

JUNE 17, 2014

## CARE ASSIGNS 'CARE BBB+ (FD)' RATING TO FIXED DEPOSITS OF 3F INDUSTRIES LIMITED

### Ratings

Instrument	Amount (Rs. crore)	Ratings <sup>1</sup>	Remarks
Medium Term Instruments -Fixed Deposit	45.00	CARE BBB+ (FD) (Triple B Plus (Fixed Deposit))	Assigned
<b>Total Facilities</b>	<b>45.00</b>		

### Rating Rationale

The ratings of 3F Industries Limited continue to factor in the long track record of operations of the company, experience of management, integrated business model, assured power supply from the captive power plant and favourable demand outlook for edible oils in India. The ratings also take into account the forward integration along with the stabilization of operations at its plant in Krishnapatnam, the company's initiative to build the product portfolio through a joint venture with the Japan-based edible oil firm Fuji Oil Co Ltd, improved the financial performance in terms of growth in the total operating income and profitability and improved capital structure during FY13 (refers to the period April 01 to March 31).

However, the ratings are constrained by the susceptibility of profitability 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, increasing exposure to the group companies and dynamic nature of the global regulatory environment.

The ability of the company to manage the volatility in the prices of raw materials and improve the profitability margins, improve the capital structure and any change in the regulatory environment affecting the industry and the company are the key rating sensitivities.

### Background

3F Industries Limited (3FI) was promoted in 1959 by late Mr B K Goenka. 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 Tadepalligudem and Krishnapatnam which processes mainly crude palm oil, shea nuts and crude shea butter. It has a refining capacity aggregating to 2,64,000 MTPA to produce products like refined edible oils, vanaspati, speciality fats for confectionaries and bakeries.

As per the audited FY13 results, the company reported a net profit of Rs.16.22 crore on the total income of Rs.908.05 crore as against Rs. 622.22 crore in FY12. As per FY14 provisional results, the company reported a net profit of Rs.28.64 crore on the total income of Rs.1144.22 crore.

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<sup>1</sup> Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

*CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.*

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