

# Fairchem Organics Limited



## Earnings Presentation

Q4-FY22/FY22

# Company at a Glance

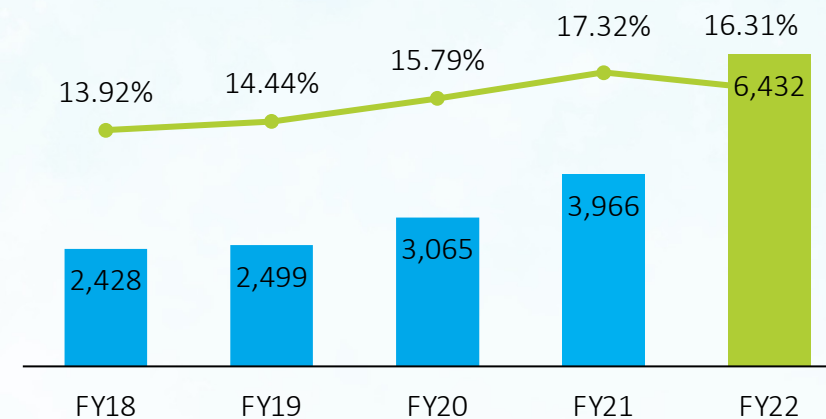




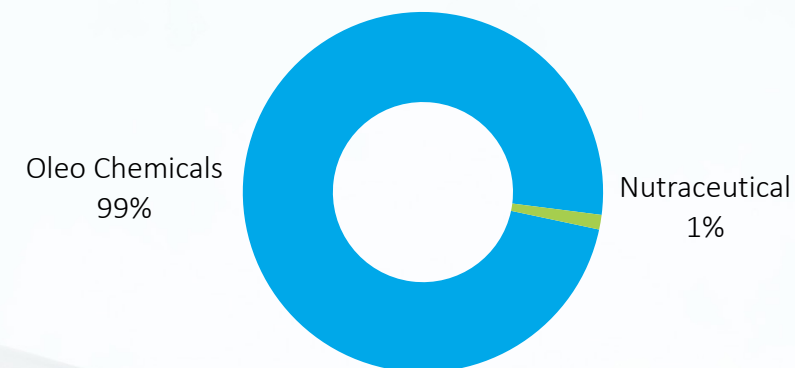
# Company Overview

- Fairchem Organics Ltd. (Fairchem) is engaged in the business of manufacturing of Oleo Chemicals and Nutraceuticals, since the last 25 years.
- 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.
- 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 raw materials throughput capacity has been expanded to 90,000 MTPA during FY22 and is being further expanded to 1,20,000 MTPA with minimal CAPEX.
- Fairchem is the one of the only manufacturers of Linoleic Acid and Dimer Acid in India, which are the major part of the overall revenues and having a large addressable market size in India.
- Mixed Tocopherol concentrate and Sterols concentrate are nutraceutical products having usage in FMCG and food additives.
- Fairchem supplies to various marquee customers like Asian Paints, Huber (erstwhile Micro Inks), Arkema, Kensing, ADM, Cargill etc.

Revenue & EBITDA Margin (In Mn)



FY22 Segmental Revenue (%)



# Fairchem's Competitive Advantage

## Major Player in the Indian Oleo Chemical Market Using Renewable Resources

- Processing waste from edible oil refining process to produce high value oleo chemicals giving it price advantage
- Enjoy Leadership Position in the industry due to barriers to entry
- Focus on green manufacturing processes which reduces effluents to ensure sustainability

## Strong Customer and Supplier Relationships

- Well entrenched Customer Relationships in high growth industries like Paint, Inks, FMCG
- Fair pricing from customers due to quality of products
- More than 20 years relationship with key raw material suppliers.

