



FAIRCHEM ORGANICS LIMITED

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February 12, 2024

**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 3rd Quarter/Nine months Ended December 31, 2023**

In furtherance to our letter dated February 8, 2024, 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 concall held on Thursday, February 8, 2024 for the Unaudited Financial Results of the 3rd Quarter/Nine months ended on December 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
ACS - 6615

Encl: As above

Fairchem Organics Limited
Q3 & 9 Months Earnings Conference Call
February 08, 2024

Moderator: Ladies and gentlemen, Good day and welcome to the Q3 & 9 Months FY24 Conference call of Fairchem Organics Limited.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. I now hand the conference over to Ms. Purvangi Jain from Valorem Advisors. Thank you and over to you, ma’am.

Purvangi Jain: Good afternoon everyone and a warm welcome to you all. My name is Purvangi Jain 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 3rd Quarter and 9 months ended of the Financial Year 2024.

Before we begin, a quick cautionary statement. Some of the statements made in today's concall may be forward-looking in nature. Such forward-looking statements are subject to risk 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 Conference Call is purely to educate and bring awareness about the company's fundamental business and financial quarter under review.

Now I would like to introduce you to the management participating with us in today's Earnings Call and hand it over to them for opening remarks. We have with us, Mr. Nahoosh Jariwala – MD and Chairman and Mr. Rajen Jhaveri – CFO.

Without any delay, I request Mr. Rajen Jhaveri to start with his opening remarks on the financial highlights. Thank you.

Rajen Jhaveri:

Thank you, Ms. Purvangi and good afternoon to everyone. Welcome to our Earnings Call for the 3rd Quarter and 9 months ended of the Financial Year 2024.

Let me first start off by giving you some of the key “Financial Highlights” after which our CMD Shri Nahoosh Jariwala will give you some of the operational highlights.

For the 3rd Quarter the revenue from operations stood at Rs. 148 crores, EBITDA for the quarter was Rs. 20 crores with EBITDA margins at 13.37% and we reported net profit after tax of approximately Rs. 12 crore for the quarter. For the 9 months ended December 31, 2023, the revenue from operations stood at Rs. 461 crores, EBITDA was Rs. 48 crores with EBITDA margin at 10.46% and we reported a net profit after tax of approximately Rs. 29 crores.

Now I would request Shri Nahoosh Jariwala to brief you on the “Operational Highlights” for the period under review.

Nahoosh Jariwala:

Thank you, everyone and good afternoon.

On operational front, there was an increase of around 2.64% in volume on quarter-to-quarter basis across all products while in value terms the company witnessed a decrease of approximately 2.8% which was due to decrease in vegetable oil prices which is the basis of our finished product sales price.

The rise in EBITDA from 11.04% to 13.37% was primarily attributed to a more efficient material consumption percentage in relation to sales. It is crucial to emphasize that we have maintained our customer base without losing any of our big or small customers and we remain quite optimistic about our high value-added product Isostearic acid.

Notably the company achieved its inaugural export shipment of Isostearic acid to one of the big customers in Europe during the last week of December, but due to the current Red Sea situation the transit time of vessel has increased and maybe the material will be reaching the shores by end of this month. Taking proactive measures, the company has actively started seeking approvals from new set of consumers anticipating a positive response.

The quantity processed during the 3rd Quarter of 24 amounted to around 15,277 metric tons and looking the way things are going we expect this marginal increase in this the quantity consumption for the quarter of January March.

With this I open the floor for the question-and-answer session.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Dhruv Mukesh Bajaj from Smart Sync's Investment Advisory Services. Please go ahead.

Dhruv Bajaj: Sir my first question was at how much percentage of our current business comes from exports and are we seeing troubles in the Red Sea crisis going forward?

Rajen Jhaveri: Our current export during this quarter was around 10% only of our total sales and as far as Red sea situation is concerned, we will be impacted in respect of our shipments to Europe. As far as our intermediate nutraceutical business is concerned it is mainly to USA and we do not anticipate much problem as far as US shipment is concerned, but as far as this Isostearic shipment is concerned, if the Red sea situation doesn't improve by the time we go full blast on Isostearic acid, it may marginally impact in the sense that the transit time of the vessel would be increased. And freight would be somewhat higher than what we had anticipated.

Dhruv Bajaj: Sir did Q3 revenues had a contribution from Isostearic acid because you mentioned that we actually shipped one shipment in December or that revenue will come in Q4?

