

## 3F Industries Limited

February 22, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Fixed Deposit	100.00	CARE BB+; Stable; ISSUER NOT COOPERATING*	Rating continues to remain under ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.

\*Issuer did not cooperate; based on best available information.

### Rationale and key rating drivers

CARE had, vide its press release dated December 20, 2021, placed the ratings of 3F Industries Limited (3FIL) under the 'issuer noncooperating' category as 3FI had failed to provide information for monitoring of the ratings. 3FIL continues to be noncooperative despite repeated requests for the submission of information through e-mails, phone calls and an email dated between December 11, 2023, and December 31, 2023. In line with the extant SEBI guidelines, CARE has reviewed the ratings based on the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. CARE has reaffirmed the ratings of 'CARE BB+; Stable; Issuer Not Cooperating based on best available information' [Double B Plus; Outlook: Stable; Issuer Not Cooperating based on best available information] assigned to the bank facilities of 3F Industries Ltd.

**Users of this rating (including investors, lenders, and the public at large) are hence requested to exercise caution while using the above rating(s).**

### Analytical approach: Consolidated

The ratings of 3FIL factors in the combined business and financial risk profiles of 3F Industries Limited (3FIL) and its subsidiaries, together referred to as the 3F group; as the entities collectively have management, business & financial linkages.

**Outlook:** Stable

### Detailed description of the key rating drivers:

At the time of the last rating on December 20, 2021, the following were the rating strengths and weaknesses (updated for the information available from the Registrar of Companies)

### Key weaknesses

**Risk associated with volatility in raw material prices:** The main input for 3FI (standalone) is crude palm oil (CPO) which accounted for about 85%-89% of raw material consumption during FY17- FY19, the prices of which are largely volatile. While global CPO prices have been declining since the beginning of FY18 on account of a huge inventory pile-up backed by high production, the duty on crude palm oil has increased significantly, reducing the impact of price decline for the Indian palm oil refiners.

**Exposed to foreign currency fluctuation risk:** CPO is the key raw material for 3FI which is primarily imported from Malaysia and Indonesia. 3FI follows a policy of either hedging the raw material purchased in the commodity exchanges or pricing the end product based on the replacement of stocks on fresh purchases which mitigates the risk of fluctuation in raw material prices to a large extent. As the company is a net importer, depreciation of INR against USD could negatively impact the margins of the company to a large extent.

**Regulated nature of the industry with intense competition:** The edible oil industry in India is characterized by intense competition and fragmentation with the presence of a large number of units attributable to low entry barriers such as low capital and low technical requirements of the business and a liberal policy regime. As a result of this, profit margins in the edible oil business tend to be thin.

### Key strengths

### Experienced and resourceful promoters with synergy drawn from the global presence of a strong promoter group:

3FI is the flagship company of the 3F group. All the directors of the company are instrumental in the development of the group and carry more than four decades of experience in trading, extraction and refining of Crude Palm Oil (CPO). The day-to-day operations of the company are taken care of by Mr. S. B. Goenka. The promoters have infused funds as and when required in the past to fund the company's growing operations, capex requirements and any short-term liquidity requirements on a group level.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

**Integrated business model with a diverse product basket:** The 3F group has end-to-end presence across the value chain from sourcing of raw materials, extraction and refining of crude oil to the manufacturing of finished products like Vanaspati, Speciality fats (for confectionaries and bakeries) and by-products like fatty acids, stearines, oleins, glycerine etc. Group is also engaged in fruit plantation, by-product processing and power generation through its biomass power plants and windmills. The group's diversified revenue stream and focused efforts on processing and sale of high-margin products like Shea Stearin, Lauric fats and feed supplements are expected to augur well and boost the top line and profitability margins, going forward.

**Successfully completed Capex:** The group has successfully completed Capex amounting to Rs. 80 crore (funded partly through debt and partly through an equity infusion of Rs. 22 crore from 3FI) for setting up another unit in Ghana, with a solvent extraction capacity of 60,000 MTPA, under the name 3F Ghana Oils and Fats Limited (3FGO). The unit is expected to commence operations in November 2019 and contribute to the financial performance of the group, going forward.

**Assumptions/Covenants:** Not Applicable

**Environment, social, and governance (ESG) risks:** Not Applicable

### Applicable criteria

[Policy in respect of Non-cooperation by issuer](#)

[Policy on default recognition](#)

[Consolidation](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Manufacturing Companies](#)

### About the company and industry

#### Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Fast Moving Consumer Goods	Fast Moving Consumer Goods	Agricultural Food & other Products	Edible Oil

3F Industries Limited (3FI) was promoted by Mr. B K Goenka in 1959. His son, Mr. S B Goenka, is the current Chairman and Managing Director of the company. The 3F group is engaged in the refining of edible oils, solvent extraction, manufacturing of speciality fats for the bakery and confectionery segment, fatty acids and oleo chemicals (used in soap manufacturing) at its production facilities in Tadepalligudam and Krishnapatnam, Andhra Pradesh (AP). 3FI is the flagship company of the Hyderabad-based 3F group, the group has diverse interests in power generation, textiles, and granite quarrying, besides refining edible oils and related by-products.

