

NOVEMBER 15, 2016

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

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities – Fund-based	324 (reduced from 342.48)	CARE BBB+ (Triple B Plus)	Reaffirmed
Short-term Bank Facilities – Letter of Credit	408.50	CARE A2 (A Two)	Reaffirmed
Short-term Bank Facilities – Fund-based and Non-fund-based	293.90 (reduced from 300.70)	CARE A2 (A Two)	Reaffirmed
Long-term/ Short-term Bank Facilities – Bank Guarantees	10.00	CARE BBB+/ CARE A2 (Triple B Plus/ A Two)	Reaffirmed
Total Facilities	1036.40 (Rupees One Thousand Thirty Six crore and Forty lakh only)		
Medium Term Fixed Deposits	72.00 (enhanced from 62) (Rupees Seventy Two crore only)	CARE BBB+ (FD) (Triple B Plus) Fixed Deposit)	Reaffirmed

Rating Rationale

CARE in its analysis has considered the combined business and financial risk profile of 3F Industries Limited (standalone), and its subsidiaries - 3F Oil Palm Agro Tech Pvt Ltd, Viaton Energy Pvt Ltd, Simhapuri Agro Oils Pvt Ltd, Chakranemi Infrastructure Pvt Ltd, Kottu Oils Pvt Ltd, 3F Ghana Commodities Ltd, 3F Ghana Ltd, 3F Ghana Trading Ltd, 3F Global (Singapore) PTE Ltd, 3F Vietnam Co Ltd, 3F Benin sarl, 3F Nigeria Impex Ltd, 3F SanegalSarl, 3F Burkin Faso Sarl and 3F Mali Sarl- together referred as 3F group, as most of these entities are in similar line of business and under common management.

The ratings assigned to 3F Industries Limited continue to derive strength from experience of management, long track record of operations, integrated business model with diverse product basket, healthy growth in total income during FY16 (refers to the period April 01 to March 31), improvement in profitability margins, relatively low revenue-based product concentration risk, assured power supply from captive plant, satisfactory working capital cycle and stable industry prospects.

The ratings, however, continue to remain constrained on account of high overall gearing, weak debt coverage indicator, 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.

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

The ability of the company to improve the capital structure, efficiently manage its working capital requirements and to manage volatility in raw material prices and derive benefits therefrom improving the profit margins are the key rating sensitivities.

Background

3FI was promoted in 1959 by Late Mr Balkishan Goenka. His son, Mr Shiv Bhagvan Goenka, is the current Chairman and Managing Director of the company. 3FI at standalone is engaged in manufacturing of Edible oils, Shea butter, Specialty fats for the bakery and confectionery segment, fatty acids and oleo chemicals (used in soap manufacturing) at its production facility in Tadepalligudam and Krishnapatnam in Andhra Pradesh. The company has a refining capacity aggregating to 264,000 MTPA. 3FI has also set up processing units for by-products like fatty acids, stearines, glycerine, pitch oil, wax and oleo chemicals plant, enabling the company to derive incremental benefits from processed by-product sales. The company is one of the leading manufacturers of specialty fats in India. 3FI is also operating a captive 6-MW capacity biomass power plant at Tadepalligudam, Andhra Pradesh. It is also operating wind mills of 3.30 MW in Tamil Nadu.

3FI is the flagship company of 3F group, which has interests in palm cultivation, extraction of crude palm oil, power generation, textiles, and granite quarrying besides manufacturing of edible oils. The 3F Group and the promoters of the company have track record of five decades in the edible oils industry.

3F Oil Palm Agrotech Pvt Ltd (3FO (rated 'CARE BBB/ CARE A3+')), 3F Ghana Limited (3FGL), 3F Ghana Commodities Ltd (3FGCL) and 3F Global (Singapore) PTE Ltd which are the wholly-owned subsidiaries of 3FI are also engaged into similar line of business, while the other subsidiaries are either non-operational or have meager operations. 3FO was incorporated by hiving off the palm oil division of 3FI in July 2010. 3FO is engaged in palm cultivation and solvent extraction, ie, extraction of Crude Palm Oil (CPO) and Crude Palm Kernel Oil (CPKO) from palm Fresh Fruit Bunches (FFB). 3FI has also set up a 10-MW biomass power plant under its subsidiary (with stake of 50.15%), Viaton Energy Private Limited [VEPL (rated 'CARE BBB+ (SO)')] which is joint venture of 3FI and Creative Group of Mumbai. VEPL achieved COD of first phase biomass power plant (10 MW) on January 17, 2014. The other group companies i.e. 3F Ghana Limited (3FGL), 3F Ghana Commodities Ltd (3FGCL) and 3F Global (Singapore) PTE Ltd are primarily engaged in trading of CPO.

During FY16, 3FI (consolidated) reported a PBILDT of Rs.138 crore (Rs.95.81 crore in FY15) and PAT (after deferred tax) of Rs.45.36 crore (Rs.22.83 crore in FY15) on a total operating income of Rs.2,023.40 crore (Rs.1,620.59 crore in FY15).

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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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