

Fairchem Organics Limited



Earnings Presentation

H1 / Q2-FY22

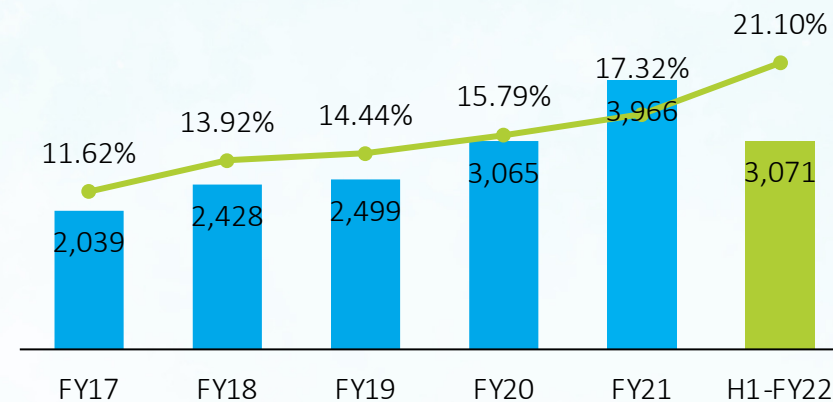
Company at a Glance



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 plant raw material capacity has been expanded from 45,000 MTPA to 72,000 MTPA in FY21, and is being expanded further to 1,20,000 MTPA by end of FY22 with minimal capex spends. Achieving operational utilisation of more than 90 % of installed capacity is considered to be good in view of the fact that the company's raw materials are by-products of vegetable oil refineries processing soya, sunflower, rape seed, groundnut, rice bran, corn etc. which are purchased on 'as is where is basis' without any technical specifications.
- 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, BASF, ADM, Cargill etc.

Revenue & EBITDA Margin (In Mn)



FY21 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

H1/Q2-FY22 Financial & Operational Highlights

Q2-FY22 Financial Performance

INR 1,680 Mn Revenue from Operations	INR 318 Mn EBITDA	18.93% EBITDA Margins
INR 209 Mn PAT	12.44% PAT Margins	INR 16.05/Share Diluted EPS

H1-FY22 Financial Performance

INR 3,071 Mn Revenue from Operations	INR 648 Mn EBITDA	21.10% EBITDA Margins
INR 432 Mn PAT	14.07% PAT Margins	INR 33.18/Share Diluted EPS

- The QoQ decline in EBITDA Margin can be primarily attributed to the increase in power cost due to rising coal prices.
- On the raw material front, the July to September quarter is regarded as a lean period in terms of the availability of our raw materials derived from the refining of domestic vegetable oils, which was further aggravated by restricted availability of imported vegetable oils due to global container shortage and a significant increase in ocean freight charges for particular routes. Despite this, the company was able to achieve volume increase in terms of raw material processing and finished product sales and has effectively managed the volatility in their prices.
- The increase in finance costs QoQ is primarily due to a one-time charge paid to the bank for prepayment of a long-term loan.
- With regards to the ongoing capacity expansion project of the company, the capacity has been successfully expanded from 72,000 MTPA to 90,000 MTPA and the company is also on track to further expand the same to 1,20,000 MTPA by end of FY22.

Q2-FY22 Profit & Loss Statement

PARTICULARS (INR Mn)	Q2-FY22	Q2-FY21	Y-O-Y	Q1-FY22	Q-O-Q
Revenue from Operations	1,680	950	76.8%	1,391	20.8%
Total Expenses	1,362	796	71.1%	1,063	28.1%
EBITDA	318	154	106.5%	328	(3.0)%
<i>EBITDA Margin</i>	<i>18.93%</i>	<i>16.21%</i>	<i>272 Bps</i>	<i>23.58%</i>	<i>(465) Bps</i>
Other Income	-	-	NA	4	NA
Depreciation	18	16	12.5%	17	5.9%
Finance Cost	20	16	25.0%	16	25.0%
PBT	280	122	129.5%	299	(6.4)%
Tax	71	32	121.9%	76	(6.6)%
Profit After Tax	209	90	132.2%	223	(6.3)%
<i>PAT Margin</i>	<i>12.44%</i>	<i>9.47%</i>	<i>297 Bps</i>	<i>16.03%</i>	<i>(359) Bps</i>
Other Comprehensive Income	-	1	NA	(1)	NA
Total Comprehensive Income	209	91	130.0%	222	(5.9)%
Basic/Diluted EPS (INR per share)	16.05	6.96	130.6%	17.14	(6.4)%

