



# Fairchem Organics Ltd.

## COMPANY BACKGROUND.....

- Fairchem Organics Ltd. (Fairchem) is engaged in the business of manufacturing of Oleo Chemicals and Nutraceuticals, since the last 25 years.
- It has a state-of-the-art manufacturing unit which was set up in 1995 and has over the years gone through various stages of expansion, backward integration, debottlenecking and technological advancements to create a one of its kind world class facility.
- The company’s key oleo chemical products include Dimer Acid, Linoleic Acid, Palmitic Acid, Monomer Acid, and nutraceutical products include Mixed Tocopherols and Sterol concentrate.
- Fairchem supplies to various marquee customers like Asian Paints, Huber (erstwhile Micro Inks), Arkema, BASF, ADM, Cargill etc.

## BUSINESS MIX (as per Q4-FY23).....

- **Oleo Chemicals (93%):** Oleo Chemicals are chemicals derived from Plant and Animal Fats. They are analogous to petrochemicals derived from petroleum. Fairchem is a leading producer of Fatty Acids from natural oils and fats derived from vegetable oils. The company has over the years developed and mastered the process of manufacturing its entire product range from waste/by product streams of natural vegetable oils by utilizing state of the art equipment's of acceptable local and international quality.
- **Nutraceuticals (7%):** Nutraceutical, a portmanteau of the words “nutrition” and “pharmaceutical” applied to products that range from isolated nutrients, dietary supplements and herbal products, specific diets, genetically modified food, and processed foods such as cereals, soups, and beverages. Fairchem currently produces (Natural) Mixed Tocopherol Concentrate /Natural vitamin E which it primarily exports to global MNCs.

## KEY STRENGTHS.....

- Major Player in the Indian Oleo Chemical Market using Renewable Resources.
- Strong Customer and Supplier Relationships.
- One of a kind manufacturing process using by-products of vegetable oils to create value added products hence creating wealth.
- Promoted by Fairfax Capital and backed by experienced Management team.
- Judicious strategy on capacity expansion by evaluating market demand-supply scenario and working very closely with its customer base.

## FINANCIAL PERFORMANCE (CONSOLIDATED).....

(INR Mn)	INCOME	EBITDA	EBITDA%	PAT	PAT%	EPS
<b>FY20</b>	3,065	484	15.79%	347	11.32%	26.65
<b>FY21</b>	3,966	687	17.32%	425	10.72%	32.63
<b>FY22</b>	6,432	1,049	16.31%	679	10.56%	52.15
<b>FY23</b>	6,480	724	11.17%	435	6.71%	33.41

Note: All numbers are as per IND-AS

## Key Data

<b>BSE Code</b>	543252
<b>NSE Code</b>	FAIRCHEMOR
<b>Reuters</b>	-
<b>Bloomberg</b>	FAIRORGA:IN

## Market Data (INR) as on 31<sup>st</sup> March, 2023

<b>Face Value</b>	10.0
<b>CMP</b>	914.1
<b>52 Week H/L</b>	2,448.9/905.0
<b>MCAP (Mn)</b>	11,883.3
<b>Shares O/S (Mn)</b>	13.0
<b>1 Yr Avg. Vol. ('000)</b>	31.5

## Performance as on 31<sup>st</sup> March, 2023

	3M	6M	12M
<b>Fairchem Organics</b>	(32.0)%	(53.7)%	(39.5)%
<b>SENSEX</b>	(3.1)%	2.8%	0.8%
<b>BSE SMALL CAP</b>	(7.0)%	(5.2)%	(4.8)%

## Shareholding Pattern as on 31<sup>st</sup> March, 2023

<b>Promoters</b>	58.88%
<b>FPI</b>	6.23%
<b>AIF</b>	5.19%
<b>Public</b>	29.70%

## BUSINESS SEGMENTS.....

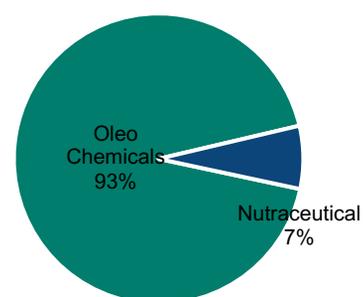
### Oleo Chemicals:

