

# Fairchem Organics Limited



## Earnings Presentation

Q3/9M-FY23

# Company at a Glance

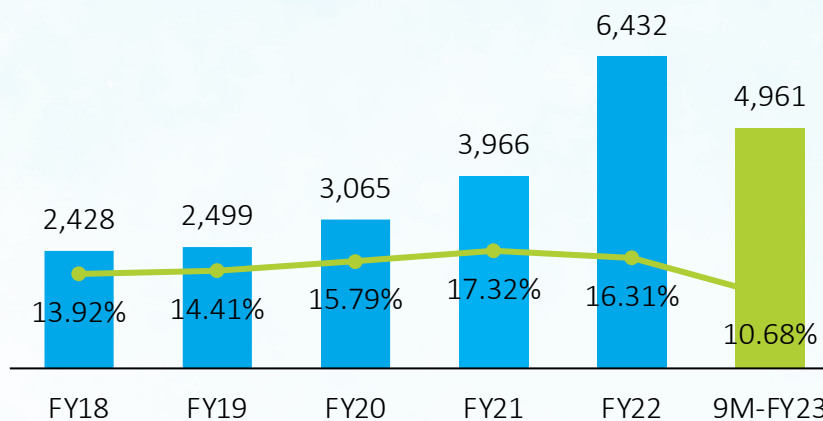




# Company Overview

- Fairchem Organics Ltd. (Fairchem) is engaged in the business of manufacturing of Oleo Chemicals and Nutraceuticals, since the last 25 years.
- 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.
- Fairchem has a permanent employee base of 206 along with few contract workers, company enjoys a very low employee attrition across various levels.
- The company's key oleo chemical products include Dimer Acid, Linoleic Acid, Palmitic Acid, Monomer Acid, and nutraceutical products include Mixed Tocopherols and Sterol concentrate.
- Fairchem 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.
- Its customers include marquee names like Asian Paints, Huber, Arkema, Kensing, ADM, Cargill etc.
- The company increased the raw material throughput capacity of its plant to 120,000 MTPA in Q1-FY23.

Revenue & EBITDA Margin (In Mn)



Q3-FY23 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
- Long lasting customer relationships of more than 15 years with various customers
- 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

# ESG Initiatives



## ENVIRONMENT



## SOCIAL



## GOVERNANCE

### CSR Activities

- Dr. Jivraj Mehta Smarak Health Foundation - Purchase of Ventilator Machine
- Contribution towards 'Project Dialysis'
- Infrastructure Facility at Primary Health Centre at Village Chekhala
- Plastic Waste Management as per G.P.C.B. Circular
- Products are manufactured using natural source raw materials

- 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
- Employees are given training on fire safety, first aid, housekeeping and cleanliness practices
- Production equipment tested every three years by external firm
- Near-zero factory accidents since inception<sup>(1)</sup>

Effluent	Method of Disposal
Water Discharge	Zero Liquid Discharge by Multi Effect Evaporator and Agitated Thin Film Dryer
Air Emission	Currently, bag filters are there. We will have Scrubber System in place in near future.
Non-hazardous waste	We are sending the same to GPCB approved Solid Waste Disposable site for doing the needful there.
Hazardous waste	We are sending the same to GPCB approved registered Recycler / Co-processor.





## Key Financial Highlights

# Q3/9M-FY23 Financial & Operational Highlights

## Q3-FY23 Financial Performance

**INR 1,025 Mn**  
Revenue from  
Operations

**INR 36 Mn**  
EBITDA

**3.51%**  
EBITDA Margins

**INR 6 Mn**  
PAT

**0.59%**  
PAT Margins

**INR 0.47/Share**  
Diluted EPS

## 9M-FY23 Financial Performance

**INR 4,961 Mn**  
Revenue from  
Operations

**INR 530 Mn**  
EBITDA

**10.68%**  
EBITDA Margins

**INR 316 Mn**  
PAT

**6.37%**  
PAT Margins

**INR 24.30/Share**  
Diluted EPS

- There was lack of demand mainly from Paint industry. The fall in volume was more than 35 %. This was the main reason for the fall in quarterly revenue. This fall substantially eroded the margin in absolute terms.
- We wish to emphasise here that it was a case of 'lack of demand' from our customers in paint industry and not 'losing out any of our customers'.
- There was an average fall of about 10 % on per unit realisation vis-à-vis previous quarter which also partly was instrumental in fall in revenue
- The raw material cost continued to fluctuate and tended to remain somewhat higher putting additional pressure on margin.
- All other costs remained under control.

