



FAIRCHEM ORGANICS LIMITED

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Date: June 5, 2023

To,
National Stock Exchange of India Limited
Exchange Plaza, Plot No. C/1, G Block,
Bandra Kurla Complex,
Bandra (East),
Mumbai 400051

To,
Department of Corporate Services
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai 400 001

Ourselves: BSE Scrip Code: 543252/NSE symbol: 'FAIRCHEMOR'

Dear Sirs,

Ref: - Regulation 30 read with Schedule III – Part A, Para A – Clause 15(b)(ii) of SEBI (LODR) Regulations, 2015

Sub: - Submission of Transcript of audio recording of Earnings concall on financial results for 4th Quarter and Year Ended March 31, 2023

In our furtherance to our letter dated June 1, 2023, we hereby submit, pursuant to Regulation 30 read with Schedule III, Part A, Para A Clause 15(b)(ii) of the SEBI (LODR) Regulations, 2015, a PDF file containing a transcript of audio recording of Earnings on concall held on Thursday, June 1, 2023 for Financial Results of the 4th Quarter and Year ended on March 31, 2023

We request you to take the same on your record.

Thanking you,

Yours faithfully,
For Fairchem Organics Limited


Rajen Jhaveri
Chief Financial Officer & Company Secretary

Encl: As above

Fairchem Organics Limited
Q4 & FY23 Earnings Conference Call
June 1, 2023

Moderator: Welcome to the Q4 FY23 conference call of Fairchem Organics Limited.

As a reminder, all participants' lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, please signal an operator by pressing "*" then "0" on your touch-tone phone. I now hand the conference over to Mr. Anuj Sonpal from Valorem Advisors. Over to you, sir.

Anuj Sonpal: Good afternoon everyone and a very warm welcome to you all. My name is Anuj Sonpal from Valorem Advisors. We represent the investor relations of Fairchem Organics Limited. On behalf of the company, I would like to thank you all for participating in the company's earnings call for the fourth quarter and financial year ending 2023.

Before we begin, let me mention a short cautionary statement. Some of the statements made in today's earnings call may be forward looking in nature. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to the management. Audiences are cautioned not to place any undue reliance on these forward-looking statements in making any investment decisions. The purpose of today's earnings call is purely to educate and bring awareness about the company's fundamental business and financial quarter under review.

Now, let me introduce you to the management participating with us in today's earnings call and hand it over to them for opening remarks. We firstly have with us Mr. Nahoosh Jariwala – Managing Director & Chairman and Mr. Rajen Jhaveri – Chief Financial Officer. Without any further delay, I request Mr. Rajen Jhaveri to start with his opening remarks. Over to you, sir.

Rajen N. Jhaveri: Good afternoon everyone. Let me brief you on the fourth quarter and year ended financial performance after which our Chairman & MD Shri. Nahoosh bhai will brief you on the operational highlights. The operational revenue for the fourth quarter was about Rs. 152 crores representing a growth of 48% over the immediate preceding quarter. EBITDA reported was around Rs. 19 crores versus Rs. 4 crores in the previous quarter. And the EBITDA margin stood at 12.64%. Net profit after tax reported was around Rs. 12 crores versus Rs. 60 lakhs in the previous quarter while the PAT margin was 7.83%.



Coming to the annual financial year ending 2023 figures, operational revenue stood at Rs. 648 crores, EBITDA reported was around Rs. 72 crores, and EBITDA margin stood at 11.17%. Net profit after tax reported was around Rs. 44 crores while PAT margin was 6.71% for the full year. Now, I hand over the call to our Chairman and MD, Shri. Nahoosh bhai to give you the operational highlights. Over to you, sir.