- **Linoleic Acid:** It is designed especially to produce fast drying protective coating having lighter colour. It is an unsaturated fatty acid and is a liquid at room temperature. The only company to manufacture Linoleic Acid of such quality in India. Cost advantage due to usage of by product of vegetable oil refinery as raw material.
- **Dimer Acid:** It also known as dimerized fatty acids; prepared from unsaturated fatty acids obtained from vegetable oil. It is a light yellow or yellow viscous transparent liquid. It is non-toxic. Fairchem is the only company to manufacture this product in India. Offers improved bonding. Used as curing agents for epoxy-based anti-corrosion coatings and for priming and protecting metal. Dimer acids act as a stabilizer in lubricants used for Cold Rolling Mills. Increase the life span of nylon products Applications. The company supplies this product as an import substitute for sale to consumers in Surface Coating and Printing Ink industry on import parity with added advantage of just-in-time delivery and better quality. As a result Fairchem has been preferred supplier for most of its clients and believes it would gradually substitute large part of its client requirement, which are met through import at present.
- **Monomer Acid & Distilled Fatty Acids:** Fairchem is one of the leading producers of Monomer and Other distilled fatty acids with significantly lower raw material costs. Monomer Acids are non-petroleum, non-animal based products that can be used as substitutes for various vegetable and tallow-based fatty acid derivative products. Fatty acids are obtained from hydrolysing fats and oils of animal and plant origin at a high pressure and temperature. They are then distilled, obtaining a product with a white appearance and a soapy feel.

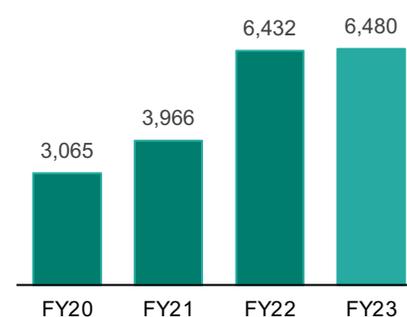
#### Capacity Expansion :

- **FY21:** Increased from 45,000 MTPA to 72,000 MTPA
- **FY-22:** Increase Capacity from 72,000 MTPA to 90,000 MTPA
- **Q1-FY23:** Increased Capacity to 120,000 MTPA

#### FY23 Segmental Revenue (%)



#### Revenue (In Mn)



### Nutraceuticals :

- **Mixed Tocopherol Concentrate:** Tocopherol is used as raw material to manufacture natural Vitamin E. Natural Vitamin E is almost 3-4 times more expensive than synthetic Vitamin E. Developed markets like US and Europe are the key consumers due to the high value of the product. Only method of manufacturing Natural Vitamin E is through vacuum distillation of the raw material which is a by-product of vegetable oil refining - Deodorizer Distillate. Fairchem is the dominant manufacturer of Mixed Tocopherol Concentrate in India which is sold on 'Freight Saving', 'Production Cost Saving' and 'By-product Value concept'.
- Key clients for Nutraceuticals are BASF, ADM, Cargill Inc. (U.S.A).

## PEER COMPARISON (TRAILING 12 MONTHS) INR MN .....

Company	Operational Income	EBITDA	EBITDA%	PAT	PAT%	Market Cap
Fairchem Organics	6,480	724	11.2%	435	6.7%	11,883
Godrej Industries Ltd	1,67,402	15,102	9.0%	14,207	8.5%	1,36,002
Indo Amines Ltd.	9,450	870	9.2%	409	4.3%	5,478
Jocil Ltd.	9,193	177	1.9%	99	1.1%	1,345
Fermenta Biotech Ltd	3,499	179	5.1%	(515)	NA	3,148