# Quarterly Financial Performance

PARTICULARS (INR Mn)	Q3-FY23	Q3-FY22	Y-O-Y	Q2-FY23	Q-O-Q
Revenue from Operations	1,025	1,584	(35.29)%	1,685	(39.17)%
Total Expenses	989	1,371	(27.86)%	1,592	(37.88)%
EBITDA	36	213	(83.10)%	93	(61.29)%
<i>EBITDA Margins (%)</i>	<i>3.51%</i>	<i>13.45%</i>	<i>(994) Bps</i>	<i>5.52%</i>	<i>(201) Bps</i>
Other Income	3	1	NA	0	NA
Depreciation	21	18	16.67%	21	NA
Finance Cost	9	15	(40.0)%	16	(43.75)%
PBT	9	181	(95.03)%	56	(83.93)%
Tax	3	46	(93.48)%	16	(81.25)%
Profit After Tax	6	135	(95.56)%	40	(85.00)%
<i>PAT Margins (%)</i>	<i>0.59%</i>	<i>8.52%</i>	<i>(793) Bps</i>	<i>2.37%</i>	<i>(178) Bps</i>
Other Comprehensive Income	0	1	NA	0	NA
Total Comprehensive Income	6	136	(95.59)%	40	(85.00)%
Basic/Diluted EPS (INR per share)	0.47	10.33	(95.45)%	3.07	(84.69)%



# YTD Financial Performance

PARTICULARS (INR Mn)	9M-FY23	9M-FY22	Y-O-Y
Revenue from Operations	4,961	4,655	6.57%
Total Expenses	4,431	3,794	16.79%
EBITDA	530	861	(38.44)%
<i>EBITDA Margins (%)</i>	<i>10.68%</i>	<i>18.50%</i>	<i>(782) Bps</i>
Other Income	5	3	66.67%
Depreciation	60	52	15.38%
Finance Cost	49	52	(5.77)%
PBT	426	760	(43.95)%
Tax	110	193	(43.01)%
Profit After Tax	316	567	(44.27)%
<i>PAT Margins (%)</i>	<i>6.37%</i>	<i>12.18%</i>	<i>(581) Bps</i>
Other Comprehensive Income	0	(1)	NA
Total Comprehensive Income	316	566	(44.17)%
Basic/Diluted EPS (INR per share)	24.30	43.52	(44.16)%

# Historical Income Statement

PARTICULARS (INR Mn)	FY20	FY21	FY22	9M-FY23
Revenue from Operations	3,065	3,966	6,432	4,961
Total Expenses	2,581	3,279	5,383	4,431
EBITDA	484	687	1,049	530
<i>EBITDA Margins (%)</i>	<i>15.79%</i>	<i>17.32%</i>	<i>16.31%</i>	<i>10.68%</i>
Other Income	66	3	3	5
Depreciation	60	66	71	60
Finance Cost	66	68	69	49
PBT	424	556	912	426
Tax	77	131	233	110
Profit After Tax	347	425	679	316
<i>PAT Margins (%)</i>	<i>11.32%</i>	<i>10.72%</i>	<i>10.56%</i>	<i>6.37%</i>
Other Comprehensive Income	(1)	(5)	1	0
Total Comprehensive Income	346	420	680	316
Basic/Diluted EPS (INR per share)	26.65	32.63	52.15	24.30

# Historical Balance Sheet

ASSETS	FY21	FY22	H1-FY23
<b>Non-Current Assets</b>			
Property, Plant and Equipment	1,220	1,363	1,468
Capital work-in-progress	295	420	358
Right of use assets	43	42	42
Intangible Assets	-	-	-
Intangible Assets Under Development	-	2	4
<b>Financial Assets</b>			
(i) Other Financial Assets	-	2	2
Non-current Tax Assets (Net)	18	19	45
Other Non-current Assets	30	20	21
	<b>1,606</b>	<b>1,868</b>	<b>1,940</b>
<b>Current Assets</b>			
Inventories	453	700	515
<b>Financial Assets</b>			
(i) Trade receivables	468	622	503
(ii) Cash and Bank Balance	4	2	6
Other current assets	55	49	39
	<b>980</b>	<b>1,373</b>	<b>1,063</b>
<b>TOTAL ASSETS</b>	<b>2,586</b>	<b>3,241</b>	<b>3,003</b>

