Employee	7.39	8.00	10.28	8.22	9.70
Other Expenses	15.03	16.92	16.42	18.52	21.91
Total Expenses	101.85	110.92	117.16	125.37	170.12
EBITDA	-4.55	-2.22	-6.43	-0.28	51.22
EBITDA Margins	-4.68%	-2.04%	-5.81%	-0.23%	23.14%
Other Income	14.82	8.02	5.88	1.94	3.42
Depreciation	0.98	1.04	0.88	0.90	0.77
EBIT	9.28	4.76	-1.43	0.76	53.88
EBIT Margins	9.5%	4.4%	-1.3%	0.6%	24.3%
Finance Cost	0.87	0.92	1.14	0.63	1.28
Profit/(Loss) Before Tax	8.41	3.85	-2.58	0.12	52.60
Tax expenses	2.75	1.13	-0.77	0.11	13.77
Tax %	0.33	0.29	0.30	0.86	0.26
PAT	5.65	2.72	-1.81	0.02	38.82
		-52%	-167%	-101%	228268%
PAT Margin	5.81%	2.50%	-1.63%	0.01%	17.54%
EPS (Basic)	5.38	2.59	-1.72	0.02	40.86
No. of shares	1.05	1.05	1.05	0.85	0.95

2. Consolidated Balance Sheet

B/S (Rs. In cr)	2019	2020	2021	2022	2023
Non-current asset					
Fixed Asset	3.52	3.18	3.55	2.81	2.77
DTA	0.80	0.94	1.71	1.55	0.78
Other non-current asset	0.55	1.57	0.57	0.66	9.89
Total Non-current Assets	4.87	5.70	5.83	5.02	13.43
Current Asset					
Inventories	10.64	13.67	12.49	17.71	18.03
Cash and Bank	7.92	8.17	8.89	14.96	47.98
Trade receivables	6.98	7.55	7.37	11.57	17.86
Other current asset	6.79	6.45	6.85	6.91	3.17
Total Current Asset	32.32	35.84	35.60	51.15	87.05
Total Assets	37.19	41.54	41.43	56.17	100.48

Equity					
Equity Share Capital	10.50	10.50	10.50	9.50	9.50
Other Equity	9.79	12.17	10.35	10.50	49.41
Total shareholders' equity	20.29	22.67	20.85	20.00	58.91
Liabilities					
Non-current Liabilities					
Borrowings	-	0.00	0.30	3.35	2.02
Lease liabilities	-	0.05	0.02	0.00	0.08
Other non-current liabilities	0.46	0.90	0.93	0.91	0.62
Total non-current liabilities	0.46	0.95	1.25	4.27	2.72
Current liabilities					
Borrowings	11.62	12.12	15.29	23.60	26.70
Trade payables	3.31	1.74	2.21	2.88	2.68
Lease liabilities	-	0.08	0.06	0.03	0.06
Other current liabilities	1.51	3.98	1.76	5.39	9.41
Total Current liabilities	16.44	17.92	19.33	31.90	38.84
Total Liabilities	16.90	18.87	20.58	36.17	41.57
Total Equity and Liabilities	37.19	41.54	41.43	56.17	100.48

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