



Fairchem Organics Ltd.

COMPANY BACKGROUND.....

- Fairchem Organics Ltd. (Fairchem) is engaged in the business of manufacturing of Oleo Chemicals and Nutraceuticals, since the last 27 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 Q2-FY24).....

- **Oleo Chemicals (95%):** 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 (5%):** 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
FY21	3,966	687	17.32%	425	10.72%	32.63
FY22	6,432	1,049	16.31%	679	10.56%	52.15
FY23	6,480	724	11.17%	435	6.71%	33.41
H1-FY24	3,128	285	9.11%	164	5.24%	12.60

Note: All numbers are as per IND-AS

Key Data	
BSE Code	543252
NSE Code	FAIRCHEMOR
Reuters	-
Bloomberg	FAIRORGA:IN

Market Data (INR) as on 30 th September, 2023	
Face Value	10.0
CMP	1,176.85
52 Week H/L	2,448.9/905.0
MCAP (Mn)	15,323.65
Shares O/S (Mn)	13.0
1 Yr Avg. Vol. ('000)	32.8

Performance as on 30 th September, 2023			
	3M	6M	12M
Fairchem Organics	(5.1)%	29.0%	(40.4)%
SENSEX	1.5%	38.9%	32.1%
BSE SMALL CAP	14.9%	33.9%	31.8%

Shareholding Pattern as on 30 th September, 2023	
Promoters	59%
FPI	6%
AIF	5%
Public	30%

BUSINESS SEGMENTS.....

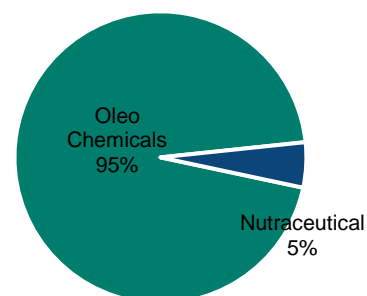
Oleo Chemicals:

- **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.

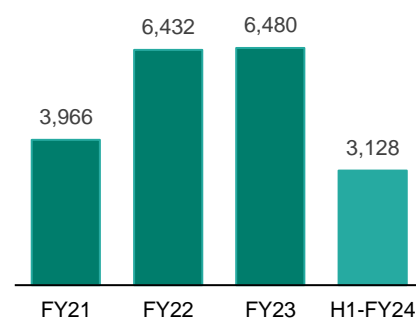
Capacity Expansion :

- **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	5,672	513	9.04%	289	5.10%	15,324
Godrej Industries Ltd	1,71,380	14,802	8.6%	13,998	8.2%	1,91,682
Indo Amines Ltd.	9,422	938	10.0%	516	5.5%	8,438
Jocil Ltd.	7,914	138	1.7%	85	1.1%	1,757
Fermenta Biotech Ltd	2,995	64	2.1%	(688)	NA	4,649

INCOME STATEMENT (CONSOLIDATED)

INCOME STATEMENT (INR MN)	FY21	FY22	FY23	H1-FY24
Operating Income	3,966	6,432	6,480	3,128
Expenses	3,279	5,383	5,756	2,843
Operating EBITDA	687	1,049	724	285
Operating EBITDA Margins (%)	17.32%	16.31%	11.17%	9.11%
Depreciation	66	71	82	6
Finance Cost	68	69	63	43
Other Income	3	3	7	27
PBT	556	912	586	221
Tax	131	233	151	57
Profit After Tax	425	679	435	164
PAT Margins (%)	10.72%	10.56%	6.71%	5.24%
Other Comprehensive Income	(5)	1	5	-
Total Comprehensive Income	420	680	440	164
EPS Diluted (INR)	32.63	52.15	33.41	12.60

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

PARTICULARS (INR MN)	FY22	FY23	H1-FY24
EQUITIES & LIABILITIES			
Equity			
(A) Equity Share Capital	130	130	130
Instruments entirely Equity in Nature			
(B) Other Equity	2,191	2,462	2,529
Total Equity	2,321	2,592	2,659
Non-Current Liabilities			
(A) Financial Liabilities			
(i) Borrowings	100	-	-
(B) Provisions	17	18	19
(C) Deferred Tax Liabilities (Net)	128	146	152
Total Non – Current Liabilities	245	164	171
Current Liabilities			
(A) Financial Liabilities			
(i) Borrowings	520	502	342
(ii) Trade Payables	91	105	81
(iii) Other Financial Liabilities	8	11	7
(B) Other Current Liabilities	36	36	38
(C) Provisions	10	9	10
(D) Liabilities for current tax (Net)	10	5	1
Total Current Liabilities	675	668	479
GRAND TOTAL - EQUITIES & LIABILITIES	3,241	3,424	3,309

PARTICULARS (INR MN)	FY22	FY23	H1-FY24
ASSETS			
Non-Current Assets			
(A) Property, Plant and Equipment	1,363	1,514	1,486
(B) Capital Work-in-progress	420	349	391
(C) Right-of-Use Assets	42	42	41
(D) Other Intangible Assets	2	5	4
(E) Financial Assets			
(i) Other Financial Assets	2	2	2
(F) Non-Current Tax Assets	19	18	35
(G) Other Non-Current Assets	20	8	50
Total Non – Current Assets	1,868	1,938	2,009
Current Assets			
(A) Inventories	700	800	677
(B) Financial Assets			
(i) Trade Receivables	622	626	554
(ii) Cash & Cash Equivalents	2	1	1
(C) Other Current Assets	49	59	68
Total Current Assets	1,373	1,486	1,300
GRAND TOTAL – ASSETS	3,241	3,424	3,309

INVESTOR RELATIONS TEAM AT VALOREM ADVISORS

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