Nahoosh Jariwala:

Good afternoon everyone. I would like to thank you all for participating in the company's earning conference call. First, I will talk in brief about the operational highlights, and then later on, we will open the floor for questions & answers. On the operational front, the demand from the paint industry has revived to a large extent, which has helped us in pushing sales of linoleic acid, one of our prime products; and there was also a marginal improvement in per unit realization of this product. We also witnessed revival in demand for another prime product, namely dimer fatty acid, during the same quarter. Both the factors put together have resulted in Q-on-Q rise in revenue by around 48% and the raw material cost as a percentage of revenue was also lower on Q-on-Q basis with all the other costs under control. The EBITDA margins have inched back to about 13%. That is nearly closer to our normal anticipated margin. This is, in brief, the operational highlights. Now, we can open the floor for the questions & answers.

Moderator:

We will now begin the question & answer session. We will now wait for a moment while the question queue assembles.

The first question is from the line of Prakash Kapadia from Anived Portfolio Managers Private Limited. Please go ahead.

Prakash Kapadia:

In your opening remarks and in the PPT, you mentioned demand coming back from paint companies. Is that trajectory in demand continuing? What is the kind of commentary you are getting from paint companies in terms of sustainability of that demand? And this year around, I think Diwali is in Q3. So, typically, in Q2, the demand from the paint companies' scenario should be clear. What is the time lag or you should see the demand coming in Q3 also? And one bookkeeping question was I think in the balance sheet we have seen 349 million as capital work in progress. Is that commercialized? And now our capacity is 1,20,000 metric tons. Is that understanding correct?

Nahoosh Jariwala:

First, I will answer the question as regards the revival in the paint industry. Yes, I agree with you. The revival in the paint industry is good. Even in the April-June quarter also, we are seeing the sustained sales happening and the figures or the talks what we are having with all the four big paint companies, we see that in July-September quarter also, there won't be any drop in paint demand. That is the situation. And similarly, we are seeing the same thing for our other prime product – dimer fatty acid. In April-June quarter also, demand has been good. And talking to our prime customers about Q2 also, we are getting the same feedback that the market should sustain if nothing happens. That's the only thing. And beyond that, in



Q3, everything would depend on how our La Nina effect is happening. If we will have deficit rainfall, obviously the paint demand during Diwali might not be to the extent what it should be. And if you have a normal monsoon, I think even Q3 shouldn't see any problems.

Rajen N. Jhaveri:

As far as your question regarding the CWIP, the CWIP substantial amount is towards the tocopherol upgradation project which we had undertaken during the year 2019. When we started this project in the year 2019, it was very promising. Subsequently, several disruptions happened starting with COVID-19 in March 2020. With lockdowns and migration of laborers, the progress of the project took a beating. Same was the case at the end of suppliers of critical customized equipments also. This nearly lasted for two years. And before the world economy could come out of these, war started between Russia and Ukraine. These effected important portion of the supply of sunflower oil, thereby triggering a global spike in the prices of all kinds of vegetable oils. This also was detrimental for the tocopherol upgradation project. Further, fuel to the fire was added on account of an incident of stealing of some quantity of methanol, which has alcohol content and Gujarat is having the prohibition, allegedly by some employees from the factory in the vicinity of Ahmedabad, which had the license and was using methanol in its manufacturing process. This news got wide publicity in newspapers and media. And the government of Gujarat for a good number of months stopped issuing further approvals and our application was stuck in this because the state elections were coming. Post state elections when we received various approvals, the economic consideration had turned out to be unfavorable. The company was in the meantime already working on further development of one of the co-products and also on the development of a new prime product from altogether a different raw material falling overall under the family of oils only. Further study revealed that most of the assets created for the tocopherol upgradation project can be used for this project. The company accordingly took a conscious decision of abandoning this tocopherol upgradation project and instead going for the upgradation of one of the co-products and using it for altogether a new raw material and new prime product. That is as far as this tocopherol and sterol project is concerned for which as on 31st March, a substantial amount is standing in CWIP. As far as our installed capacity is concerned, yes, as at 31st March 2023, we had this installed capacity of 1,20,000 metric tons in place and ideally operating capacity considered anywhere between 90% to 92% of the installed capacity. We have created this installed capacity keeping in mind the coming 3-4 years. So, its better utilization or complete utilization of nearly 90% will happen somewhere in the financial year 2025-26, but that capacity is in place.