Rajen Jhaveri: That revenue as per Ind-As standards will come in this January, March quarter because it was on CIF basis. So we will be able to recognize the revenue only

after the vessel reaches the European seaport. Though the physical shipment was made in December it is not accounted and that was the first shipment of somewhat smaller quantity of about 10 tons only. So, its accounting would be in the quarter of January - March.

Dhruv Bajaj: And sir I wanted to know that on volume terms are we seeing good order flow from new paint players and how much percentage of our total revenues actually comes from paint segment?

Rajen Jhaveri: Paint segment historically only used to contribute approximately 49% - 50% and this dimer acid used to contribute around 24% - 25%. So, till such time we go full blast on this Isostearic acid, these percents are likely to hold. May be on quarter-to-quarter basis, there would be some plus or minus between these 75% share of these two main products.

Dhruv Bajaj: And have we capitalized the new CAPEX in our PPA as Isostearic sales have started?

Rajen Jhaveri: Yes that up to December since we made first commercial shipment, we have capitalized whatever assets we used for Isostearic acid. In the quarter of October - December we capitalized those assets.

Dhruv Bajaj: Sir actually we got H1 balance sheet that's why I just wanted to confirm. And sir how do you see the potential of the new isoteraric product two to three years down the line?

Nahoosh Jariwala: I mean it's an excellent product. We are one of the only I mean in fact we are the only manufacturer in India and one of the few in the world. There are hardly 5 or 6 players and the product what we have made needs the international specification. So, we are very optimistic about the product.

Rajen Jhaver: So, whatever we will produce at full capacity, we hope to achieve that full capacity production and sale hopefully by December 2024 only.

Dhruv Bajaj: And at the current realizations for the Isostearic acid, can you quantify the total capacity revenue potential if possible?

Rajen Jhaveri: That amounts to UPSI so you will better understand that on a selective basis, and it is still in the transit stage because there are many customers and many

applications for these Isostearic acid and the prices also differ. But it is a high value products that much we can assure you it is a high value product.

Nahoosh Jariwala: It will help us in achieving good bottom lines.

Dhruv Bajaj: So, do we see that achieving at least 20% to 25% of the total revenue book 3 years down the line I just wanted to understand that directionally?

Rajen Jhaveri: No as we said that up to the capacity for which we have created this facility up to that only it can give the revenue.

Moderator: Thank you. The next question is from the line of Tejas Sonawane from Asian Market Securities. Please go ahead.

Tejas Sonawane: I had a couple of questions. Firstly on the new value-added products which we are planning to launch, we have already launched Isostearic acid and one more product which we have in the pipeline is methyl esters so just I wanted to understand how is the overall competitive landscape and the opportunity landscape for these two products in terms of the end user applications and also if you could throw some color on the margin profile of these two products that would be very helpful?

Nahoosh Jariwala: Isostearic acid as I said earlier we are the only manufacturer in India and one of the few manufacturers in the world. In fact, there are 5 or 6 manufacturers only. So, we have, I mean, opportunity is very good and we have created a capacity which is good enough to take care of whatever the production I mean we'll be doing in the market what we have foreseen also and we will be able to fulfil all those things and by end of this year by maximum by December, 2022 we expect to reach full capacity utilization. See it's a forward integration project of product, monomer fatty acid which is co-product of dimer fatty acid we have taken it forward to manufacture Isostearic acid.

Tejas Sonawane: In terms of margin profile if you could provide some color on that?

Nahoosh Jariwala: It will add substantially to the bottom line. In rupee term it won't be possible for me to quantify, but it would really help us achieve good bottom lines.

Tejas Sonawane: Secondly, we are witnessing headwinds in terms of oversupply coming in from China and also we continue to see prolonged restocking in key regions of the

US and Europe. So, I just wanted to understand how has been the overall impact of China doing aggressive dumping into the Indian market and some of our products like dimer acid as well as some of the nutraceuticals which we cater to, so just want to understand in terms of the impact which we have had on volumes as well as prices for some of these products?

Nahoosh Jariwala: See, I've been in Q1 of this current year we saw that dumping happening from China in that particular quarter. After that, we haven't seen any dumping happening.

Rajen Jhaveri: And China is competing only for dimer acid with us. As far as our other product for paint industry and this Isostearic is concerned, China is not making Isostearic acid and for the paint industry also China cannot compete with us because of freight component etc. So, dimer acid is the only thing where this happened as Shri Nahooshbhai had said in the Q1 quarter and since last close to 4 – 5 - 6 months it is a normal shipment only from China and there is no dumping at a substantially reduced price. So, we are not having. For other chemical items, whatever you said could be the case, but for our dimer acid since last few months that is not the case.

