

MEENAKSHI HATCHERIES

MAY 16, 2017

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	4.00 (Reduced from 4.75)	CARE B+ ; Stable (Single B Plus Outlook: Stable)	Revised from CARE B (Single B)
Long Term Bank Facilities	0.00	-	Withdrawn#
Total	4.00 (Rupees Four crore only)		

#the rating assigned to long-term bank facility (Cash Credit) has been withdrawn since the firm has not availed the said facility

Rating Rationale

The revision in the ratings assigned to the bank facilities of Meenakshi Hatcheries (MH) takes into account project completion and achievement of commercial operations. The ratings continue to derive benefits from experience of the partner in shrimp hatchery industry, location advantage of the unit and stable demand of shrimp food. The rating continues to be constrained by the firm presence in the highly fragmented industry resulting in stiff competition from other established players and constitution of the entity as a partnership firm.

The ability of the firm to increase the scale of operations and achieve the profits in a competitive environment are the key rating sensitivities.

Detailed description of the key rating drivers**Key Rating Weaknesses****Constitution of the entity as a partnership with inherent risk of withdrawal of capital and limited access to funding**

MH, being a partnership firm, is exposed to inherent risk of the partner's capital being withdrawn at time of personal contingency and firm being dissolved upon the death/retirement/insolvency of the partners. Moreover, partnership firm business has restricted avenues to raise capital which could prove a hindrance to its growth.

Intense competition

The firm has to stock shrimps for export during the off season, thus increasing its inventory levels. Apart from seasonality, adverse climate conditions, lack of quality feed, rampant diseases continue to pose risk in the raw material procurement. Furthermore, due to limited value addition nature of business and less technological input entry barriers are low. As a result, processed sea food industry is highly competitive with the presence of a large number of Indian players as well as players from other international market. Furthermore, exports of sea food is highly regulated, as exporters of sea food have to meet various regulations imposed by importing nations as well as imposed by the Indian government.

Stable demand of shrimp food

Export of marine products from India reached an all-time high of USD 5511.12 million during the financial year 2015. Compared to previous year, seafood exports recorded a growth of 6.86% in quantity, 10.69% in rupee and 10.05 % growth in US\$ earnings. Marine Products Export Development Authority (MPEDA) stated the growth may be viewed under prevailing international market situations. Frozen shrimp continued to be the major export item in the export basket in terms of quantity and value. Shrimp exports during the period increased by 18.60%, 16% and 15.54% in quantity, Rupee value and US\$ value respectively. Overall export of shrimp during 2014-15 was to the tune of 357,505 MT worth US\$ 3,709.76 million. Major shrimp producing states have shown positive growth - Andhra Pradesh 279,727 MT (+31%), Tamil Nadu 32,785 MT (+20%), Gujarat 30156 MT (+182%). MPEDA has set a target to double its exports to \$10 billion by 2020. According to the annual report released by MPEDA for 2014-15, Visakhapatnam has a lion's share in the total exports of seafood mostly frozen shrimp.

Key Rating Strengths**Experience of the partner for a decade in the shrimp hatchery industry**

MH is promoted by Mr BSSNV Krishna and his family members. Mr BSSNV Krishna, managing partner, is a graduate and has experience of more than decade in shrimp hatchery business as he is actively involved in the day-to-day operations of MHPL. Mr B Suryanarayana, partner, is a Post Graduate having more than a decade of experience in shrimp hatchery business as he is one of the directors of MHPL.

Location advantage

The shrimp hatchery unit of the firm is located at Bheemanipatnam, Visakhapatnam, Andhra Pradesh, which is one of those areas where shrimps are abundantly available resulting in lower logistic expenditure.

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

Successful completion of the project and achieved reasonable revenue

MH was established in the year 2015. The project was concluded with the total cost of Rs. 5 crore (against earlier envisaged project cost of Rs. 6.55 crore) funded through debt of Rs. 4.0 crore and partner's capital of Rs. 1 crore. The firm has successfully completed the project without any cost and time overrun. During 9MFY17 (Provisional), the firm has achieved total operating income of Rs. 3 crore.

Analytical Approach: Standalone

Applicable Criteria

[Criteria on assigning Outlook to Credit ratings](#)

[CARE's Policy on Default Recognition](#)

[Financial ratios – Non-Financial Sector](#)

About the Firm

K Meenakshi Hatcheries (MH) was established in December 2015 and promoted by Mr BSSNV Krishna and his family members. The firm has started a shrimp hatchery unit. MH is doing hatchery (Shrimp) and 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 firm has started commercial operations from April 2016 as envisaged.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not applicable

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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

About CARE Ratings:

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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook 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.

Annexure-1: Details of Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	May 2023	4.00	CARE B+; Stable
Fund-based - LT-Cash Credit	-	-	-	0.00	Withdrawn

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT-Term Loan	LT	4.00	CARE B+; Stable	-	-	1)CARE B (25-Mar-16)	-
2.	Fund-based - LT-Cash Credit	LT	-	-	-	-	1)CARE B (25-Mar-16)	-

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