EQUITY AND LIABILITIES	FY21	FY22	H1-FY23
<b>EQUITY</b>			
Equity Share Capital	130	130	130
Instruments entirely equity in nature			
Other Equity	1,557	2,191	2,332
	<b>1,687</b>	<b>2,321</b>	<b>2,462</b>
<b>LIABILITIES</b>			
<b>Non-Current Liabilities</b>			
<b>Financial Liabilities</b>			
Borrowings	260	100	-
Provisions	18	17	20
Deferred Tax Liabilities (Net)	113	128	138
	<b>391</b>	<b>245</b>	<b>158</b>
<b>Current Liabilities</b>			
<b>Financial Liabilities</b>			
(i) Borrowings	308	520	202
(ii) Trade Payables	109	91	92
(iii) Other financial liabilities	21	8	16
Other current liabilities	46	36	51
Provisions	10	10	13
Current Tax Liabilities (Net)	14	10	9
	<b>508</b>	<b>675</b>	<b>383</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>2,586</b>	<b>3,241</b>	<b>3,003</b>



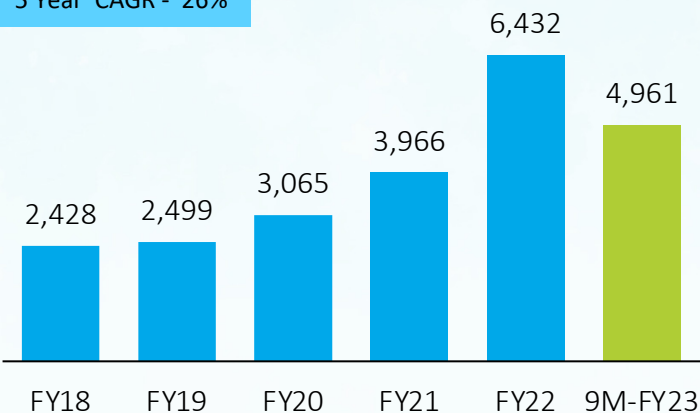
# Historical Cash Flow Statement

PARTICULARS (INR Mn)	FY21	FY22	H1-FY23
Cash and Cash Equivalents at Beginning of the year	0.3	0.3	-
Cash Flow From Operating Activities	394	405	704
Cash Flow from Investing Activities	(228)	(342)	(76)
Cash Flow From Financing Activities	(166)	(63)	(628)
Net Inc./ (Dec.) in Cash and Cash Equivalent	-	(0.2)	-
Cash and Cash Equivalents at End of the year	0.3	0.1	-
Operating Cash Inflow	394	405	704
Capital Expenditure	(231)	(350)	(78)
FCF	163	55	626

# Key Financial Highlights

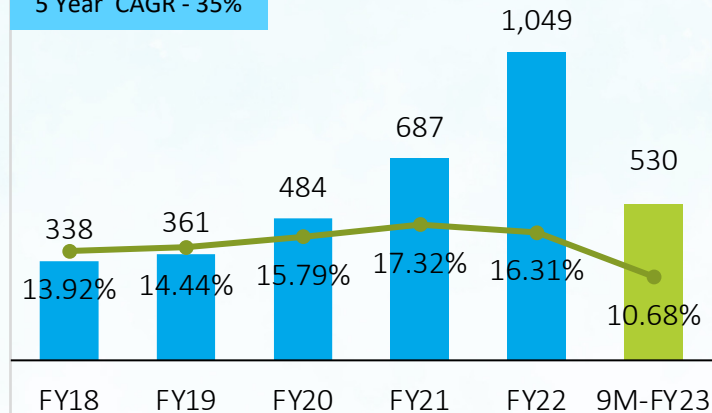
## Revenue (In Mn)

