

January 06, 2015

CARE REAFFIRMS THE RATINGS ASSIGNED TO THE BANK FACILITIES OF 3F INDUSTRIES LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities – Fund-based	247.32 (reduced from 271.03)	CARE BBB+ (Triple B Plus)	Reaffirmed
Short-term Bank Facilities – Letter of Credit	298.50 (reduced from 430.00)	CARE A2 (A Two)	Reaffirmed
Short-term Bank Facilities – Fund-based and Non-fund-Based	136.70	CARE A2 (A Two)	Assigned
Short-term Bank Facilities – Bank Guarantees#	0.00 (reduced from 5.00)	-	Withdrawn
Long-term/ Short-term Bank Facilities – Bank Guarantees	10.00	CARE BBB+/ CARE A2 (Triple B Plus/ A Two)	Reaffirmed
Total Facilities	692.52		

#CARE has withdrawn the ratings assigned to these bank facilities of 3F Industries Limited with immediate effect, as the company has fully repaid the amounts under the said facility and there is no outstanding under the rated bank facility as on date.

Rating Rationale

The ratings of the bank facilities of 3F Industries Limited (3FI) continues to take into account the long track record of operations of the company, experience of management, integrated business model with a diverse product basket, assured power supply from the captive power plant and stable business outlook for edible oil industry in India. The ratings also take into account the increase in contribution from the Krishnapatnam plant (a forward integration initiative) to the total sales of the company in FY14 (refers to the period April 01 to March 31), advanced stage of the company's initiative to improve the product portfolio through a joint venture with the Japan-based edible oil firm Fuji Oil Co Ltd and growth in the total income in FY14 and satisfactory working capital cycle. However, the ratings are constrained by the dip in the profitability margins and marginal deterioration of overall gearing with decline in debt service coverage indicators in FY14, susceptibility of profits to volatility in the raw material prices and foreign exchange fluctuation, high level of competition from both the domestic and international players, low barriers to entry in the edible oil industry and increasing debt exposure in the form of corporate guarantees extended to the group companies. The ability of the company to manage the volatility in the prices of raw materials and improve the profitability margins and capital structure and sustain any change in the regulatory environment affecting the industry are the key rating sensitivities.

Background

3FI was promoted in 1959 by Mr B K Goenka. His son, Mr S B Goenka, is the current chairman and managing director of the company. 3FI is engaged in the manufacturing of edible oils, specialty fats for the bakery and confectionery segment and fatty acids (used in soap manufacturing), glycerine, stearines, olines, etc. 3FI is the flagship company of the 3F group. The 3F group has interests in power generation, textiles, and granite quarrying besides manufacturing of edible oils. 3FI has its manufacturing plant in Tadepalligudam and Krishnapatnam which processes mainly crude palm oil, shea nuts and crude shea butter. It has a refining capacity aggregating to 264,000 MTPA to produce products like refined edible oils, vanaspati, specialty fats for confectionaries and bakeries.

The company achieved PAT of Rs.15.74 crore on a total income of Rs.1,135.41 crore in FY14 as against PAT and total income of Rs.16.22 crore and Rs.908.05 crore, respectively, in FY13. Furthermore, 3FI achieved a total income of Rs.857.91 crore and PAT of Rs.10.30 crore in 7MFY15 (Provisional).

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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Disclaimer: CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

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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