Prakash Kapadia:

And lastly, sir, do you have the metric ton processed in this quarter?

Rajen N. Jhaveri:

Yes, the metric ton processed for the financial year 22-23 was approximately 67,000 tonnes and metric tons processed for the Q4 quarter was approximately 17,000 tonnes. This entire thing was affected because of the Q3 only. Entire annual results are appearing somewhat lesser in terms of quantity processed, in terms of profitability, etc., partly because of the Q3 phenomenon only.



Prakash Kapadia: Partly Q2 also, sir. Q2 was also bad.

Nahoosh Jariwala: But Q3 was a substantial....

Prakash Kapadia: Yes, Q3 was a disaster.

Nahoosh Jariwala: We saw a disaster like this for the first time.

Rajen N. Jhaveri: Since 2010, this kind of disaster has happened for the first time in these 13 years' history since Nahoosh bhai took charge as MD.

Moderator: We have the next question from the line of Nirag Shah from Exemplar Investment. Please go ahead.

Nirag J. Shah: Can I have separate yearly revenue figures of the company's key products dimer acid, linoleic, and soya fatty acid?

Nahoosh Jariwala: Dimer acid annual sales for '22-23 was Rs. 176 crores and linoleic acid was Rs. 296 crores.

Nirag J. Shah: What is the status of commissioning of forward integration projects like isostearic acid and also the new raw material product which we are targeting to foray into?

Nahoosh Jariwala: Already isostearic trial runs have started and we have sent plant samples to various companies which are based in Japan, Europe, and the USA. And from Q2 onwards, i.e., July-September quarter, we will start shipment of the material.

Nirag J. Shah: What kind of approximate revenues we expect in FY24?

Nahoosh Jariwala: Overall, obviously as it's a forward integration of the product stream, it will be 100% good for the overall margins. And overall what we feel this year, our projected sales should be around Rs. 750 crores.

Moderator: The next question is from the line of Prit Nagarsheth from Wealth Finvisor. Please go ahead.

Prit Nagarsheth: One of the questions I wanted to know Nahoosh bhai is that the EBITDA margin profile that the company was aiming for was close to say 17% to 18% as an aspirational number. Do we think at that number we could get back to from this financial year onwards?

Nahoosh Jariwala: We have been always saying that we are targeting an EBITDA margin of around 15% plus. One thing is there. What has happened after 2021, after COVID especially, the commodity – especially the vegetable oil – has seen tremendous volatility. The prices which were around Rs. 80 a kg went up to as high as Rs. 160. They then came down to around Rs. 120, again went up to Rs. 150, and today they are down to Rs. 90. We have been seeing.... and which is



something hitherto we have never ever seen such type of volatility. That is to an extent.... It's creating a little bit of an issue overall. For us to go to margins of around 17% to 18% looks very tough. We have been always saying that 15% plus or minus 1% is what we have been targeting and that's what we will be able to maintain.

Prit Nagarsbeth: You are saying that for FY24, 15% is what you are aspiring to get to?

Nahoosh Jariwala: Yes.

Prit Nagarsbeth: In terms of volume from 57,000 tonnes for the full FY23, what is the projecting number for FY24?

Nahoosh Jariwala: Based on the Q4, i.e., January-March period where we did around 17,000 tonnes. What we feel is we will be able to do anything above 70,000 tonnes.

Moderator: We have the next question from the line of Janmejy Gandhi from IVG Trust. Please go ahead.

Janmejy Gandhi: Sir, I wanted to know more about the new product launch that you are planning to do and when do you commercially be able to achieve that and what is the addressable market size of that product and would it be more of export or domestic? Can you give us more idea about the new product, sir?

