

Fairchem Organics Limited



Earnings Presentation

Q1-FY22

Company at a Glance

25 years of legacy

Long lasting Pan India Raw Material sourcing capabilities with diversified vegetable oil refineries

Well entrenched Customer Relationships in high growth industries like Paint, Inks, Printing

Promoted by Fairfax India Holdings and backed by experienced Management team

Forward integration to achieve value addition and to manufacture bio-fuel in phased manner by March 2022

Leading manufacturer in India for substantial part of the overall revenue

High emphasis on Business Sustainability and Corporate Governance standards

Ongoing Capacity expansion to increase capacity by more than 2.5x by end of FY22 with minimal CAPEX

Company to increase its top line by 2.5 times of FY21 in 3 years and intends to maintain EBITDA growth

One of a kind manufacturing process using by-products of vegetable oils to create value added products hence creating Wealth from Waste

State-of-the-art manufacturing unit with critical equipment/design from Germany & Switzerland

Strong Return Ratios
ROE: 25%
ROCE: 30%

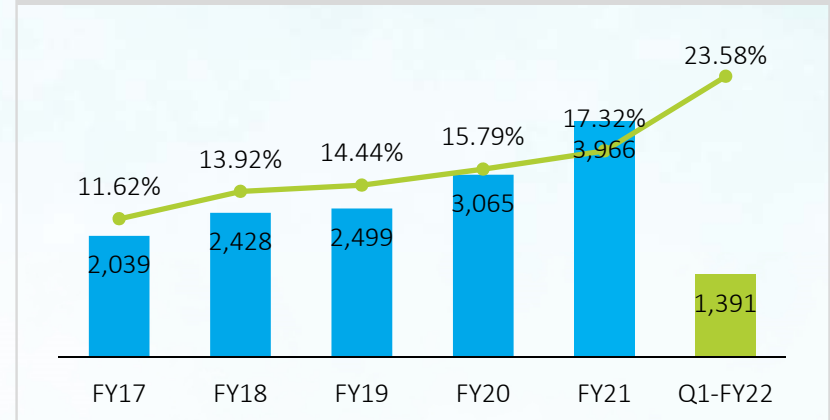
Strong Long Term Financial Track Record
5 year CAGR:
Revenue: 14%
EBITDA: 24%
PAT: 36%

Company Overview

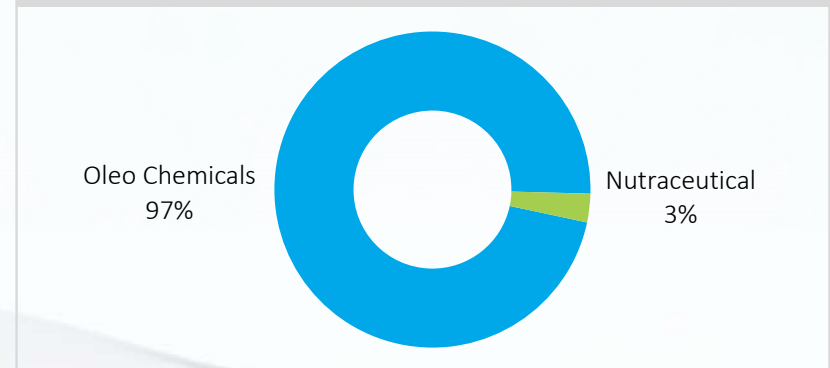


- Fairchem Organics Ltd. (Fairchem) is engaged in the business of manufacturing of Oleo Chemicals and Nutraceuticals, since the last 25 years.
- The company's key oleo chemical products include Dimer Acid, Linoleic Acid, Palmitic Acid, Monomer Acid, and nutraceutical products include Mixed Tocopherols 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

Q1-FY22 Financial Highlights

Q1-FY22 Financial Performance

INR 1,391 Mn Revenue from Operations	INR 328 Mn EBITDA	23.58% EBITDA Margins
INR 223 Mn PAT	16.03% PAT Margins	INR 17.14/Share Diluted EPS

- The revenues for the quarter were impacted due to the second wave of Covid-19 pandemic
- The company's continuous efforts on manufacturing efficiency mainly on account of debottlenecking helped the Company in achieving better yields with greater efficiency
- Saving in interest cost on account of improved financial condition since last few months
- Reduction in Other Expenses mainly driven by lower Legal and Professional Fees as a major portion of such expenses pertaining to Demerger had accrued and was accounted for during the previous quarters
- The Company has pre-paid an amount of Rs. 15.46 crores out of its term borrowing earlier in August 2021 reflecting robust financial position. This has resulted into one of the most enviable Debt – Equity Ratios for the company which had, out of abundant precaution, preferred to avail moratorium facility announced by RBI during the initial phase of COVID 19 last year.