The company has a refining capacity aggregating to 289,500 MTPA during H1FY20. 3FI has also set up processing units for byproducts like fatty acids, stearines, glycerin, pitch oil, wax and oleo chemicals. The group is one of the leading manufacturers of speciality fats in India, with a diversified product portfolio of the group as a whole. 3FI operates a captive 6 MW capacity biomass power plant and 3.30 MW windmills.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)
Total operating income	4,320.34	4,006.17
PBILDT	199.09	154.17
PAT	79.65	37.93
Overall gearing (times)	0.72	1.32
Interest coverage (times)	2.38	1.64

A: Audited; Note: 'the above results are latest financial results available'

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating history for last three years:** Please refer Annexure-2

**Covenants of rated instrument / facility:** Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

**Complexity level of various instruments rated:** Annexure-4

**Lender details:** Annexure-5

#### Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fixed Deposit		-	-	-	100.00	CARE BB+; Stable; ISSUER NOT COOPERATING*

\*Issuer did not cooperate; based on best available information.

#### Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Fund-based - LT-Term Loan	LT	-	-	-	-	1)CARE BB+; Stable; ISSUER NOT COOPERATING* (20-Dec-21) 2)Withdrawn (20-Dec-21) 3)CARE BB+; Stable; ISSUER NOT COOPERATING* (27-Jul-21)	1)CARE BBB; Stable; ISSUER NOT COOPERATING* (28-Jan-21)
2	Fund-based - LT-Cash Credit	LT	-	-	-	-	1)CARE BB+; Stable; ISSUER NOT COOPERATING*	1)CARE BBB; Stable; ISSUER NOT COOPERATING*

							(20-Dec-21)  2)Withdrawn (20-Dec-21)  3)CARE BB+; Stable; ISSUER NOT COOPERATIN G* (27-Jul-21)	(28-Jan-21)
3	Fixed Deposit	LT	100.00	CARE BB+; Stable; ISSUER NOT COOPERATIN G*	-	1)CARE BB+; Stable; ISSUER NOT COOPERATIN G* (25-Jan-23)  2)CARE BB+; Stable; ISSUER NOT COOPERATIN G* (22-Jun-22)	1)CARE BB+ (FD); Stable; ISSUER NOT COOPERATIN G* (20-Dec-21)  2)CARE BB+ (FD); Stable; ISSUER NOT COOPERATIN G* (27-Jul-21)	1)CARE BBB (FD); Stable; ISSUER NOT COOPERATIN G* (28-Jan-21)
4	Fund-based - ST-EPC/PSC	ST	-	-	-	-	1)CARE A4+; ISSUER NOT COOPERATIN G* (20-Dec-21)  2)Withdrawn (20-Dec-21)  3)CARE A4+; ISSUER NOT COOPERATIN G* (27-Jul-21)	1)CARE A3+; ISSUER NOT COOPERATIN G* (28-Jan-21)
5	Non-fund-based - LT/ ST-Letter of credit	LT/ST *	-	-	-	-	1)CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATIN G* (20-Dec-21)  2)Withdrawn (20-Dec-21)  3)CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATIN G* (27-Jul-21)	1)CARE BBB; Stable / CARE A3+; ISSUER NOT COOPERATIN G* (28-Jan-21)

6	Fund-based - LT-Working Capital Demand loan	LT	-	-	-	-	1)CARE BB+; Stable; ISSUER NOT COOPERATING* (20-Dec-21) 2)Withdrawn (20-Dec-21) 3)CARE BB+; Stable; ISSUER NOT COOPERATING* (27-Jul-21)	1)CARE BBB; Stable; ISSUER NOT COOPERATING* (28-Jan-21)
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\*Issuer did not cooperate; based on best available information.

\*Long term/Short term.

**Annexure-3: Detailed explanation of covenants of the rated instruments/facilities:** Not Applicable

**Annexure-4: Complexity level of the various instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fixed Deposit	Simple

**Annexure-5: Lender details**

To view the lender wise details of bank facilities please [click here](#)

**Annexure-6: List of all the entities consolidated**

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	35 OILPALM AGROTECH PRIVATE LIMITED	Full	The entities collectively have management, business & financial linkages.
2	CHAKRANEMI INFRA STRUCTURE PRIVATE LIMITED	Full	
3	WATON ENERGY PRIVATE LIMITED	Proportionate (62%)	
4	SIMHAPURI AGRO PRODUCTS PRIVATE LIMITED	Full	
5	KOTTU OIL PRIVATE LIMITED	Full	
6	VIATON INFRASTRUCTURES PRIVATE LIMITED	Full	
7	36 GLOBAL SINGAPORE PTE LIMITED	Full	
8	36 GHANA LIMITED	Full	
9	3F GHANA TRADING LIMITED	Full	
10	3F GHANA COMMODITIES LIMITED	Full	
11	36 BENIN SARL	Full	
12	3F BURKINA FASO	Full	
13	36 SENEGAL SARL	Full	
14	3F COTE D IVOIRE	Full	
15	3F MALI	Full	
16	36 NIGERIA IMPEX LIMITED	Full	
17	36 VIETNAM COMPANY LIMITED	Full	
18	3F Ghana Oils and Fats Limited	Full	
19	Krishna Exports Limited	Full	

**Note on the complexity levels of the rated instruments:** CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for any clarifications.

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### About us:

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