Nahoosh Jariwala: We have started trial runs during this quarter and we expect to put it on higher capacity levels next quarter onward. This product is called isostearic acid. Isostearic acid goes mainly into 3 things – personal care, cosmetics, and lubricants. Basically, as you are aware that the world is switching to biodegradable products and this is a biodegradable product. And especially the lubricant side, Europe and the USA have come up with new regulations whereby the seafaring vessels are supposed to use biodegradable lubricants in which the isostearic acid is going to be the main ingredient. And second thing is there are very few manufacturers in the world making isostearic acid. There are hardly 5 or 6 manufacturers who manufacture isostearic. And there is no one in India making isostearic acid. In fact, we are the first company going to make isostearic acid. And the products what we are going to manufacture and market, the market is going to be the US, Europe, and Japan. India is going to be a small market. Over a period, yes, India can become a big market, but at this stage, practically 90% would be exported.

Janmejy Gandhi: Sir, how much volume and sales would that contribute in FY24 by this product?

Nahoosh Jariwala: At this stage, as we have just launched the product, for me to, at this stage, say would be a little bit premature because it will take.... Probably in July-September quarter, I will be able to tell you.

Janmejy Gandhi: Sir, how much margin can we expect from this product?



Nahoosh Jariwala: Fairly good. Two things are there. There are very few manufacturers and it's a forward integration project for us. So, obviously, I can say that instead of 2 prime products, we will have 3 prime products.

Janmejy Gandhi: Sir, how much of the capacity of our present would we use for manufacturing this product over a period of a year or two?

Rajen N. Jhaveri: Mr. Gandhi, this is a value-added product. Our capacity is measured in terms of throughput of raw material. From our existing raw materials, whatever we produce, we are getting the product called dimer acid and monobasic acid and this is a further development of monobasic acid.

Moderator: The next question is from the line of Aashish Urganlawar from InvesQ Investment Advisors. Please go ahead.

Aashish Urganlawar: Sir, given the fact that last year was a bit soft on sales, would you say that guidance of around 70,000 tonnes and Rs. 750 crores of sales we can surpass that by some margin would be a fair expectation or it would still be early days for you to....?

Rajen N. Jhaveri: As Nahoosh bhai already said that during January-March quarter, we had processed around 17,000 tonnes and if that rate continues and if you annualize it, anyway it comes to 68,000 tonnes. And with this isostearic launching in July-September quarter, we are certainly hoping for better things only. And that is how we are saying that we will be achieving the sale of Rs. 750 crores because it is a value-added product. So, we will be achieving a higher top line, and of course, higher bottom line also from that product. To us, as of now under the present conditions of the world, we feel that it is an achievable thing unless something happens globally because as Nahoosh bhai said presently the market is the USA, Europe, and Japan.

Aashish Urganlawar: In the past calls, you mentioned that 20% to 25% growth is kind of a DNA for your company, which is also seen from your past achievements in so many years. Would you say that 3-4 years, we have that kind of a plan?

Rajen N. Jhaveri: This year we have processed 57,000 and we are saying 70,000 for the next year. It is a rise of 13,000 which is nearly 22% to 25%.

Aashish Urganlawar: So, margin can we safely assume that this year we can touch that 15% margin or maybe 14% to 15% kind of....?

Nahoosh Jariwala: Always we are striving. What we are saying is that we will try to maintain a margin of 15%. This quarter also you can see we have closed at nearly 13%. If volatility in the commodity doesn't happen, it won't be tough for us to achieve that margin.



Rajen N. Jhaveri: And that will be on an annual basis what we are saying. From quarter to quarter, there could be a minor fluctuation here and there. On an annual basis, we are targeting a 15% EBITDA margin.

Moderator: The next question is from the line of Aditya Agarwal, an individual investor. Please go ahead.

Aditya Agarwal: Sir, actually I wanted to ask about the forward integration product that we are getting into. Are they going to have the same gross margin profile of like 33% to 34% as we have for the last 5 to 6 years?

Nahoosh Jariwala: It is going to be a forward integration upgradation of a current product stream. So, very obviously, the margins will be there.

Rajen N. Jhaveri: And Nahoosh bhai already said that in the July-September quarter, he will be able to tell you better as to how it goes.