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

Prakash Kapadia: You know if I look at our 9-month sales and PAT numbers revenues are down 7% and PAT is also down approximately 7% for the 9-month period. You hinted at vegetable oil prices being lower so that partly affects revenue. So, can you share some insights on end user demand especially for paints and inks what is happening? It is lower than what we were anticipating because earlier we seemed pretty confident of 700 crore plus turnover this year, but even if I take say a growth in Q4 of 15% we'll still end the year with negative revenue and PAT growth. So, when does this change and what's the outlook in terms of FY25 things looking better, what are you sensing from your customers, how is movement of production happening, how is demand looking like and would that translate to 15% EBITDA and higher sales growth in 25 or no?

Rajen Jhaveri: Yes, I will take it one by one. First of all, as margin and absolute numbers are concerned for '23-24 versus '22-23, '22-23 if you could recollect was partly

aided by bumper kind of a profit during April, June to '2022 quarter which witnessed the substantial profit something like out of abnormal kind of a profit, so that influenced or that increased our profit for the Financial Year '22-23.

As far as 23-24 is concerned let me tell you one thing on a 9 month basis at least the quantity processed is higher by approximately for 15 percent, but as far as absolute number is concerned time and again we have told these in our earnings call previously also I'm not sure whether you had participated in that call or not that our sales price for prime products substantially depend on the refined soya oil price for paint industry market and for dimer acid whatever is the China market or whatever is the international market for that.

So, we have a control or we can look for higher volume, but as far as absolute value is concerned it is not 100% in our hands, but having said this now for '24-25 we, as earlier we said in response to answer for the previous two speakers we are quite optimistic and confident about the Isostearic acid. The only thing is that Isostearic acid commercial shipment was delayed by a quarter or so.

Otherwise, if had that impact come in this January, March quarter we would have reached or increased/surpassed the sales of Financial Year '22-23 and nearly reached the bottom line which we reached in '22-23. But having said this, for '24-25 we certainly hope to achieve top line growth and bottom-line growth both.

Prakash Kapadia: So, you're saying '25 directionally looks better because Isostearic acid will start contributing and we are working with customers and approvals are likely to come and how is the demand scenario from paints things what is happening?

Nahoosh Jariwala: There's normal. There's nothing I mean normal demand. There is no drop in demand anywhere or neither there is any major surge in demand.

Rajen Jhaveri: We haven't lost any customer also. So, I mean, there's nothing like that.

Prakash Kapadia: From paints and as well as inks?

Nahoosh Jariwala: Yes.

Prakash Kapadia: So, we remain confident of FY25 definitely being better than.

Nahoosh Jariwala: Yes for sure.

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

Nirag Shah: Can I have the separate value and volume figure of linoleic soya fatty acid as well as dimer acid for Q3 24 and 9 months '24?

Rajen Jhaveri: Dimer acid Q3 quantity was nearly 2000 tons and linoleic acid Q3 quantity was more than 7,000 tons.

Nirag Shah: And for 9 months?

Rajen Jhaveri: For 9 months dimer quantity is nearly 6,000 tons and linoleic acid is 22,000 tons.

Nirag Shah: And secondly I wanted to know that once bulk supply starts for Isostearic acid post stability test and other approvals from customer side what kind of yearly metric tons volume we can produce of Isostearic in first full year of operation?

Rajen Jhaveri: At peak capacity as we earlier said we are quite hopeful of achieving by December 2024. Our annual production of Isostearic acid is estimated at 2,000 metric tons.

Nirag Shah: And lastly since we are now just less than 2 months away from closing Fiscal '24, can we have at least rough ideas to when we exactly plan to commission a new raw material processing plant that we were talking about at the beginning and what kind of products we plan to manufacture out of it?

Nahoosh Jariwala: We are still working on that new product it's taking a little bit longer time.

Rajen Jhaveri: Because we're focused on Isostearic acid.

Nahoosh Jariwala: It focus more concentrate on isostearic, but now again we have started work on that new product on fast-track basis, but then again it's a very tricky product. So, I mean we had certain guess work yes we feel that we'll be able to achieve something like this by this time, but it will not so happen. Again that product no one is making in India and we are going to make it for the first

time and we want to be again one of the few manufacturers in the world. So, I hope you understand that it's not going to be an easy product.

Nirag Shah: But in FY25 we will see it commissioning?

Nahoosh Jariwala: May be last quarter of FY25.

