



## Australia forestry company TFS Corp gets two ratings upgrades

Australia's TFS Corp Ltd, the world's No. 1 grower of Indian sandalwood trees, has received its second ratings upgrade in a month, a bright spot for a sector that has been criticised for being the source of heavy losses for retail investors.

Standard & Poor's on Friday raised its credit rating for TFS to B+ from B, citing "the global scarcity of Indian sandalwood trees and robust demand for sandalwood products for use in pharmaceutical products, religious practices and fine fragrance".

Moody's Investors Service in late June upgraded its rating for the Perth-based company to B2 from B3, saying demand for sandalwood is less volatile than other forestry products.

"The market continues to recognise that TFS is quite different from the failed timber plantation schemes that had flawed business models," said TFS CEO Frank Wilson.

The collapses of Timbercorp Ltd and several other large forestry investment schemes, starting in 2009, drew widespread criticism of an investment model which frequently involved non-wealthy investors borrowing money for high-risk operations.

In March, a Senate inquiry found the collapses "caused significant damage to investors, farmers, neighbouring communities and the reputation of agribusiness managed investment schemes". It called on the government to overhaul tax breaks for the schemes and review penalties for poor financial advisers.

TFS, which grows trees on about 12,000 hectares in the country's warmer north, says it has been benefiting from constrained supply as environmental concerns hit illegal sandalwood growers in Asia, one of its biggest competitors.

The A\$580 million (\$444 million) market capitalisation company has multi-year export contracts with Chinese and Indian buyers which use the hardwood as an ingredient in fragrances, cosmetics, toiletries, consumer products and for medicinal purposes.

TFS shares were up 1.4 percent on Friday, compared to a 0.6 percent climb in the overall market. (\$1 = 1.3063 Australian dollars)

Source: <http://www.reuters.com/article/tfs-corp-ratings-idUSL4N1A11XU>

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