## Competitive Position

- Low cost of raw material and efficient manufacturing process enables it to be highly cost competitive vis a vis global peers
- Leading manufacturer in India for substantial part of the overall revenue
- Position to sell most that it produces

## Experienced senior management

- Fairchem is well supported by an esteemed Promoter Institution – Fairfax India Holdings
- Strong and experienced management team that have positioned business well for continued growth and development
- Strong R&D team focusing on integration and green chemistry

## Capital Efficiency

- Majority of the capacity expansion has been undertaken primarily through internal accruals.
- Judicious strategy on capacity expansion by evaluating market demand-supply scenario and working very closely with its customer base

# Financial Governance Standards

Invest for long term growth value creation

Always be adequately capitalized

Not overleverage the balance sheet

Secure sources of sustainable raw material supply

Invest in backward and forward integration

Transparent communications with all the stakeholders

Low volatility in the cash flow generation





## Key Financial Highlights

# Q4-FY22/FY22 Financial & Operational Highlights

## Q4-FY22 Financial Performance

**INR 1,776 Mn**  
Revenue from  
Operations

**INR 187 Mn**  
EBITDA

**10.53%**  
EBITDA Margins

**INR 112 Mn**  
PAT

**6.31%**  
PAT Margins

**INR 8.63/Share**  
Diluted EPS

## FY22 Financial Performance

**INR 6,432 Mn**  
Revenue from  
Operations

**INR 1,049 Mn**  
EBITDA

**16.31%**  
EBITDA Margins

**INR 679 Mn**  
PAT

**10.56%**  
PAT Margins

**INR 52.15/Share**  
Diluted EPS

- The fall in Profit before Tax was mainly on account of higher cost of Raw Materials.
- There was no remarkable respite from higher coal prices which kept Power and Fuel costs also at an elevated level.
- Raw material prices during the quarter continued to remain volatile, partly due to mismatch in demand vis-à-vis supply and partly due to global trend of higher commodity prices.
- To feed our plant and to ensure that we maintain our market share in prime products, we were compelled to buy raw materials at prevailing higher prices and absorb some portion of the same which marginally dented our contribution.
- As the company progressively is manufacturing higher volumes, it would require to source substantial quantity of raw materials locally available and therefore, need to pay premiums in some cases to procure this quantity.
- For the financial year ending 2022, the board has recommended Dividend @130% i.e., Rs. 13.00 per equity share subject to approval of the shareholders.

# Quarterly Financial Performance

PARTICULARS (INR Mn)	Q4-FY22	Q4-FY21	Y-O-Y	Q3-FY22	Q-O-Q
Revenue from Operations	1,776	1,593	11.5%	1,584	12.1%
Total Expenses	1,589	1,318	20.6%	1,371	15.9%
EBITDA	187	275	(32.0)%	213	(12.2)%
<i>EBITDA Margins (%)</i>	<i>10.53%</i>	<i>17.26%</i>	<i>(673) Bps</i>	<i>13.45%</i>	<i>(292) Bps</i>
Other Income	1	3	(66.7)%	1	-
Depreciation	19	16	18.8%	18	5.6%
Finance Cost	17	22	(22.7)%	15	13.3%
PBT	152	240	(36.7)%	181	(16.0)%
Tax	40	52	(23.1)%	46	(13.0)%
Profit After Tax	112	188	(40.4)%	135	(17.0)%
<i>PAT Margins (%)</i>	<i>6.31%</i>	<i>11.80%</i>	<i>(549) Bps</i>	<i>8.52%</i>	<i>(221) Bps</i>
Other Comprehensive Income	2	(4)	NA	1	NA
Total Comprehensive Income	114	184	(38.0)%	136	(16.2)%
Basic/Diluted EPS (INR per share)	8.63	14.46	(40.3)%	10.33	(16.5)%