H1-FY22 Profit & Loss Statement

PARTICULARS (INR Mn)	H1-FY22	H1-FY21	Y-O-Y
Revenue from Operations	3,071	1,301	136.0%
Total Expenses	2,423	1,102	119.9%
EBITDA	648	199	NA
<i>EBITDA Margin</i>	<i>21.10%</i>	<i>15.27%</i>	<i>583 Bps</i>
Other Income	3	-	NA
Depreciation	35	33	6.1%
Finance Cost	37	31	19.4%
PBT	579	135	NA
Tax	147	33	NA
Profit After Tax	432	102	NA
<i>PAT Margin</i>	<i>14.07%</i>	<i>7.84%</i>	<i>623 Bps</i>
Other Comprehensive Income	(2)	-	NA
Total Comprehensive Income	430	102	NA
Basic/Diluted EPS (INR per share)	33.18	7.87	NA

Historical Profit & Loss Statement

PARTICULARS (INR Mn)	FY19	FY20	FY21	H1-FY22
Revenue from Operations	2,499	3,065	3,966	3,071
Total Expenses	2,138	2,581	3,279	2,423
EBITDA	361	484	687	648
<i>EBITDA Margin</i>	<i>14.44%</i>	<i>15.79%</i>	<i>17.32%</i>	<i>21.10%</i>
Other Income	43	66	3	3
Depreciation	55	60	66	35
Finance Cost	57	66	68	37
PBT	292	424	556	579
Tax	77	77	131	147
Profit After Tax	215	347	425	432
<i>PAT Margin</i>	<i>8.60%</i>	<i>11.32%</i>	<i>10.72%</i>	<i>14.07%</i>
Other Comprehensive Income	(2)	(1)	(5)	(2)
Total Comprehensive Income	213	346	420	430
Basic/Diluted EPS (INR per share)	5.51	26.65	32.63	33.18

Historical Balance Sheet

ASSETS	FY20	FY21	H1-FY22
Non-Current Assets			
Property, Plant and Equipment	1,219	1,220	1,252
Capital work-in-progress	94	295	393
Right of use assets	43	43	42
Intangible Assets	1	-	-
Intangible Assests Under Development	-	-	1
Financial Assets			
(i) Other Financial Assets	3	-	2
Non-current Tax Assets (Net)	14	18	18
Other Non-current Assets	66	30	58
	1,440	1606	1,766
Current Assets			
Inventories	353	453	356
Financial Assets			
(i) Trade receivables	379	468	469
(ii) Cash and Bank Balance	2	4	46
Other current assets	15	55	81
	749	980	952
TOTAL ASSETS	2,189	2,586	2,718

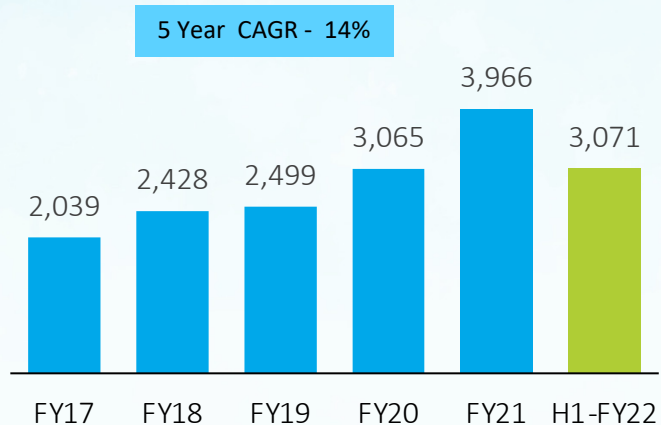
EQUITY AND LIABILITIES	FY20	FY21	H1-FY22
EQUITY			
Equity Share Capital	130	130	130
Instruments entirely equity in nature			
Other Equity	1,137	1,557	1,942
	1,267	1,687	2,072
LIABILITIES			
Non-Current Liabilities			
Financial Liabilities			
Borrowings	163	260	115
Provisions	12	18	24
Deferred Tax Liabilities (Net)	116	113	121
	291	391	260
Current Liabilities			
Financial Liabilities			
(i) Borrowings	504	308	174
(ii) Trade Payables	64	109	110
(iii) Other financial liabilities	21	21	19
Other current liabilities	29	46	59
Provisions	3	10	11
Current Tax Liabilities (Net)	10	14	13
	631	508	386
TOTAL EQUITY AND LIABILITIES	2,189	2,586	2,718