Nahoosh Jariwala: One needs to understand that there are hardly 4-5 companies in the world making this product. And we are the only company which has started making it. It's not an easy product also. Obviously the moment the product settles down, the margins are going to be good and volumes also can grow. But that's something I will be able to tell you in a better way in the July-September quarter.

Rajen N. Jhaveri: And we are targeting the top markets of the USA, Europe, and Japan. It is not a question of selling it to Asia Pacific countries.

Aditya Agarwal: These new products isostearic acid and stearic acid, what kind of market do we have for these products in India?

Nahoosh Jariwala: Indian market is going to be very small. Isostearic, I think India doesn't have that bigger market. It's Europe and the US.

Aditya Agarwal: So, it will be more like an export kind of product.

Nahoosh Jariwala: Yes, isostearic acid, greater than 90% we expect to export.

Aditya Agarwal: A few big players have entered the paint industry. Have we been able to add them as clients in the recent quarters?

Nahoosh Jariwala: You must have heard about Grasim coming in a big way. Already our products are under analysis at their end. And we are supplying small quantities for their pilot plant trials also. So we are there with them. As we have linoleic acid, whatever big companies or organized companies want to come in the decorative paint segment, we will be there. They won't be able to avoid us. That's for sure. And we are already there with them.



Aditya Agarwal: Sir, can you please share the sales volume for dimer acid and linoleic acid and the oleochemicals segment as a whole?

Rajen N. Jhaveri: Dimer acid and linoleic acid, they are our prime products. More than 70% sales comes from these 2 products only.

Aditya Agarwal: I was asking for the sales volume.

Rajen N. Jhaveri: Sales volume of dimer is more than 8,000 tonnes and linoleic acid is more than 24,000 tonnes for the entire year.

Aditya Agarwal: And for oleochemicals segment?

Rajen N. Jhaveri: Balance is remaining. We have already said that all other products put together. These 2 products only give you more than 70% of the sales. So, balance all is not that material or significant.

Moderator: The next question is from the line of Jagvir Singh from Shade Capital. Please go ahead.

Jagvir Singh: We are talking about this forward-integrated product. What is the industry size of this product?

Nahoosh Jariwala: To be frank, our capacities would be hardly 6% of the industry. And the industry is growing at a CAGR of more than 6%.

Jagvir Singh: We are targeting the USA, Europe, and Japan. We need some trial approvals or we can sell over there?

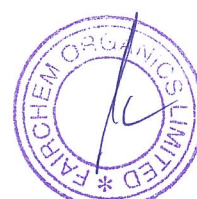
Nahoosh Jariwala: Already samples are under approval.

Jagvir Singh: This product will be used in the paint industry or where?

Nahoosh Jariwala: It will have 3 different applications. One is going to be in lubricants, second is going to be in personal care, and third is going to be in cosmetics.

Jagvir Singh: Last year, we had a demand slowdown, then we had volatility in the raw materials, then inventory write-off. All these things have happened in the last year. Because now we have the capacity and everything over there, now we can fairly assume the next 2 years will be normal for our company?

Nahoosh Jariwala: As regard to volatility in raw materials, I won't be able to say anything because that's what I said also that in 2 years we are seeing raw material prices going up, vegetable oil prices going up from Rs. 80 to Rs. 160 to down to Rs. 120, up to Rs. 150, again today they are down to Rs.



90. This is something we have never ever seen in our 25 years' history. And this is we are seeing since last 2 years. Yes, this volatility is there. We hope that over the period, this volatility would go away and normalcy would return back.

Rajen N. Jhaveri: Creation of capacity and the volatility in the vegetable oil prices do not have any direct relation. Our creation of capacity is one side. Keeping in mind the future, we had started this creation of capacity project some 3 years ago and this volatility of the last 2 years will not have any direct relation with our creation of capacity.

Jagvir Singh: Last question is related to.... we have done a lot of CapEx, even CWIP is also there. Including all this CapEx, what kind of revenue we can achieve?