# Annual Financial Performance

PARTICULARS (INR Mn)	FY22	FY21	Y-O-Y
Revenue from Operations	6,432	3,966	62.2%
Total Expenses	5,383	3,279	64.2%
EBITDA	1,049	687	52.7%
<i>EBITDA Margins (%)</i>	<i>16.31%</i>	<i>17.32%</i>	<i>(101) Bps</i>
Other Income	3	3	-
Depreciation	71	66	7.6%
Finance Cost	69	68	1.5%
PBT	912	556	64.0%
Tax	233	131	77.9%
Profit After Tax	679	425	59.8%
<i>PAT Margins (%)</i>	<i>10.56%</i>	<i>10.72%</i>	<i>(16) Bps</i>
Other Comprehensive Income	1	(5)	NA
Total Comprehensive Income	680	420	61.9%
Basic/Diluted EPS (INR per share)	52.15	32.63	59.8%

# Historical Income Statement

PARTICULARS (INR Mn)	FY19	FY20	FY21	FY22
Revenue from Operations	2,499	3,065	3,966	6,432
Total Expenses	2,138	2,581	3,279	5,383
EBITDA	361	484	687	1,049
<i>EBITDA Margins (%)</i>	<i>14.44%</i>	<i>15.79%</i>	<i>17.32%</i>	<i>16.31%</i>
Other Income	43	66	3	3
Depreciation	55	60	66	71
Finance Cost	57	66	68	69
PBT	292	424	556	912
Tax	77	77	131	233
Profit After Tax	215	347	425	679
<i>PAT Margins (%)</i>	<i>8.60%</i>	<i>11.32%</i>	<i>10.72%</i>	<i>10.56%</i>
Other Comprehensive Income	(2)	(1)	(5)	1
Total Comprehensive Income	213	346	420	680
Basic/Diluted EPS (INR per share)	5.51	26.65	32.63	52.15

# Historical Balance Sheet

ASSETS	FY20	FY21	FY22
<b>Non-Current Assets</b>			
Property, Plant and Equipment	1,219	1,220	1,363
Capital work-in-progress	94	295	420
Right of use assets	43	43	42
Intangible Assets	1	-	-
Intangible Assests Under Development	-	-	2
Financial Assets			
(i) Other Financial Assets	3	-	2
Non-current Tax Assets (Net)	14	18	19
Other Non-current Assets	66	30	20
	<b>1,440</b>	<b>1,606</b>	<b>1,868</b>
<b>Current Assets</b>			
Inventories	353	453	700
Financial Assets			
(i) Trade receivables	379	468	622
(ii) Cash and Bank Balance	2	4	2
Other current assets	15	55	49
	<b>749</b>	<b>980</b>	<b>1,373</b>
<b>TOTAL ASSETS</b>	<b>2,189</b>	<b>2,586</b>	<b>3,241</b>

EQUITY AND LIABILITIES	FY20	FY21	FY22
<b>EQUITY</b>			
Equity Share Capital	130	130	130
Instruments entirely equity in nature			
Other Equity	1,137	1,557	2,191
	<b>1,267</b>	<b>1,687</b>	<b>2,321</b>
<b>LIABILITIES</b>			
<b>Non-Current Liabilities</b>			
Financial Liabilities			
Borrowings	163	260	100
Provisions	12	18	17
Deferred Tax Liabilities (Net)	116	113	128
	<b>291</b>	<b>391</b>	<b>245</b>
<b>Current Liabilities</b>			
Financial Liabilities			
(i) Borrowings	504	308	520
(ii) Trade Payables	64	109	91
(iii) Other financial liabilities	21	21	8
Other current liabilities	29	46	36
Provisions	3	10	10
Current Tax Liabilities (Net)	10	14	10
	<b>631</b>	<b>508</b>	<b>675</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>2,189</b>	<b>2,586</b>	<b>3,241</b>