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

Prit Nagersheth: So, my question is on the solar project that was going to be put up, can you please share what the progress is and also what will be the impact on margin?

Nahoosh Jariwala: Based on the government of Gujarat's new policy we are looking for the solar project which can take care of our 100% of our requirement and obviously it will have an excellent eBay concept. We are looking for the suitable land at the reasonable price nothing else otherwise we are everything is else is set.

Rajen Jhaveri: As soon as this government of Gujarat's new policy came out where we could go for 100% of our power requirement. Earlier it was 50% Mr. Nagersheth you would be knowing and the government of Gujarat has now come out with a policy that we can go up to 100% for solar power and immediately thereafter we have already started searching for this thing land etc.

Moderator: Thank you. The next question is from the line of Narendra from Robo Capital. Please go ahead.

Narendra: So, my first question is that when we expanded our capacity 1,20,000 tons we had the target to be utilized it and say 2 years, but then all the disruption with the paint industry happened and the raw material volatility was there. So, now I believe things are stabilized. So, what would be your target as to when you achieve that full utilization of the expanded capacity?

Rajen Jhaveri: Yes, so in the expanded capacity of 1,20,000 tons what we have now planned is that 80,000 tons we have earmarked for the present activities which we are doing that is this paint industry product, dimer acid, Isostearic acid and even the stearic acid also which is meant for local market and the balance 40,000 tons these equipments which we have earmarked, etc., and some of the balancing equipments which you may take that is earmark for this new project

about which I think the previous speaker talked about this new project and that 40,000 would be as Nahooshbhai said hopefully in the last quarter of the next financial year that would be in operation. So, presently we are concentrating on these 80,000 tons of utilization of capacity which is available with us and our current utilization is nearly more than 75% something like that.

Narendra: So, we should be reaching around the utilization to 90% in the next year for this 80,000 tons?

Rajen Jhaveri: Yes, certainly we are quite optimistic about that.

Narendra: And regarding the realization and the oil price ratio have they stabilized and should we see normalized growth and margin going ahead. I know it in percentage terms it's not possible for you to say, but say absolute terms is it fair to say that it would be growing going ahead?

Rajen Jhaveri: Since last few months this refined soya oil price is moving in a narrow range compared to the volatility which was prevalent after this Russia-Ukraine war, etc., but since last few months it is moving in a narrow range, but before that let us take this opportunity to place on record that before this COVID before this war and even before the COVID, these oil prices had all this right from 96 when we started this till 2020 oil prices hardly moved beyond the range of say 2% to 3% either side, but after COVID and more particularly after this war lot of volatility is seen, but off late it is showing the signs of stability, but then again government may tinker its import policy, custom duty levy,, etc., on different kinds of weights, etc., and that again could result in the volatility, but that is you can understand that is not in our hand.

Nahoosh Jariwala: It looks like that volatility would be to the extent what it was in the year 21-22.

Narendra: It should be the absolute numbers should be doing so that was my basic question and the indications are towards that right unless something untoward happens?

Nahoosh Jariwala: Yes.

Narendra: And one last question, for example, if we make a Rs. 100 on the Isostearic acid. So, what will be the ballpark percentage that could reflect in our EBITDA margins if you could shed some light on that?

Rajen Jhaveri: Pardon.

Nahoosh Jariwala: He is saying what would be the increase in EBITDA?

Rajen Jhaveri: It is still premature and it depends on UPSI also we won't be able to share it.

Moderator: Thank you. The next question is from the line of Dhruv Mukesh Bajaj from Smart Sync Services. Please go ahead.

Dhruv Bajaj: Sir. I've been attending your call since last two, three quarters, but I just want to understand one thing more intently that is the raw material prices direct of oil directly proportional to our raw materials since we are using vegetable waste oil. So, like I'm trying to understand the impact of palm oil or refined oil prices in the supply on the company?

Nahoosh Jariwala: See I can say one thing for sure exactly not in percentage term it is there, but if vegetable oil prices go up our raw material prices also go up and finished product prices also go up. If vegetable oil prices come down our raw material prices also would come down and our sales prices also would come down.

Dhruv Bajaj: So, we are not affected by the absolute increase we are just affected by the volatility in that, right?

Nahoosh Jariwala: Exactly and volatility is not good for any business.

Dhruv Bajaj: And sir I've been tracking the fatty acid prices. So, is my understanding correct that our dimer prices and linoleic acid are directly related to the fatty acid WPI index. So, is that the right benchmark to track our realizations?

Nahoosh Jariwala: No. It is more based for palm.