Rajen N. Jhaveri: We already replied to the first question regarding this for our tocopherol what we are doing and what we are now planning. And then we have said that we are planning the manufacture of isostearic. And Nahoosh bhai said from July-September quarter onwards, we will be exporting it and we are also going to develop another prime product from another raw material. That additional revenue will come from there.

Jagvir Singh: With 100% capacity utilization, we can do more than Rs. 1,000 crores turnover with this capacity?

Nahoosh Jariwala: Obviously. For 70,000 tonnes, we are talking Rs. 700 crores. For 1,20,000 tonnes, yes, obviously, we will be crossing Rs. 1,000 crores.

Jagvir Singh: Suppose raw material price remains Rs. 80 or Rs. 90. Today it is Rs. 90. If the prices are Rs. 90 or less than Rs. 90, we can make the EBITDA margin of more than 15% or not in that case?

Rajen N. Jhaveri: The Rs. 90 is not our raw material price. Rs. 90 is the vegetable oil price. That is what Nahoosh bhai said.

Nahoosh Jariwala: I was just saying that this is the volatility in the commodity price. We will strive to maintain our EBITDA margin 15% plus or minus 1% to 1.5%. That is what we are targeting. All these years we have maintained that, and we are confident we will be able to maintain that except for any unforeseen circumstances.

Moderator: The next question is from the line of Karan Khona from ICICI Securities. Please go ahead.

Karan Khona: Sir, my question is on China dumping the products. As the Chinese suppliers are facing some issues with domestic consumption. That's the reason why they are dumping the product to different countries. Are we seeing any risk from Chinese players currently?

Nahoosh Jariwala: No, currently we are not seeing. In fact, as regards the dimer fatty acid, we are taking Chinese head-on and in fact we are having more than 65% to 70% of India's market share and we are



targeting to increase this market share. We are not worried on Chinese front. In fact, our manufacturing process and everything is fairly robust whereby we are able to take them head-on.

Rajen N. Jhaveri: On the contrary, we are anticipating the other way, Mr. Khona. Chinese would be scared of us. Once we are very successful with isostearic acid, mark the words of Nahoosh bhai, Chinese would be scared of us as far as this dimer acid is concerned. But that is the future thing. Let us wait for 6 months for this.

Moderator: The next question is from the line of Pujan Shah from Congruence Advisors. Please go ahead.

Pujan Shah: Initially I just wanted to ask the isostearic acid what we are talking about that it's a futuristic product. In the competitive sense, where the majority of the production house like majority of the production share has been located? Is it in China? Is it in Vietnam? Or in some other country?

Nahoosh Jariwala: Two in Europe, two in the US. There is no one in China.

Pujan Shah: And how is the competition like? Is it that one company dominating the high market share? Is it fragmented or has it been consolidated?

Nahoosh Jariwala: No one company is dominating the market. But as I said that our share is going to be hardly 5% or 6% of the overall market. And second thing is, it is growing at a CAGR of more than 5% to 6%. We don't foresee.... We are not going to disturb the demand-supply scenario in any way.

Pujan Shah: The US and Europe are currently facing some recessionary scenario. And this is the product used in personal care, mostly I think it's a personal care product. This year, would the demand be subdued or you are seeing very good demand from this product. Actually, we have been starting production from....

Nahoosh Jariwala: We have sent our samples for approvals in all the three segments. We are seeing a very positive response from all the buyers since no one has said that they won't be interested or nothing like that.

Moderator: The next question is from the line of Aashish Uppanlawar from InvesQ Investment Advisors. Please go ahead.

Aashish Uppanlawar: Sir, would you say that the recovery in the Q4 numbers was mid quarter or something? Because, I think Y-o-Y we still had a decline. Was it price driven or some volumes?



Nahoosh Jariwala: As I said, in Q3, we had a drop in demand. That is the thing which affected the overall yearly thing. But January-March, we have done around 17,000 and we see that we will be able to maintain that.

Aashish Uppanlawar: What I was asking was in Q4, Y-o-Y absolute number of sales still would have declined by 15 odd percent. Was that value driven or....?

