Company Name: Fairchem Organics Ltd.

Quarter under review: Q1-FY27

Fairchem Organics Ltd: Q1-FY27 Concall Highlights:

Fairchem Organics Ltd.					
INR In Mn	**Q1-FY27**	**Q1-FY26**	**Y-o-Y**	**Q4-FY26**	**Q-o-Q**
Operational Income	1,761	1,311	34.4%	1,169	50.6%
EBITDA	179	52	NA	80	NA
EBITDA M (%)	10.14%	3.98%	616 bps	6.87%	327 bps
PAT	100	12	NA	37	NA
PAT M (%)	5.68%	0.90%	478 bps	3.16%	252 bps
Diluted EPS	7.95	0.90	NA	2.19	NA

Operational Highlights:

- During Q1 FY27, we processed 12,400 tonnes of raw material and sold 13,500 tonnes, compared to 13,000 tonnes sold in the corresponding quarter of the previous year, reflecting healthy year-on-year volume growth.
- Our capacity utilization currently stands at close to 60%, and we have guided towards exiting FY27 at a utilization level of around 70% to 75%.
- We are targeting quantity growth of roughly 5% to 7% per quarter, which would translate into a cumulative volume growth of approximately 15% to 20% by the end of the financial year.
- Our revenue mix for the quarter was led by linoleic acid at around 42%, followed by dimer acid at around 30%, isosteric acid at around 4%, with the remaining 24% coming from other by-products.
- Exports currently contribute around 7% to 8% of our total revenue, with dimer acid and isosteric acid identified as the key products driving our export strategy.
- We had undertaken a major energy conservation exercise in the prior year, which helped us reduce power consumption by more than 30% and solid fuel consumption by more than 35%.
- We expect our new oleochemical capacity of 40,000 metric tonnes to come on stream starting Q2 FY27.
- We continue to face the inverted duty structure, with raw materials attracting a duty of around 16.5% (down from 27.5% in 2024) while finished products carry a duty of only 7.5%, resulting in an estimated 9% margin loss embedded in our cost structure.
- We expect to maintain the current revenue run-rate and margin profile for the remaining quarters of FY27, based on the prevailing business environment.
- We expect our isosteric acid capacity utilization to exceed 80% over the next 1–2 years as customer approvals progress.
- We plan to prioritize increasing utilization of our existing 80,000 MT capacity before undertaking further capacity expansion.
- We follow a green manufacturing process for isosteric acid, which we consider a key competitive differentiator despite longer customer qualification timelines.
- We expect positive commercial progress on our isosteric acid customer approvals during FY27 as several customers have already completed advanced qualification stages.

Key Questions & Answers discussed during the Concall:

- **What volume was sold in Q1 FY26 and what is the growth outlook for the rest of FY27?** We sold 13,000 tonnes in Q1 FY26 and 13,500 tonnes in Q1 FY27. Going forward, we are focused on increasing capacity utilisation by 5–7% every quarter, which should help us achieve 15–20% quantity growth by the end of FY27, subject to geopolitical developments.
- **What is the current capacity utilisation and where do we expect it to reach by FY27-end?** We are currently operating at around 60% capacity utilisation and expect to exit FY27 at 70–75% utilisation. Our immediate priority is to maximise utilisation of our existing capacity before considering any expansion.
- **How is the Isostearic Acid business progressing?** Isostearic Acid contributed around 4% of our revenue during the quarter. Customer approvals are taking longer than expected due to the stringent qualification process in the cosmetics industry. However, all prospective customers have progressed to at least the third qualification stage, while a few have completed the entire approval process. Once approvals are secured, we expect these relationships to become long term.
- **How much have realizations improved and are current margins sustainable?** Our realizations have improved by around 25% QoQ and 30% YoY. We are comfortable with the current margin levels and believe they are sustainable under prevailing market conditions, while our primary focus remains on increasing volumes.
- **What is driving the improvement in pricing and margins?** We have been able to pass on higher raw material costs as Chinese dumping has reduced and supply chain disruptions arising from the Middle East crisis have tightened imports. However, if Chinese dumping resumes, it could once again put pressure on industry pricing.
- **What cost optimisation initiatives have been undertaken?** We have reduced power consumption by more than 30% and solid fuel consumption by over 35% through various energy conservation initiatives. We are also working on catalyst optimisation and reducing consumable costs to further improve our operating efficiency.
- **What is the outlook for new product development?** We plan to introduce a new oleochemical product developed through our in-house R&D during Q2 FY27. We will begin with trial runs before scaling up commercial production, and we expect this product to deliver better margins than our existing portfolio.
- **Does Isostearic Acid impact overall capacity utilisation?** No. Isostearic Acid is a forward integration product manufactured from Dimer Fatty Acid. It enhances our value realisation but does not affect our overall capacity utilisation.
- **What proportion of revenue comes from the paint industry and do we plan to reduce this dependence?** Around 40% of our revenue comes from the paint industry. We do not intend to reduce this exposure and instead remain focused on increasing overall capacity utilisation.
- **At what stage are customer approvals for Isostearic Acid and what differentiates our product?** A few customers have completed all qualification stages, while others are currently in the fourth stage of the approval process. Our key differentiator is our fully integrated, green manufacturing process, although this has resulted in longer customer stability testing timelines.
- **Are customers willing to enter into long-term supply contracts in the current environment?** We currently do not prefer entering into long-term supply contracts given the prevailing market volatility. In the current environment, companies are generally reluctant to commit to fixed volumes without price certainty.

- **How much do we spend on R&D and how do we protect our technological advantage?** We spend around ₹50 lakh annually on revenue R&D, while capital expenditure is undertaken as required. We rely primarily on our manufacturing know-how rather than patents, as we believe process expertise provides a stronger and more sustainable competitive advantage.
- **How many new export customers are currently engaging with the company?** We are currently engaging with around 7–8 large global customers that are looking to diversify their supply chains, which reflects the improving opportunities in our export business.
- **What is the expected utilisation outlook for the Isostearic Acid plant?** We expect the Isostearic Acid plant to achieve over 80% capacity utilisation within the next one to two years as customer approvals are completed and commercial supplies begin.
- **What is the strategy before undertaking further capacity expansion?** Our strategy is to first achieve 100% utilisation of our existing 80,000 MT capacity before considering any additional capacity expansion.
- **How has the decline in Chinese dumping impacted the business?** The reduction in Chinese dumping, along with geopolitical supply chain disruptions, has helped us improve our realizations and margins. However, if Chinese dumping resumes, it could once again create pricing pressure in the industry.

Key Participants:

- *Madhur Rathi – Counter Cyclical PMS*
- *Chirag Vekariya – Budhrani Finance*
- *Dhiral Shah – Philip Capital PCG*
- *Maitri Shah – Sapphire Capital*