5 Year CAGR - 26%



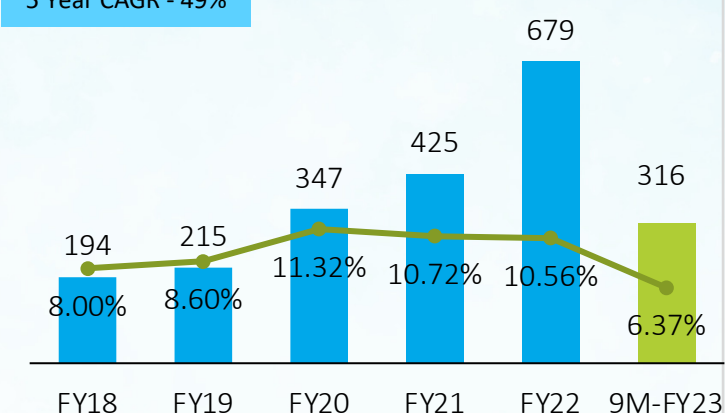
## EBITDA (In Mn) & EBITDA Margin (%)

5 Year CAGR - 35%

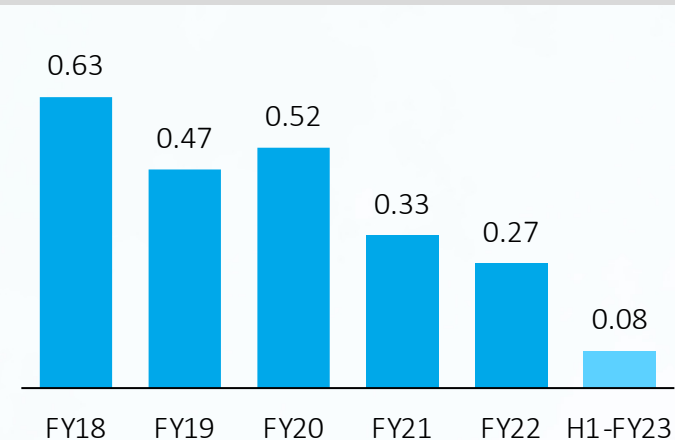


## PAT (In Mn) & PAT Margin (%)

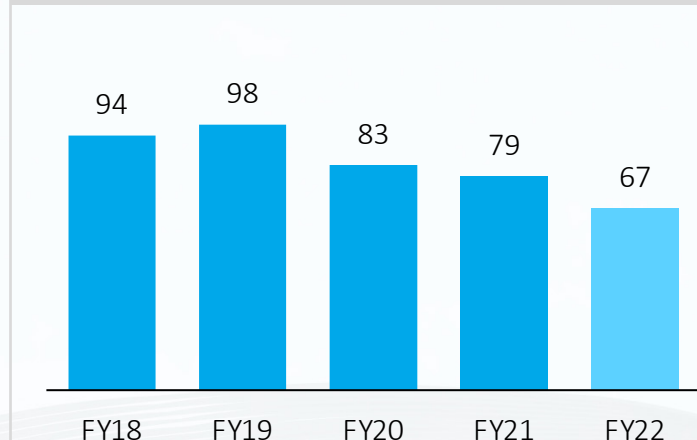
5 Year CAGR - 49%



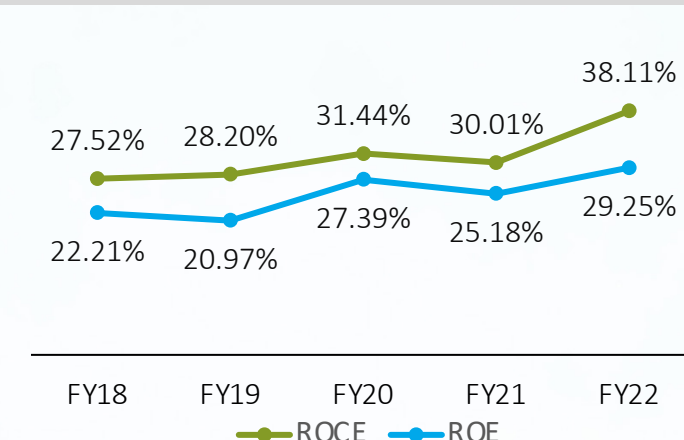
## Net Debt to Equity



## Cash Conversion Cycle Days

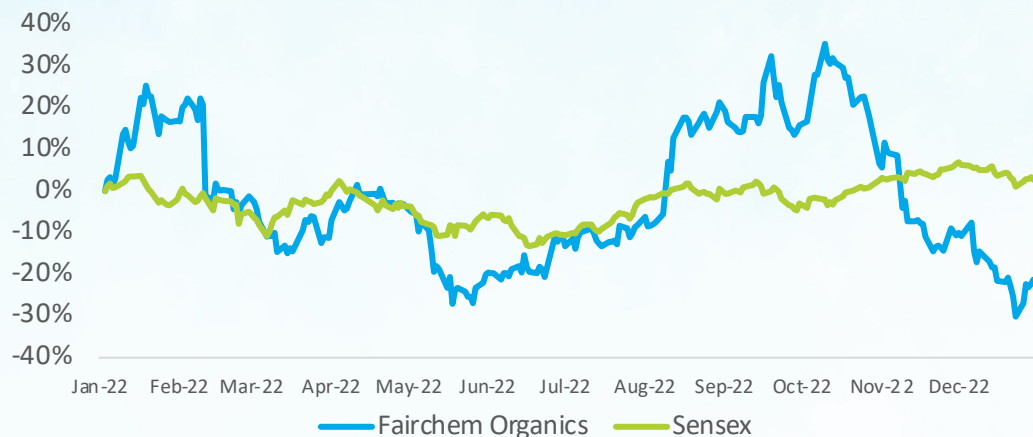


## Return Ratios

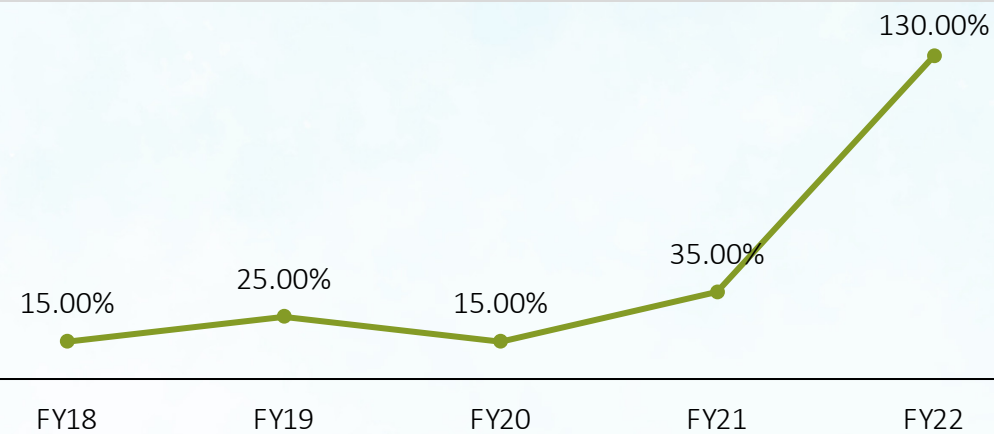


# Capital Market Data

**Stock Market Performance (As on 31<sup>st</sup> December, 2022)**



**Dividend Percentage**

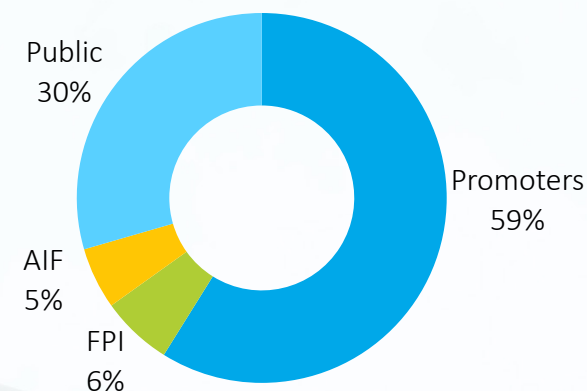


**Price Data as at 31<sup>st</sup> December, 2022**

INR

Face Value	10.0
Market Price	1,334.6
52 Week H/L	2,448.9/ 1,171.0
Market Cap (Mn)	17,377.6
Equity Shares Outstanding (Mn)	13.0
1 Year Avg Trading Volume ('000)	38.5

**Shareholding Pattern as on 31<sup>st</sup> December, 2022**





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