Rajen Jhaveri: You are saying is more based for palm and we are into soft oil byproducts and palm is a hard oil one.

Dhruv Bajaj: And sir like in this quarter we saw volume growth, but on value terms we saw the slight degrowth. So, is it because of the poor demand scenario or again the high supply side pressure that you're talking about in the dimer asset?

Rajen Jhaveri: What just now Shri Nahooshbhai said that is the refined soya oil prices. So a declining trend our thing is good price also good for declining trend. That is what we said that in spite of a higher volume of 2.5% there is degrowth in value terms of 2.5% around 3% that is because of that.

Moderator: Thank you. The next question is from the line of Rajesh Jain from Neuberger Berman. Please go ahead.

Rajesh Jain: I had two, three questions. The first one is regarding your project of handling a new different raw material, so my question is this something similar to waste vegetable oil that we are handling now?

Nahoosh Jariwala: We are not deviating from our core competency area of vegetable oil-based products, byproducts or in fatty acids. It is a fatty acid, the equipments are going to be near about the same and the market is going to be, I mean, it's more going to be an export-oriented product.

Rajesh Jain: So, will the products be different than what we are currently markets are selling?

Nahoosh Jariwala: There are different type of fatty acid, end use these would be different, different type of having a different end user application.

Rajesh Jain: Needless to say, the margin should be better than the current ones.

Nahoosh Jariwala: Yes.

Rajesh Jain: So, just now CFO said that you have earmarked around 40,000 metric ton for that project. So, that means currently in case if next year if the demand outstrips and can't we use that 40,000 for the existing products?

Nahoosh Jariwala: I mean, see if demand in the current set of products like we have earmarked 80,000 tons and if demand goes up substantially and we are able to sell equivalent 100,000 tons then we can increase from 80,000 to 1,00,000. I mean that capacity is there. The equipments will earmarked. For these set of

equipments, these set of products, but what we felt is it makes more sense for us to go for a new product or value added products rather than the same set of products. So, that the reason we have earmarked 40,000 for new products. We can reduce that to 20,000 tons and we can add 20,000 tons to current set of products.

Rajen Jhaveri: Over a period of last 27 years that we are in this business what we have understood is rather than putting so much of pressure on the availability of raw material and selling finished goods by trying to attempt more and more quantity it is always better to diversify and take this new set of product which no one in India makes. So, that is what consciously Nahooshbhai had decided that is what we had to do, but as you said if the market scenario so requires, we can go for more than 80,000 tons also.

Rajesh Jain: The point is understood what I wanted to know is now in case if as you mentioned by Q3 or Q4 of next financial year if this project becomes successful and if you start utilizing let us say 20,000 metric ton of the capacity in FY26 and for the regular products also if the utilization increases then there may be a requirement for you to add more capacity is that understanding is correct?

Nahoosh Jariwala: Yes.

Rajesh Jain: Sir my second question was regarding the steroids the nutraceuticals segment there was some project where you wanted to increase the concentration of these products and also deliberating to enter into some more products in that segment, is that project on hold or anything is there still in?

Nahoosh Jariwala: That project is on hold only for one reason that I mean it's not that viable lucrative proposal.

Rajesh Jain: Sir, in that scenario we had bought almost 4 years, 5 years back some land parcel?

Nahoosh Jariwala: We have already utilized that land parcel for increasing the capacity to 1,20,000 tons for Isostearic acid and for the new product new product what we are working on. There is no excess land at present location.

Moderator: Thank you. The next question is from the line of Ritesh Poladia from Girik Capital. Please go ahead.

Ritesh Poladia: What's the size market size, global size of Isostearic acid?

Nahoosh Jariwala: None of the manufacturers would share their production capacity or anything. So, whatever data would be available would be just guess work, but I can say our capacity would be equivalent to hardly 5% or 6% of world's demand.

Rajen Jhaveri: The response what we have got from the overseas users of this Isostearic acid that itself gives us this kind of confidence that we will be reaching the full capacity utilization by December, 24 only. The response which we have got over a period of last 3 to 4 months.

Ritesh Poladia: And sir what's the ongoing realization of this product?

Rajen Jhaveri: Yes that is a high value product. That is why Nahooshbhai repeatedly says that it will help us in increasing our bottom line. Of course, top line it is a value-added products.

Nahoosh Jariwala: It goes in making of cosmetics and biodegradable lubricants. So, you can understand both are high value application.

Ritesh Poladia: Sir, somewhere in the range of \$5,000 a ton?

Rajen Jhaveri: It is a high value product.

