

January 8, 2013

CARE REVISES THE RATINGS ASSIGNED TO THE BANK FACILITIES OF 3F INDUSTRIES LTD (ERSTWHILE FOODS FATS AND FERTILISERS LTD)

Ratings

Facilities	Amount (Rs. crore)	Ratings¹	Remarks
Long-term Bank Facilities	291.02 (enhanced from 219.73)	CARE BBB+ (Triple B Plus)	Revised from CARE A- (Single A Minus)
Short-term Bank Facilities	435.00 (enhanced from 211.60)	CARE A2 (A Two)	Revised from CARE A2+ (A Two Plus)
Total	726.02		

Rating Rationale

The revision in the ratings are on account of deterioration in the financial profile of 3F Industries Ltd (3FI) during FY12 (refers to the period April 1 to March 31) and increase in exposure to the group in the form of corporate guarantee. The ratings continue to factor in the long track record of operations of the company, experience of management, integrated business model, assured power supply from captive power plant and favourable demand outlook for edible oils in India. The ratings also take into account the commencement of partial operations of Krishnapatnam project. However, the ratings are constrained by the susceptibility of profitability to volatility in raw material prices and foreign exchange fluctuation, high level of competition and low barriers to the entry in the edible oil industry.

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

Background

3F Industries Limited (3FI) [erstwhile Foods Fats and Fertilisers Limited] was promoted in 1959 by Mr B K Goenka, 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 and fatty acids (used in soap manufacturing) at its production facility in Tadepalligudem 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.

3FI has set up a fully-integrated plant including oil refining, manufacture of specialty fats, other by-products and oleo chemicals (soap noodles) at Krishnapatnam port in Southern Andhra Pradesh. The oil refining plant with installed capacity of 150,000 Metric Tonnes Per Annum (MTPA) achieved Commercial Operation Date (COD) on 27th September, 2012. With the commencement of the new refining plant, the company has a refining capacity of 2,64,000 MTPA. The rest of the plant is envisaged to commence commercial production in January 2013.

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



Press Release

During FY12, 3FI reported a PAT of Rs.12.43 crore (Rs.18.27 crore in FY11) on a total operating income of Rs.593.24 crore (Rs.543.68 crore in FY11). During H1FY13 (provisional), 3FI reported PBILDT of 24.23 cr and PBT of Rs.11.26 cr on a total income of Rs.408.47 cr.

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