Rajen N. Jhaveri: Under the present volatility conditions, Y-o-Y comparison would be less significant than the quarter-on-quarter comparison. As Nahooshji explained, the vegetable oil prices, the kind of volatility it has seen over a period of last 2 years.

Nahoosh Jariwala: Yes, that is the difference.

Aashish Uppanlawar: From January, the numbers are normal in terms of volume sales.

Rajen N. Jhaveri: Yes.

Aashish Uppanlawar: So, the entire quarter was a normal volume quarter.

Rajen N. Jhaveri: Yes.

Aashish Uppanlawar: Despite we increasing our sales probably in the projections that we have, we would still be around 60% to 70% capacity utilization.

Rajen N. Jhaveri: Yes.

Aashish Uppanlawar: Is it going to be linear improvement in capacity only or is there a way where we can explore to utilize better and earlier than what we are anticipating?

Nahoosh Jariwala: You need to understand one thing. To build up a capacity, to increase the capacity, it's a 3-year cycle, minimum, between getting the government authority permission, designing of the plant, ordering the equipment, erecting the equipment, and putting it into operation. Normally what we have been doing is once we reach a capacity utilization of around 75%, we embark on expansion. And that's what we did keeping in mind the growth potential of the next 3 years. So, we expect to be working at full capacity by the year '25-26.

Rajen N. Jhaveri: We are more focused on improving the margin-bottom line. That is why we are going for more value-added kind of products, other raw materials. By that, you have to appreciate, what is actually happening is that we are not putting pressure on anything. We are not putting pressure on sourcing of raw materials, we are not putting pressure on any one product. Rather than ensuring only better and better utilization of our capacity which is created for the next 3 years, we are focusing more on this to improve our bottom line.



Aashish Ugganlawar: Our growth trajectory and the plans would normally be of 20 odd percent, but the market for our products typically would not be growing at that pace. So we grow by market share gains, right? Is that a fair thing to assume?

Nahoosh Jariwala: You have to understand one thing and that is that in the paint industry, there are two parts to it. One is organized sector and one is unorganized sector. What is happening is since the GST came in and new entrants like Grasim and everyone is thinking of coming in, the organized sector's market share is going to go up vis-a-vis.... Normally, the market is going to grow at 8% to 10%, but the organized sector is going to take over the market from the unorganized sector. Because of that reason, we are seeing a growth of around 15% to 20%.

Aashish Ugganlawar: Sir, is there nothing on the anvil on the competition side? Any competitors domestically that way given our market share is 60% to 70%?

Nahoosh Jariwala: No, that's what we even in Q3 also we were saying when the results were bad that we haven't lost any of our customers.

Aashish Ugganlawar: So, there's no competitive threat; only the raw material volatility and demand side has to....

Nahoosh Jariwala: Yes, exactly.

Moderator: The next question is from the line of Janmejy Gandhi from IVG Trust. Please go ahead.

Janmejy Gandhi: I have two questions. What is the global market size of these 2 products in the rupee terms or dollar terms? How are we going to price in terms of launching these products in the market? Would we be discounted or is there a demand there? Can you explain more on those sides?

Nahoosh Jariwala: As I said that as regards the isostearic acid market, the market survey reports what we have indicated a market size of around 50,000 tonnes or 55,000 tonnes and we are targeting hardly 5% or 6% of that market share. That is one thing. And the second thing is when you enter into a new developed market, obviously you will have to pitch your product a little bit at a discount to what the competitors are selling. Otherwise, no one is going to be interested in taking up your product. So, that is going to be there.

Janmejy Gandhi: In dollar terms, how much is the market size?

Nahoosh Jariwala: It's the quantity what I am telling you. You can say around \$400 million.

Moderator: The next question is from the line of Prakash Kapadia from Anived Portfolio Managers. Please go ahead.

Prakash Kapadia: Sir, if I just look at the current quarter, there has been a decline in realization sequentially as well as year-on-year basis. And if I just broadly take that 70 odd thousand tonnes which we



feel confident of doing in FY24, we should do at least Rs. 800 crores if I take a blended realization for the year.