Ritesh Poladia: And sir just last point how much India would be importing I think that data would be recorded?

Rajen Jhaveri: India may not be importing Isostearic acid.

Nahoosh Jariwala: India may not be importing Isostearic acid itself. India might be importing Isostearic based derivatives.

Moderator: Thank you. The next question is from the line of Nitin Gandhi from Inoquest Advisors Private Limited. Please go ahead.

Nitin Gandhi: Sir when you say the capacity is 5% of world, so are we seeing the top player that Croda or Arizona will be at least 4x, 5x of us?

Rajen Jhaveri: Yes. More than 90% is for the remaining 5 or 6. So, any one of them could be much higher. Yes, all of them may not be equal.

Nahoosh Jariwala: But Arizona and Croda might be higher.

Nitin Gandhi: So, we will be close to Zarchem or Emery that's looks like right?

Nahoosh Jariwala: Zarchem is more of a distributor.

Nitin Gandhi: It's more of a distributor and Emery?

Nahoosh Jariwala: There are quite a few who show themselves as traders. They always write manufacturers and distributors, so we always get confused about it.

Nitin Gandhi: Sir. I couldn't get the figure CAPEX is done for iso because the presentation shows only data of September?

Nahoosh Jariwala: There is no separate CAPEX.

Rajen Jhaveri: So, there is no separate CAPEX. Actually, some of our assets which we are presently using for our this fatty asset business, they are also used in these making these Isostearic acid because it is again a fatty acid only and some of the assets which we have created for that our new project some of those assets which we have used for Isostearic acid and the balance assets we are going to use for the new product about which we earlier talked.

Nitin Gandhi: So, this 2000 will be forming part of the 40,000 of new products?

Rajen Jhaveri: No 2,000 is part of this 80,000 only. It is a value-added product.

Nahoosh Jariwala: Forward integration of one of our product streams.

Nitin Gandhi: The best year of ours '22, what was our average utilization during '22-23?

Rajen Jhaveri: '22-23 would be around 60%.

Nitin Gandhi: So, '21-22 because that's where we had the highest of the revenue 650 odd crores?

Rajen Jhaveri: Capacity addition might have taken place in between the year, etc., so we have to capture all those things and it was in phases, capacity addition was also in phases. These were COVID years also so might have been impacted because of that also. Actually, COVID we started in March '20. It lasted till I think September '21 for 18 months it lasted.

Nitin Gandhi: Now with this iso and other products is it possible that we reached the best margin which you enjoyed during COVID of 15% plus?

Nahoosh Jariwala: Yes, we hope so.

Nitin Gandhi: And can you share some price trend behavior of 10 years ISO so far how volatile I'm not saying exact number but plus minus of whatever base price?

Rajen Jhaveri: Price trend of what?

Nitin Gandhi: Isostearic acid which you have 2,000 capacity?

Nahoosh Jariwala: Always it has been on a higher side, because it's a very tough product to make.

Nitin Gandhi: No I'm seeking volatility whether it goes up by 25%, goes down by 25%, 30%?

Nahoosh Jariwala: See, I'll tell you one thing once you enter the specialty product segment the volatility typically goes down. It would be more on stable basis. Yes marginal increase decrease can happen, but no major increase decrease like a commodity product. I mean vegetable oil no that type of volatility won't be there.

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

Nirag Shah: Yes, in the response on previous participant question you said we are almost at 75% utilization on 80,000 metric ton capacity that you have dedicated for old products and forward integration out of that?

Rajen Jhaveri: Yes.

Nirag Shah: Which is around I think 85% to 90% in FY25 because totally we have planned every capacity production which is around 85% utilization. So, my question was are we going to go for any expansion 25 and for the old products or we

are seeing some kind of situation appearing said products. So, we will be focusing on new products only?

Nahoosh Jariwala: No, it's not like that. I mean then we can go for an expansion, that's no big deal. We have substantial cash flow we don't have any debt. So, I mean that's not an issue at all, we don't have any long term debt since last almost 21 months. I mean going for expansion is no big deal and we have always been proactive as regards expansion we always prefer keeping latent capacity. So, I mean once we see that we will go for expansion?

Nirag Shah: So, our existing land has Brownfield scope?

Nahoosh Jariwala: An adjoining piece of land is available so I mean if we really wish we can.

Moderator: Thank you. The next question is from the line of Manan Wandur who's an individual investor. Please go ahead.