Historical Cash Flow Statement

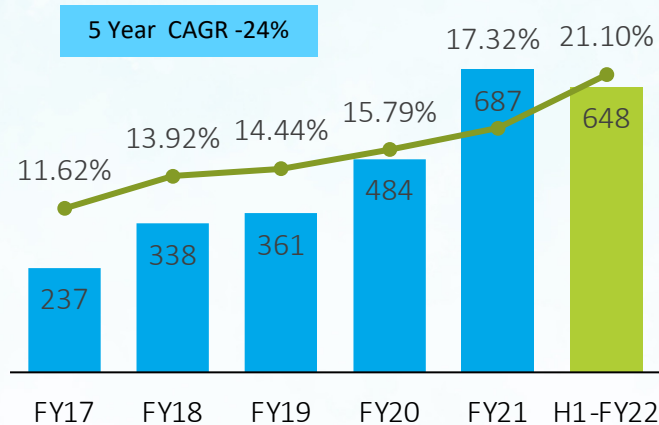
PARTICULARS (INR Mn)	FY19	FY20	FY21
Cash and Cash Equivalents at Beginning of the year	0.2	0.2	0.3
Cash Flow From Operating Activities	342	312	394
Cash Flow from Investing Activities	(137)	(239)	(228)
Cash Flow From Financing Activities	(205)	(73)	(166)
Net Inc./ (Dec.) in Cash and Cash Equivalent	-	-	-
Cash and Cash Equivalents at End of the year	0.2	0.3	0.3
Operating Cash Inflow	342	312	394
Capital Expenditure	(177)	(303)	(231)
FCF	165	9	163

Key Financial Highlights

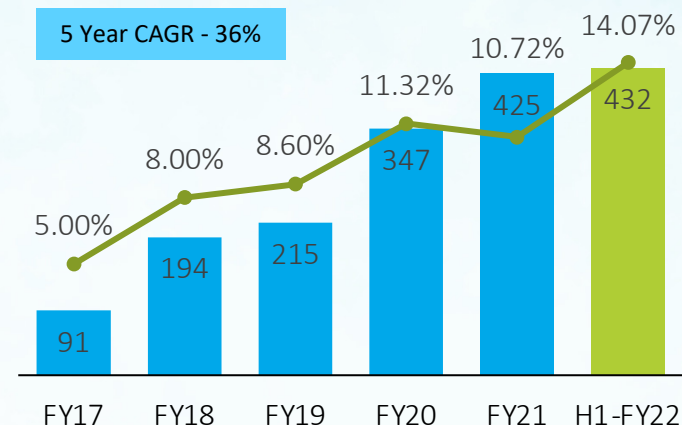
Revenue (In Mn)



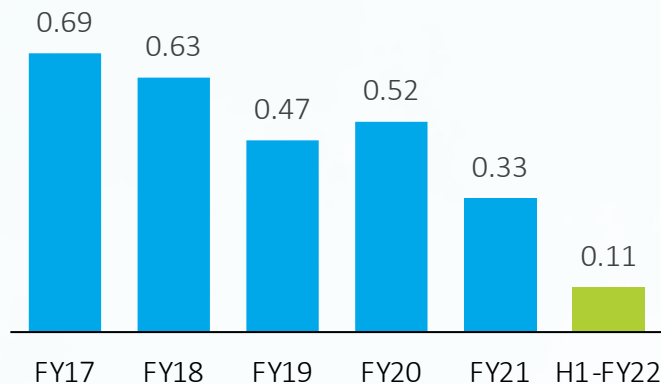
EBITDA (In Mn) & EBITDA Margin (%)