Rajen N. Jhaveri: With 17,000 tonnes if we have achieved a sales of Rs. 152 crores, then from 70,000 tonnes if we are saying the sales of Rs. 700 crores with these value-added products, I think it is fair. How are you calculating, you will have to explain.

Prakash Kapadia: Sir, if I just take 17,000 tonnes and if I take Rs. 151 crores, the realization is around Rs. 90,000 a tonne. And if I go back say last quarter which was 9,700 tonnes, there the realization....

Rajen N. Jhaveri: Mr. Kapadia, don't go by quarter to quarter because there is a composition of different products, product mix is different. In one quarter, the product mix could be different. In another quarter, the product mix is different. We have, therefore, always been telling that if you want to compare anything as far as our company is concerned, it has to be on a year-on-year basis only. Then only everything would even out. Otherwise, everyone would be misguided if you try to do such simplistic calculations.

Prakash Kapadia: I am just trying to understand the product mix impact because there seems a big decline this quarter is what I was trying to understand.

Rajen N. Jhaveri: That is what Nahoosh bhai said. From Rs. 80, it had gone to Rs. 160, then came back to Rs. 120 – the vegetable oil prices. And our finished product prices are partly linked to these prices.

Prakash Kapadia: Yes, the input cost determines this. Because that realization of the raw material has gone down, so effectively that is translating into lower realization for us.

Nahoosh Jariwala: Exactly.

Prakash Kapadia: And in a scenario where it would have increased, we would have seen a higher realization per unit.

Nahoosh Jariwala: Yes, exactly. You nailed it.

Prakash Kapadia: And assuming a status quo, if I just do that, we should do roughly Rs. 800 crores next year assuming there is no major change in realization. Rs. 750 crores to Rs. 800 crores should be a good ballpark range. Obviously, as you have been saying quarter on quarter is not the matrix, but the input cost will determine this. Understood.

Moderator: The next question is from the line of Nirag Shah from Exemplar Investment. Please go ahead.

Nirag J. Shah: Since you said assets required for that new raw material and a new product out of that which we are targeting are already installed because of more fast work on high-concentration toco



project, when we likely to begin manufacturing the same and what kind of end-use markets we are planning to serve?

Nahoosh Jariwala: Isostearic acid what I explained, it has 3 applications. One is in lubricant, second is in personal care, and third is in cosmetics. These are the 3 things. The CapEx whatever has been done, already all the CapEx has been done for the isostearic project.

Nirag J. Shah: Nahoosh bhai, the new raw material which we are targeting no?

Nahoosh Jariwala: For which also, 80% to 90% of CapEx has been done. Minor investment of around Rs. 10 crores to Rs. 15 crores might be needed which we will do from our internal accruals.

Nirag J. Shah: So, we should commission that project also by Q2?

Nahoosh Jariwala: No, that should happen in January-March quarter. Again, that is a novel project. No one is doing it in India.

Nirag J. Shah: What kind of end-use markets which you are planning to serve with that?

Nahoosh Jariwala: Again something which is biodegradable. Basically, we have taken a conscious decision to go towards the biodegradable products.

Nirag J. Shah: What is the market opportunity size this product provides?

Nahoosh Jariwala: Again, if we manufacture successfully, we will be one of the 5 or 6 players in the world.

Nirag J. Shah: The stabilization and all will take FY25 to manufacture commercial quantities for that?

Nahoosh Jariwala: Yes.

Moderator: Ladies and gentlemen, that was the last question for today's conference. I now hand the conference over to the management from Fairchem Organics Limited for closing comments. Over to you, sir.

Rajen N. Jhaveri: Thank you all for participating in this earnings call. I hope we were able to answer your questions satisfactorily and at the same time offer insights into our business. If you have any further questions or would like to know more about the company, please reach out to our investor relations manager at Valorem Advisors. Thank you. Stay safe, stay healthy.

Moderator: On behalf of Fairchem Organ Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.