## INCOME STATEMENT (CONSOLIDATED) .....

INCOME STATEMENT (INR MN)	FY20	FY21	FY22	FY23
<b>Operating Income</b>	<b>3,065</b>	<b>3,966</b>	<b>6,432</b>	<b>6,480</b>
Expenses	2,581	3,279	5,383	5,756
<b>Operating EBITDA</b>	<b>484</b>	<b>687</b>	<b>1,049</b>	<b>724</b>
<b>Operating EBITDA Margins (%)</b>	<b>15.79%</b>	<b>17.32%</b>	<b>16.31%</b>	<b>11.17%</b>
Depreciation	60	66	71	82
Finance Cost	66	68	69	63
Other Income	66	3	3	7
<b>PBT</b>	<b>424</b>	<b>556</b>	<b>912</b>	<b>586</b>
Tax	77	131	233	151
<b>Profit After Tax</b>	<b>347</b>	<b>425</b>	<b>679</b>	<b>435</b>
<b>PAT Margins (%)</b>	<b>11.32%</b>	<b>10.72%</b>	<b>10.56%</b>	<b>6.71%</b>
Other Comprehensive Income	(1)	(5)	1	5
<b>Total Comprehensive Income</b>	<b>346</b>	<b>420</b>	<b>680</b>	<b>440</b>
EPS Diluted (INR)	26.65	32.63	52.15	33.41

## CONSOLIDATED BALANCE SHEET (IND-AS).....

PARTICULARS (INR MN)	FY21	FY22	FY23	PARTICULARS (INR MN)	FY21	FY22	FY23
<b>EQUITIES &amp; LIABILITIES</b>				<b>ASSETS</b>			
<b>Equity</b>				<b>Non-Current Assets</b>			
(A) Equity Share Capital	130	130	130	(A) Property, Plant and Equipment	1,220	1,363	1,514
Instruments entirely Equity in Nature				(B) Capital Work-in-progress	295	420	349
(B) Other Equity	1,557	2,191	2,462	(C) Right-of-Use Assets	43	42	42
<b>Total Equity</b>	<b>1,687</b>	<b>2,321</b>	<b>2,592</b>	(D) Other Intangible Assets	-	2	5
<b>Non-Current Liabilities</b>				(E) Financial Assets			
(A) Financial Liabilities				(i) Other Financial Assets	-	2	2
(i) Borrowings	260	100	-	(F) Non-Current Tax Assets	18	19	18
(B) Provisions	18	17	18	(G) Other Non-Current Assets	30	20	8
(C) Deferred Tax Liabilities (Net)	113	128	146	<b>Total Non – Current Assets</b>	<b>1,606</b>	<b>1,868</b>	<b>1,938</b>
<b>Total Non – Current Liabilities</b>	<b>391</b>	<b>245</b>	<b>164</b>	<b>Current Assets</b>			
<b>Current Liabilities</b>				(A) Inventories	453	700	800
(A) Financial Liabilities				(B) Financial Assets			
(i) Borrowings	308	520	502	(i) Trade Receivables	468	622	626
(ii) Trade Payables	109	91	105	(ii) Cash & Cash Equivalents	4	2	1
(iii) Other Financial Liabilities	21	8	11	(C) Other Current Assets	55	49	59
(B) Other Current Liabilities	46	36	36	<b>Total Current Assets</b>	<b>980</b>	<b>1,373</b>	<b>1,486</b>
(C) Provisions	10	10	9	<b>GRAND TOTAL – ASSETS</b>	<b>2,586</b>	<b>3,241</b>	<b>3,424</b>
(D) Liabilities for current tax (Net)	14	10	5				
<b>Total Current Liabilities</b>	<b>508</b>	<b>675</b>	<b>668</b>				
<b>GRAND TOTAL - EQUITIES &amp; LIABILITIES</b>	<b>2,586</b>	<b>3,241</b>	<b>3,424</b>				

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