Manan Wandur: I just wanted to understand the Red Sea crisis. So, as you said that your shipment is going to be delayed. So, let's say, for example, let's say the Red Sea crisis was not there. So, typically how much time it takes for the shipment to arrive and because the Red Sea crisis is now going on so how much is like kind of a delay like it does it take one month on normal basis and because of the crisis it is taking 2 months, 3 months, can you explain that?

Rajen Jhaveri: Normally, shipment from western part of India that is Nhava Sheva to European seaport normally should take within three weeks that is less than 21 days. If it goes through Red sea, but now that it is not going through Red sea and it is going through these other route.

And this was the initial thing and shipping line decided to reroute after the vessel sailed from Nhava Sheva Port it took a little longer and it is now scheduled to reach tomorrow as per the date given to us 9 February, but ultimately, whether on 9th February it reaches or not, it is yet to be seen.

So, typically instead of 21 days it may now take more than more time than it otherwise would keep for USA, USA shipment will be within 28 days, but this shipment would take even longer than that because from Nhava Sheva it will go to African side and from African side it will again go back to European side, but that is okay.

It may take some maybe 15 days, 20 days otherwise our business is not going to be impacted because of that. Only thing is that it is delayed by 15 days that's all and somewhat shipping costs would be higher, but it is already a high value product.

Manan Wandur: So, in terms of that like how will it affect the freight component?

Rajen Jhaveri: That is what I said it is a high value product.

Nahoosh Jariwala: High value product therefore percentage to I mean sales would be miniscule, I mean not something not even we will look at.

Rajen Jhaveri: So, we are not worried on that account.

Manan Wandur: For this year guidance like we had guided around 700 crores and by the conversation that we had understood that we might not be able to achieve it. So, I just wanted to understand on that aspect like we might not be able to achieve it right?

Rajen Jhaveri: We will be able to achieve the volume growth only thing is that the value part is because it is not entirely in our hands as we said. It is partly dependent on the movement of refined soya oil price during 365 days of the year. Otherwise on a 9 months basis there is already a volume growth of 15% in quantity processed and year end also we might be having the same kind of 12% to 15% volume growth, but maybe value we may not be having value growth, but it depends how this February March goes, but that is as we said that is not entirely in our hand.

Manan Wandur: And I just wanted to understand like every quarter once we once we fully ramp up the Isostearic every quarter how much tons we will be supplying?

Rajen Jhaveri: We said that peak capacity we can make up to 2000 tons of Isostearic acid. So, when we reach the peak capacity every quarter we can supply 500 tons.

Manan Wandur: And the incremental revenue is around 25 crores if I'm not wrong?

Rajen Jhaveri: No we have not said what is the revenue increase. How have you arrived at 25 crores, we do not know.

Manan Wandur: In the quarter second it was said that is why I am just asking?

Nahoosh Jariwala: Yes I do remember someone asking me what will be the increase in revenue it would be 100 crores I said maybe it will be something like that. I mean we haven't said any perfect figure because it's not possible for us to share nothing beyond that it's a high value product time and we are saying.

Moderator: Thank you. The next question is from the line of Sanjeev Damani from SKD Consultants Private Limited.

Sanjeev Damani: So, sir now I only want to know one thing that the total capacity that you have mentioned is 1,20,000 tons is for all products together or it is for a particular product?

Nahoosh Jariwala: For all products together, it is always measured in terms of input of raw material.

Sanjeev Damani: So, this much raw material we can put in and the same raw material make all the derivatives that we make out of this raw materials?

Nahoosh Jariwala: Yes.

Sanjeev Damani: So, they are all derivatives?

Nahoosh Jariwala: We are something like similar to Reliance's crude oil refinery it is always measured in terms of input of crude oil and not in terms of how much quantity of petrol you make or diesel you make.

Sanjeev Damani: Sir, one more finding last time also in the last concall I had inquired there is no major competitor to ask of this kind in India or there are certain other manufacturer?

Rajen Jhaveri: Product wise you have to see.

Nahoosh Jariwala: Product wise you have to see, but for dimer there is no competition, Isostearic no competition from India, for linoleic no competition a poor product, inferior product linoleic yes there are manufacture. There are manufacturers for nutraceutical there are one or two small players. All these products are cleared in China and Europe and USA.

Sanjeev Damani: Can you give us the percentage wise volume that we produce of each product I mean, there's not something secret to share?

Rajen Jhaveri: Already one participant earlier asked this question for a 3 month and a 9-month basis I already replied.

Nahoosh Jariwala: For 9 month we have done 6,000 tons of dimer. Last quarter, we did 2,000 tons of dimer, last quarter we did 7,000 tons of linoleic and in three quarters we did 22,000 tons of linoleic.