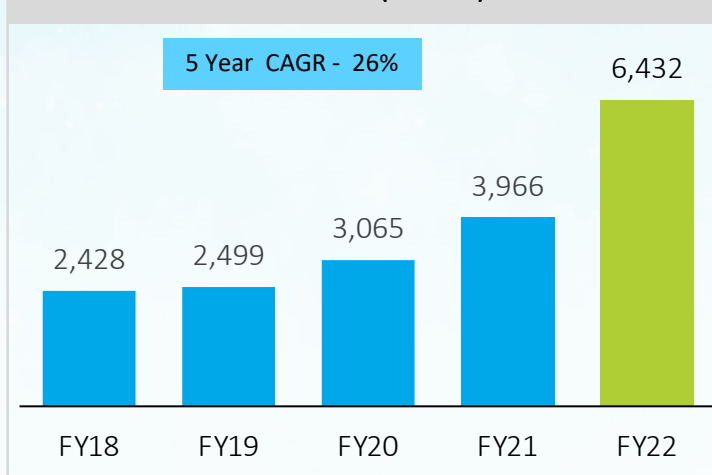


# Historical Cash Flow Statement

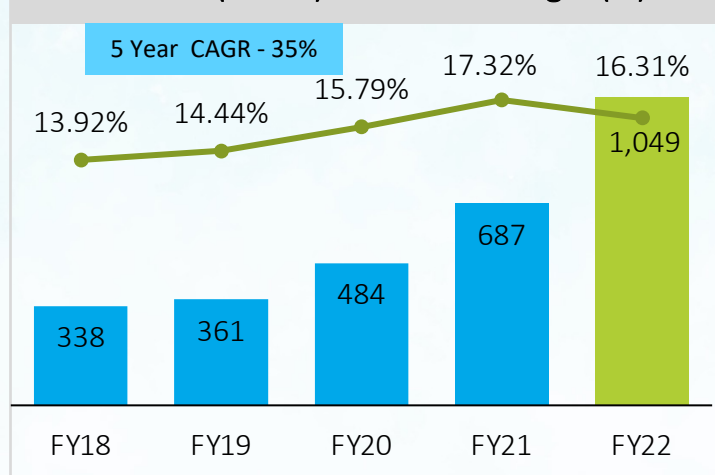
PARTICULARS (INR Mn)	FY20	FY21	FY22
Cash and Cash Equivalents at Beginning of the year	0.2	0.3	0.3
Cash Flow From Operating Activities	312	394	405
Cash Flow from Investing Activities	(239)	(228)	(342)
Cash Flow From Financing Activities	(73)	(166)	(63)
Net Inc./ (Dec.) in Cash and Cash Equivalent	-	-	(0.2)
Cash and Cash Equivalents at End of the year	0.3	0.3	0.1
Operating Cash Inflow	312	394	405
Capital Expenditure	(303)	(231)	(350)
FCF	9	163	55

# Key Financial Highlights

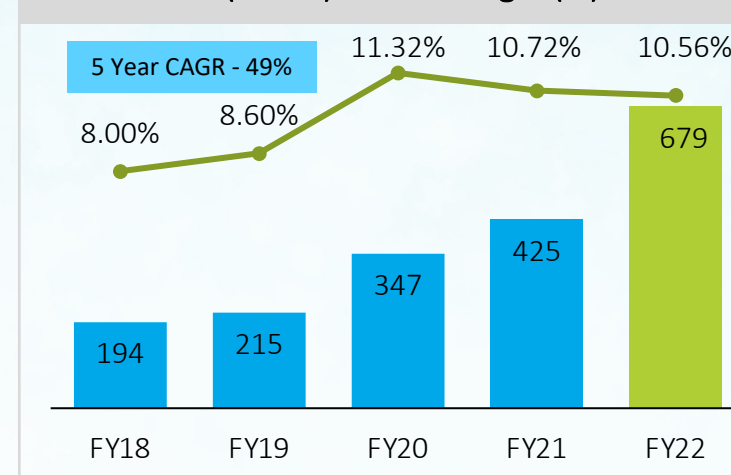
## Revenue (In Mn)



