

NOVEMBER 20, 2015

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

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities – Fund-based	342.48 (enhanced from 247.32)	CARE BBB+ (Triple B Plus)	Reaffirmed
Short-term Bank Facilities – Letter of Credit	408.50 (enhanced from 298.50)	CARE A2 (A Two)	Reaffirmed
Short-term Bank Facilities – Fund-based and Non-fund-based	300.70 (enhanced from 136.70)	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	1061.68 (Rupees One Thousand Sixty One crore and Sixty Eight Lakhs only)		
Medium Term Fixed Deposits	62 (Rupees Sixty Two crore only)	CARE BBB+ (FD) (Triple B Plus) Fixed Deposit)	Reaffirmed

Rating Rationale

The ratings continue to derive strength from experience of management, long track record of operations, integrated business model with diverse product basket, completion of project initiated to improve product portfolio through a joint venture with Japan-based edible oil firm Fuji Oil Co. Limited, growth in total income during FY15 (refers to the period April 01 to March 31), increase in revenue contribution from Krishnapatnam plant, assured power supply from captive plant, improved capital structure, satisfactory working capital cycle and stable industry prospects.

The ratings, however, continue to remain constraint on account of 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 and high debt exposure in the form of corporate guarantees extended to group companies. The rating also factors in the decline in profitability margins in FY15.

The ability of the company to 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

3F Industries Limited (3FI) was promoted in 1959 by Mr Balkishan Goenka. His son, Mr ShivBhagvan Goenka, is the current Chairman and Managing Director of the company. 3FI is engaged in manufacturing of Edible oils, 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. 3FI is the flagship company of 3F group, which has interests in power generation, textiles and granite quarrying besides manufacturing of edible oils. The company has a refining capacity aggregating to 2,64,000 MTPA. 3FI has also set up processing units for by-products like fatty acids, stearines, glycerin, 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 6MW

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

capacity biomass power plant at Tadepalligudam, Andhra Pradesh. It is also operating wind mills of 3.30MW in Tamil Nadu.

The 3F Group and the promoters of the company have track record of five decades in the edible oil industry.

During FY15, 3FI reported a PBILDT of Rs.73.75 crore (Rs.66.36 crore in FY14) and PAT (after deferred tax) of Rs.20.31 crore (Rs.15.74 crore in FY14) on a total operating income of Rs.1542.49 crore (Rs.1135.41 crore in FY14).

Furthermore, during H1FY16, 3FI had PBT of Rs.20.18 crore on total sales of Rs. 782.25 crore.

Analyst Contact

Name: Mr. D Naveen Kumar

Tel: 040 4010 2030

Cell: + 91 88860 97382

Email: dnaveen.kumar@careratings.com

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

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.

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.

CONTACT

Head Office Mumbai

Mr. Sanjay Kumar Agarwal

Mobile: + 91 8108007676

E-mail: sanjay.agarwal@careratings.com

Mr. Amod Khanorkar

Mobile: + 91 9819084000

E-mail: amod.khanorkar@careratings.com

CREDIT ANALYSIS & RESEARCH LIMITED

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022

Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

AHMEDABAD

Mr. Mehul Pandya

 32, Titanium, Prahaladnagar Corporate Road,
 Satellite, Ahmedabad - 380 015

Cell: +91-98242 56265

Tel: +91-79-4026 5656

E-mail: mehul.pandya@careratings.com

BENGALURU

Mr. Dinesh Sharma

 Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
 No. 30, M.G. Road, Bangalore - 560 001.

Cell: +91-99000 41975

Tel: +91-80-4115 0445, 4165 4529

E-mail: dinesh.sharma@careratings.com

CHANDIGARH

Mr. Sajan Goyal

 2nd Floor, S.C.O. 196-197, Sector 34-A,
 Chandigarh - 160 022.

Cell: +91 99888 05650

Tel: +91-172-5171 100 / 09

Email: sajan.goyal@careratings.com

CHENNAI

Mr. V Pradeep Kumar

 Unit No. O-509/C, Spencer Plaza, 5th Floor,
 No. 769, Anna Salai, Chennai - 600 002.

Cell: +91 98407 54521

Tel: +91-44-2849 7812 / 0811

Email: pradeep.kumar@careratings.com

COIMBATORE

Mr. V Pradeep Kumar

T-3, 3rd Floor, Manchester Square

Puliakulam Road, Coimbatore - 641 037.

Tel: +91-422-4332399 / 4502399

Email: pradeep.kumar@careratings.com

HYDERABAD

Mr. Saikat Roy

 401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
 Hyderabad - 500 029.

Cell : + 91 9820998779

Tel: +91-40-4010 2030

E-mail: saikat.roy@careratings.com

JAIPUR

Mr. Rakesh Jayaraman

 304, Pashupati Akshat Heights, Plot No. D-91,
 Madho Singh Road, Near Collectorate Circle,
 Bani Park, Jaipur - 302 016.

Cell: +91 - 76655 96136

Tel: +91-141-402 0213 / 14

E-mail: rakesh.jayaraman@careratings.com

KOLKATA

Ms. Priti Agarwal

 3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
 10A, Shakespeare Sarani, Kolkata - 700 071.

Cell: +91-98319 67110

Tel: +91-33- 4018 1600

E-mail: priti.agarwal@careratings.com

NEW DELHI

Ms. Swati Agrawal

 13th Floor, E-1 Block, Videocon Tower,
 Jhandewalan Extension, New Delhi - 110 055.

Cell: +91-98117 45677

Tel: +91-11-4533 3200

E-mail: swati.agrawal@careratings.com

PUNE

Mr. Rahul Patni

 9th Floor, Pride Kumar Senate,
 Plot No. 970, Bhamburda, Senapati Bapat Road,
 Shivaji Nagar, Pune - 411 015.

Cell: +91-78754 33355

Tel: +91-20- 4000 9000

E-mail: rahul.patni@careratings.com

CIN - L67190MH1993PLC071691