

MARCH 25, 2016

CARE ASSIGNS 'CARE B' RATING TO THE BANK FACILITIES OF MEENAKSHI HATCHERIES

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long term Bank Facilities	5.50	CARE B (Single B)	Assigned
Total Facilities	5.50 (Rupees five crore and fifty lakh only)		

Rating Rationale

The rating assigned to the bank facilities of Meenakshi Hatcheries (MH) is constrained by the implementation risk associated with setting up of shrimp hatchery unit, financial closure yet to be achieved for the project, presence in the highly fragmented industry resulting in stiff competition from other established players and constitution of the entity as a partnership firm. However, the rating is underpinned by the experience of the partner in shrimp hatchery industry, location advantage of the unit and stable demand of shrimp food.

The ability of the firm complete the unit without any cost or time overrun, generate the revenue and profit margins as envisaged and stabilize the business operations in a competitive environment are the key rating sensitivities.

Background

MH was established in December 2015 and promoted by Mr BSSNV Krishna and his family members. The firm has proposed to set-up a shrimp hatchery unit. MH is planning to do hatchery activity (Shrimp) sell the shrimp seed to shrimp farmers located in and around Andhra Pradesh. The process of shrimp seed production involves four stages (Maturation, Spawning and Hatching, Larval rearing and post larval rearing). It takes around 40 days for entire process to complete.

The project was started in November 2015 and likely to be completed by first quarter of FY17 (refers to the period April 1 to March 31). The total proposed cost of project is Rs.6.55 crore which is proposed to be funded through bank term loan of Rs.4.72 crore and partners' capital of Rs.1.83 crore. As on February 29, 2016, the firm has incurred expenses of Rs.0.70 crore towards the land development and civil works and the same is funded by the partners' capital.

¹ Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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