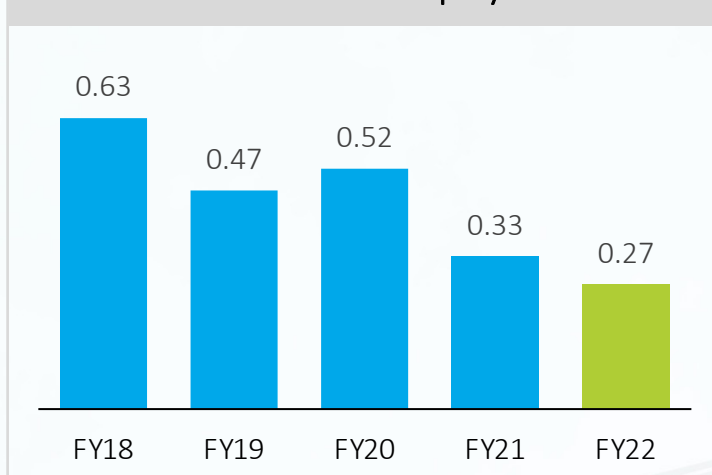
## EBITDA (In Mn) & EBITDA Margin (%)



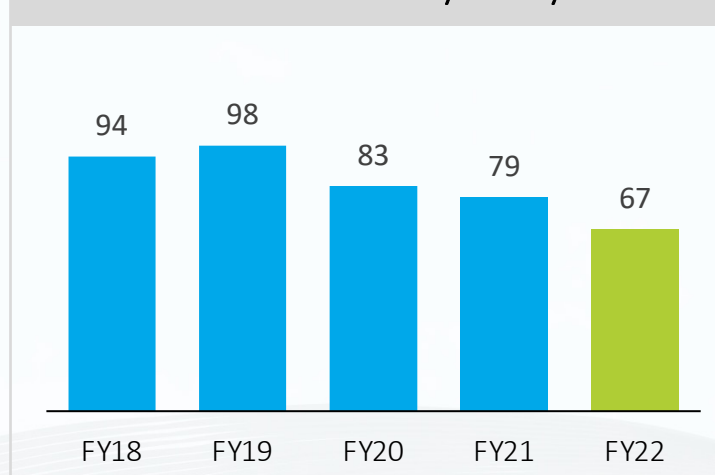
## PAT (In Mn) & PAT Margin (%)