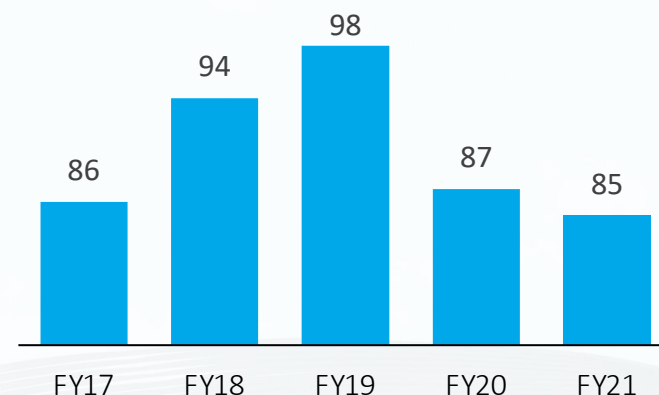
PAT (In Mn) & PAT Margin (%)



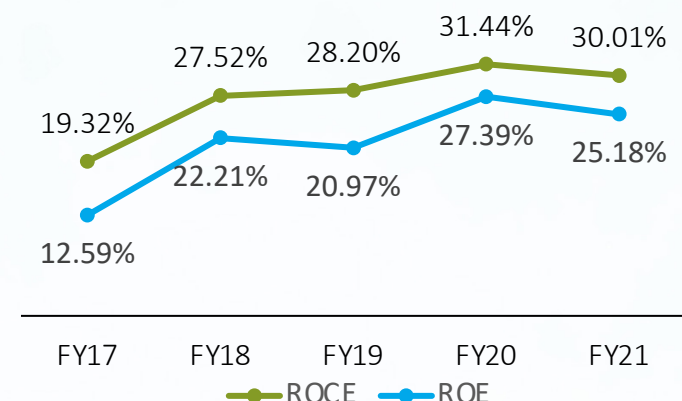
Net Debt to Equity



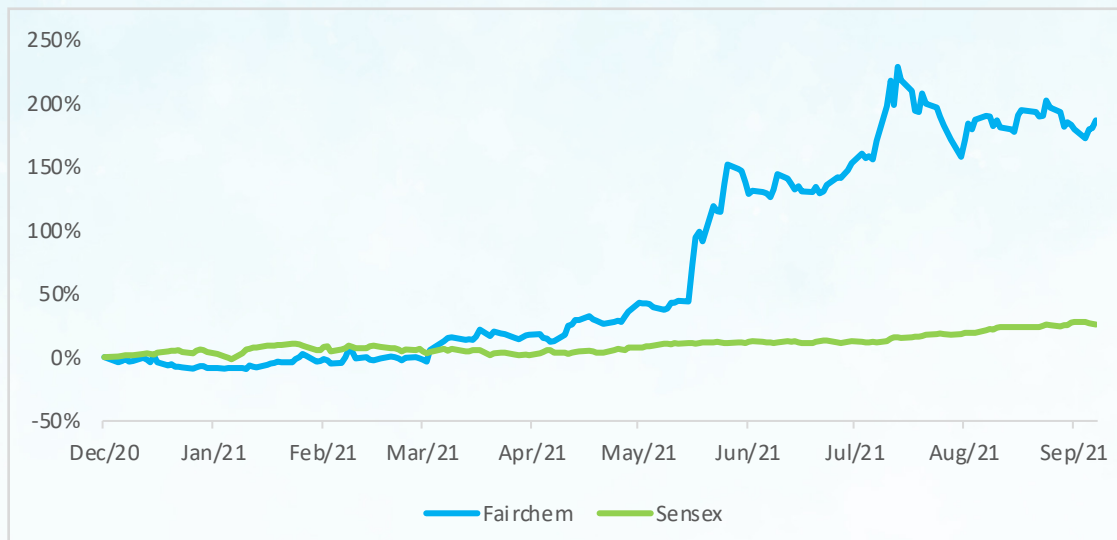
Cash Conversion Cycle Days



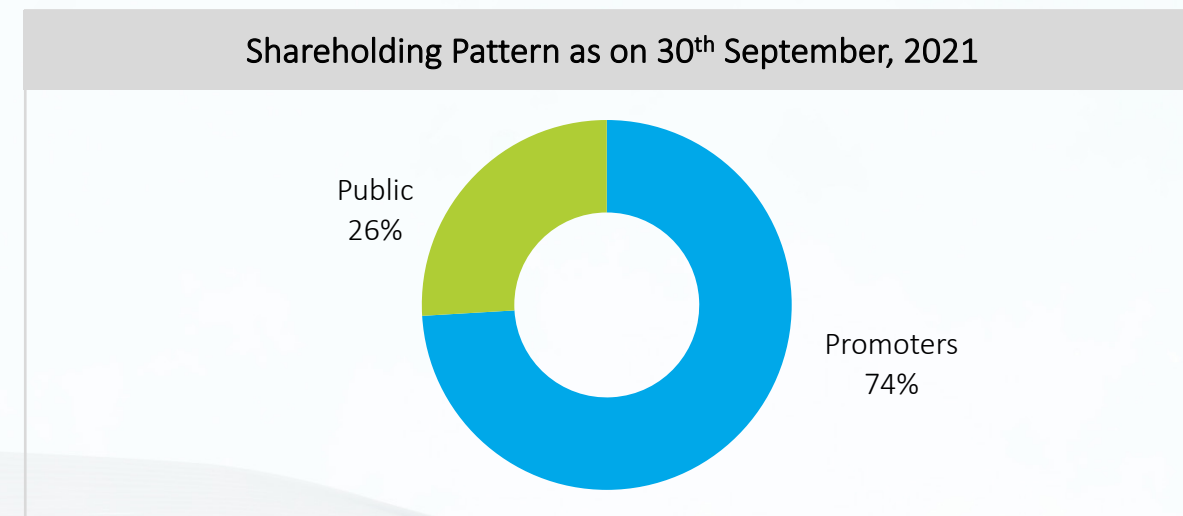
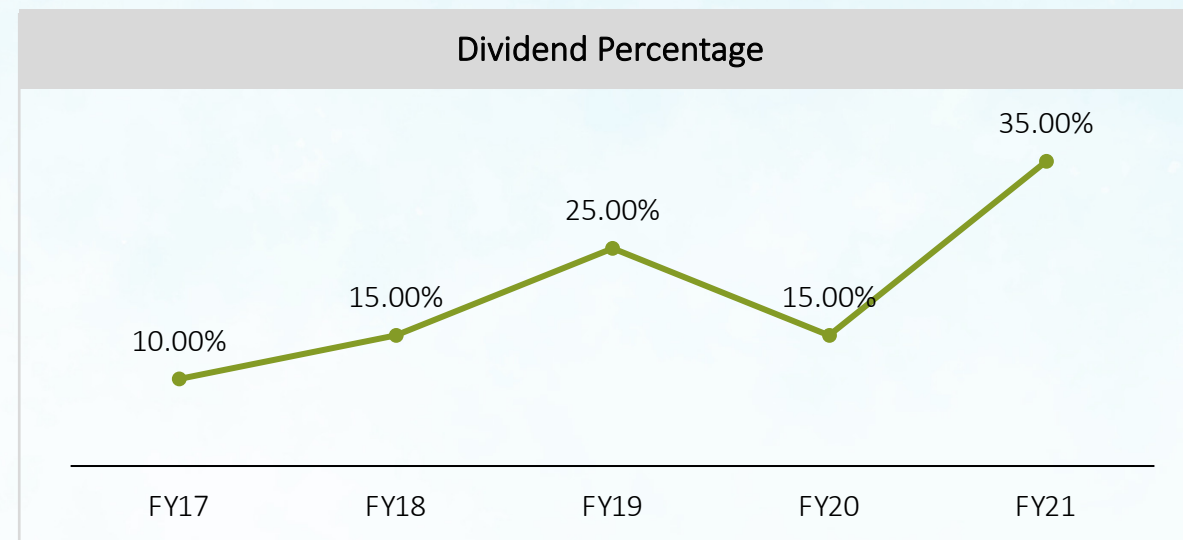
Return Ratios



Capital Markets



Price Data as at September 30 th , 2021	INR
Face Value	10.00
Market Price	1,861.6
52 Week H/L	2,153.5 / 511.0
Market Cap (Mn)	24,239.7
Equity Shares Outstanding (Mn)	13.0
1 Year Avg Trading Volume ('000)	46.7



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