Rajen Jhaveri: That is what we replied earlier.

Moderator: Thank you. The next question is from the line of Harsh Beria who's an Individual Investor. Please go ahead.

Harsh Beria: My question is again about Isostearic acid. So, as I understand currently that our Isostearic acid is a byproduct when we make dimer acid and so far we have seen something that China dumps dimer acids to India. So, going forward as we scale up our Isostearic acid is it possible for us to reduce our dimer acid prices and gain further market share?

Nahoosh Jariwala: Yes, perfect. Exactly it will insulate us against Chinese dumping. You have got it, you are bang on.

Harsh Beria: And in my understanding our realizations I know you're not very comfortable speaking about realizations of Isostearic, but I think it's the price is gettable and it's about four times maybe higher than dimer prices. So, in terms of value addition like what else do we need to spend while making Isostearic acid after we have made dimer acid.

Nahoosh Jariwala: Yes. it's confidential, but if we need to use certain types of specialty catalysts and certain types of the things plus the utility cost and other affairs. Let me tell you one thing it is the product was manufactured after more than 5 or 6 years of hard work because no technology is available for this. You need to develop it in house and run it successfully on the plant.

Rajen Jhaveri: First we did it in laboratory, then on pilot plant, then at plant scale and that is how if something is made in the world by 5 or 6 companies only and that too in the developed countries of Europe and USA, you can understand that product is not bound to be that easy to make.

Harsh Beria: And sir my final question is about linoleic acid demand. So, in the recent times we have seen that the volume growth in decorative paints has gone down quite a lot for a lot of years and are we seeing a recovery in volume growth coming back for decorative paint manufacturers? So, basically are we seeing linoleic acid volumes growing at 15% or something which we were doing in the past?

Nahoosh Jariwala: No the volume growth will happen in linoleic acid. It's not that decorative paint segment is seeing any degrowth. So, with so much of housing support given by Government of India, I mean the continuous growth is happening and in fact new entrants are also coming in and like with all the new entrants also we are working closely with them as regards the product development.

Harsh Beria: And sir Grasim's plant is coming I think on stream in the next quarter. So, are we already supplying them?

Nahoosh Jariwala: Already our product is approved.

Rajen Jhaveri: Laboratory has already approved our product.

Moderator: Thank you. The next question is from the line of Narendra from Robo Capital. Please go ahead.

Narendra: So, this question is regarding the new raw material that you are using in the product. So, is it also a value-added product and the ballpark realizations should be more?

Nahoosh Jariwala: It's a different raw material we are going to use than the current set of raw materials, but basically we are not deviating from our core competency of vegetable oils and its fatty acids.

Narendra: Basically, I wanted to understand the realization. So, would it be more towards our current products or leaning more towards the higher end product?

Nahoosh Jariwala: Higher end.

Narendra: And any ballpark difference you could mention say 10% or 20% more anything?

Nahoosh Jariwala: It would be much higher than much I can say. Average sales value would be much higher.

Moderator: Thank you. The next question is from the line of Nitin Gandhi from Inoquest Advisors Private Limited. Please go ahead.

Nitin Gandhi: Can you just share out of 80,000 what's the percentage which is sold as a monopoly product?

Rajen Jhaveri: We already talked about the dimer acid we are selling this much quantity.

Nitin Gandhi: No, you shared individually how much is the sales, but I just wanted to know in a totality in a macro. So, out of 80,000 maybe 40%, 50%, 60%?

Rajen Jhaveri: Other than linoleic acid and dimer acids they are co products or byproducts. So, other than prime products, there cannot be a situation like monopoly or no monopoly. Monopoly or no monopoly would be there for prime products and linoleic acid, dimer acid are the present two prime products, intermediate nutraceutical is a prime product.

Now, Isostearic acid is also a prime product. So, whenever we want to talk about competition or no competition we have to talk about these products and for dimer acid there is a competition from China only. As far as linoleic acid is concerned we are the only company in India to make such kind of linoleic acid.

There are two, three other companies which are making an inferior kind of a product not linoleic acid as such. Isostearic acid, we are the first company in India and perhaps in Asia to make this Isostearic acid so there is no competition from within India or even from China.

Moderator: Thank you. Ladies and gentlemen, we would take that as our last question for today. I now hand the conference over to the management from Fairchem Organics Limited for closing comments.

Rajen Jhaveri: We thank all the participants for participating in this call.

Nahoosh Jariwala: Thank you everyone.

Moderator:

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