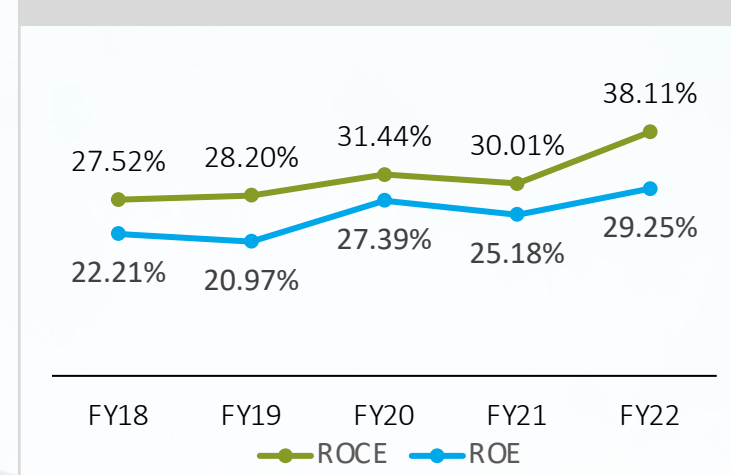
## Net Debt to Equity



## Cash Conversion Cycle Days

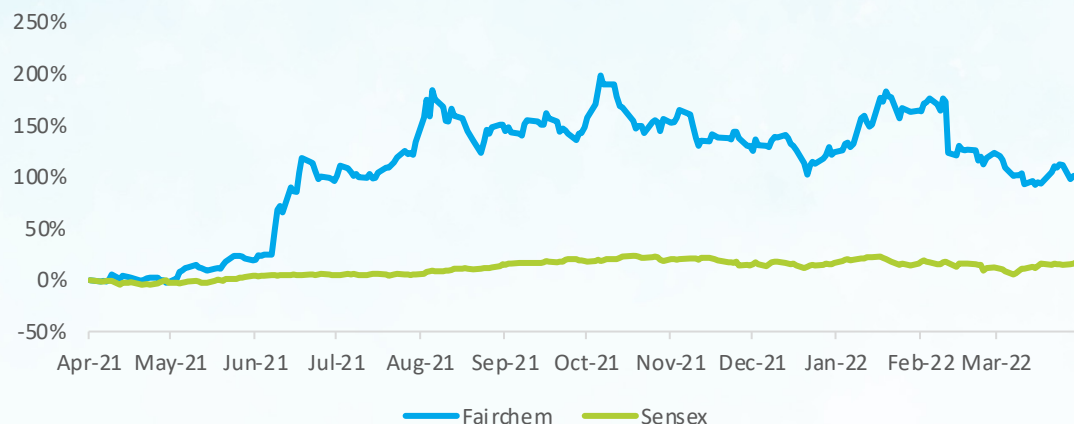


## Return Ratios

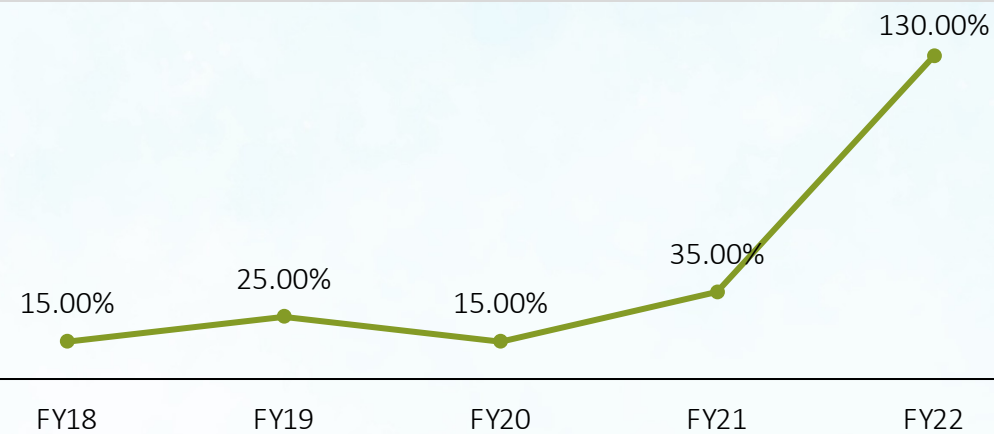


# Capital Markets

**Stock Market Performance (as on 31st March, 2022)**



**Dividend Percentage**

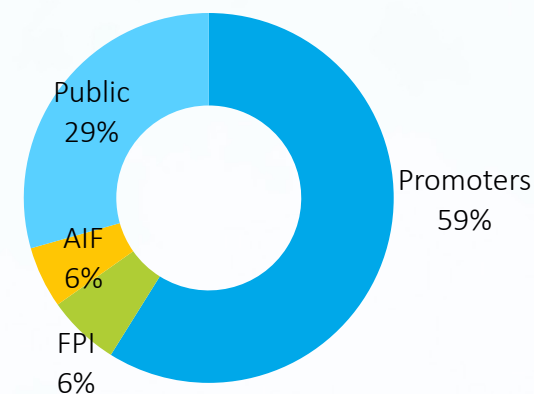


**Price Data as at 31st March, 2022**

**INR**

Face Value	10.0
Market Price	1,504.8
52 Week H/L	2,290.0/ 610.0
Market Cap (Mn)	19,593.2
Equity Shares Outstanding (Mn)	13.0
1 Year Avg Trading Volume ('000)	56.3

**Shareholding Pattern as on 31st March, 2022**





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