

November 7, 2011

**CARE ASSIGNS CARE A- AND CARE A2+ TO THE BANK FACILITIES OF  
FOODS FATS AND FERTILIZERS LTD.**

**Ratings Assigned**

<b>Facilities/Instruments</b>	<b>Amount (Rs. crore)</b>	<b>Ratings<sup>1</sup></b>	<b>Remarks</b>
Long-term Bank Facilities	219.73	<b>'CARE A-' (Single A minus)</b>	'Assigned'
Short-term Bank Facilities	211.60	<b>'CARE A2+' (A Two plus)</b>	'Assigned'
Long-term / Short-term Bank Facilities	1.50	<b>'CARE A-/CARE A2+' (Single A minus /A Two plus)</b>	'Assigned'
<b>Total Facilities</b>	<b>432.83</b>		

**Rating Rationale**

The ratings take into account track record of the promoters and the company in the edible oil industry, the integrated business model and diversified product basket leading to incremental benefits from by-product processing and sales, enhanced cost efficiency and assured power supply from captive power plant operation, the expected benefits from the upcoming plant at Krishnapatnam by way of forward integration, comfortable financial indicators and strong revenue visibility in light of expected growth rate for edible oil demand. The ratings are constrained by the exposure to price volatility in raw material prices in the refined oils segment, the high level of competition and low barriers to entry in edible oil refining, project risk associated with ongoing expansion plans and equity commitment thereof. The ability of the company to successfully promote and establish its branded products and increase market-share in the specialty fats segment and complete the execution of the upcoming plant at Krishnapatnam without any time and cost overrun are the key rating sensitivities.

**Background**

Foods Fats and Fertilizers Limited (FFF), was promoted in 1959, by Mr. Balkishan Goenka, the current Chairman and Managing Director of the company. The company is engaged in manufacture 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. FFF is the flagship company of 3F group which has interests in power generation, textiles, and granite quarrying besides manufacture of edible oils.

The company has a refining capacity of 1,38,200 Metric Tonnes Per Annum (MTPA) spread across three refining lines, in addition to which, FFF has set up processing units for by-products like fatty acids, glycerine, pitch oil and wax, enabling the company to derive incremental benefits from processed by-product sales. FFF is also operating a 6MW capacity biomass power plant to cater to in-house power requirement. The company is one of the leading manufacturers of specialty fats which is sold and marketed through a strong network of 300 dealers across India.

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

As per the provisional financial results for the financial year ended March, 2011, FFF achieved a PAT of Rs. 25 crore on a total operating income of Rs. 460 crore. As per the audited financial results for the financial year ended March, 2010, FFF achieved a PAT of Rs. 18 crore on a total operating income of Rs. 434 crore.

**Analyst Contact**

Name: Rahul Patni

Tel # 040-40102030

Mobile # 9160004563

Email: rahul.patni@careratings.com

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CARE is headquartered in Mumbai, with Offices all over India. The office addresses and contact numbers are given below:

**HEAD OFFICE: MUMBAI**

**Mr. D.R. Dogra**

Managing Director

Cell : +91-98204 16002

E-mail : dr.dogra@careratings.com

**Mr. Rajesh Mokashi**

Dy. Managing Director

Cell : +91-98204 16001

E-mail: rajesh.mokashi@careratings.com

**Mr. P N Sathees Kumar**

Executive Vice President – Marketing

Mobile: +91-9820416004

mail:sathees.kumar@careratings.com

**Mr. Ankur Sachdeva**

Vice President – Marketing (SME)

Mobile: +91-9819698985

E-mail: ankur.sachdeva@careratings.com

4<sup>th</sup> Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway,  
Sion (East), **Mumbai 400 022** Tel.: (022) 67543456 Fax: (022) 67543457

**Website: www.careratings.com**

**OFFICES**

<p>Mr.Mehul Pandya Regional Manager 32 TITANIUM Prahaldnagar Corporate Road, Satellite, <b>Ahmedabad - 380 015.</b> Tel – 079 4026 5656 Mobile - 98242 56265 E-mail: mehul.pandya@careratings.com</p>	<p>Mr.Sundara Vathanan Regional Manager Unit No. 8, I floor, Commander's Place No. 6, Raja Ram Mohan Roy Road, Richmond Circle, <b>Bangalore - 560 025.</b> Tel – 080 2211 7140 Mobile – 98803 60878 E-mail: sundara.vathanan@careratings.com</p>
<p>Mr. Pradeep Kumar Regional Manager Unit No. O-509/C, Spencer Plaza, 5th Floor, No. 769, Anna Salai, <b>Chennai 600 002</b> Tel: 044 2849 7812/2849 0811 Mobile – 98407 54521 E-mail :Pradeep.kumar@careratings.com</p>	<p>Mr. Ashwini Jani Regional Manager 401, Ashoka Scintilla 3-6-520, Himayat Nagar <b>Hyderabad - 500 029</b> Tel – 040 40102030 Mobile – 91600 74789 E-mail: ashwini.jani@careratings.com</p>
<p>Mr. Sukanta Nag Regional Manager 3<sup>rd</sup> Floor, Prasad Chambers (Shagun Mall Building) 10A, Shakespeare Sarani <b>Kolkata - 700 071.</b> Tel – 033 2283 1800/1803 Mobile – 98311 70075 E-mail: sukanta.nag@careratings.com</p>	<p>Ms.Swati Agrawal Regional Manager 3rd floor, B-47, Inner Circle Near Plaza Cinema Connaught Place <b>New Delhi - 110 001.</b> Tel – 011 2331 8701/2371 6199 Mobile – 98117 45677 E-mail :swati.agrawal@careratings.com</p>