Q1-FY22 Profit & Loss Statement



PARTICULARS (INR Mn)	Q1-FY22	Q1-FY21	Y-O-Y	Q4-FY21	Q-O-Q
Revenue from Operations	1,391	351	296.3%	1,593	(12.7)%
Total Expenses	1,063	307	NA	1,319	(19.4)%
EBITDA	328	44	NA	274	19.7%
<i>EBITDA Margin</i>	<i>23.58%</i>	<i>12.54%</i>	<i>NA</i>	<i>17.20%</i>	<i>638 bps</i>
Other Income	4	-	NA	3	(33.3)%
Depreciation	17	16	6.3%	16	6.3%
Finance Cost	16	15	6.7%	21	23.8%
PBT	299	13	NA	240	24.6%
Tax	76	1	NA	52	46.2%
Profit After Tax	223	12	NA	188	18.6%
<i>PAT Margin</i>	<i>16.03%</i>	<i>3.42%</i>	<i>NA</i>	<i>11.80%</i>	<i>423 bps</i>
Other Comprehensive Income	(1)	(1)	NA	(4)	NA
Total Comprehensive Income	222	11	NA	184	20.7%
Basic/Diluted EPS (INR per share)	17.14	0.92	NA	14.46	18.5%

Historical Profit & Loss Statement



PARTICULARS (INR Mn)	FY19	FY20	FY21	Q1-FY22
Revenue from Operations	2,499	3,065	3,966	1,391
Total Expenses	2,138	2,581	3,279	1,063
EBITDA	361	484	687	328
<i>EBITDA Margin</i>	<i>14.44%</i>	<i>15.79%</i>	<i>17.32%</i>	<i>23.58%</i>
Other Income	43	66	3	4
Depreciation	55	60	66	17
Finance Cost	57	66	68	16
PBT	292	424	556	299
Tax	77	77	131	76
Profit After Tax	215	347	425	223
<i>PAT Margin</i>	<i>8.60%</i>	<i>11.32%</i>	<i>10.72%</i>	<i>16.03%</i>
Other Comprehensive Income	(2)	(1)	(5)	(1)
Total Comprehensive Income	213	346	420	222
Basic/Diluted EPS (INR per share)	5.51	26.65	32.63	17.14

Historical Balance Sheet



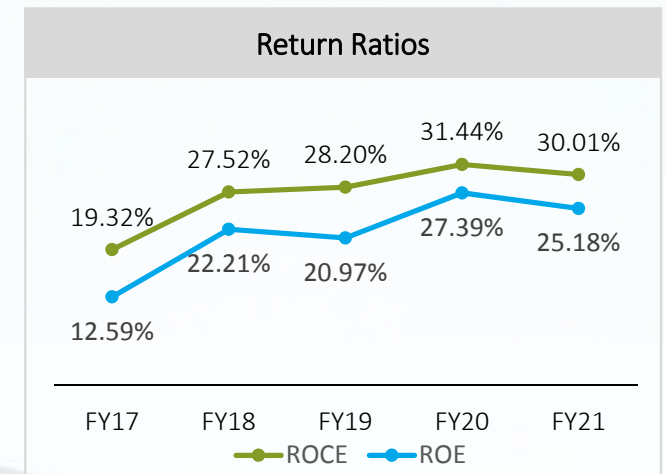
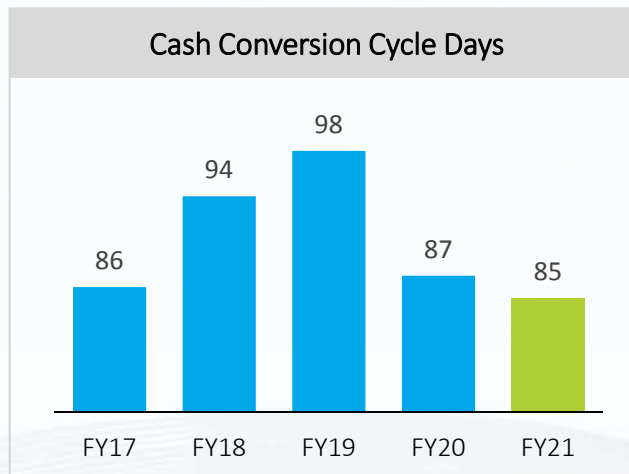
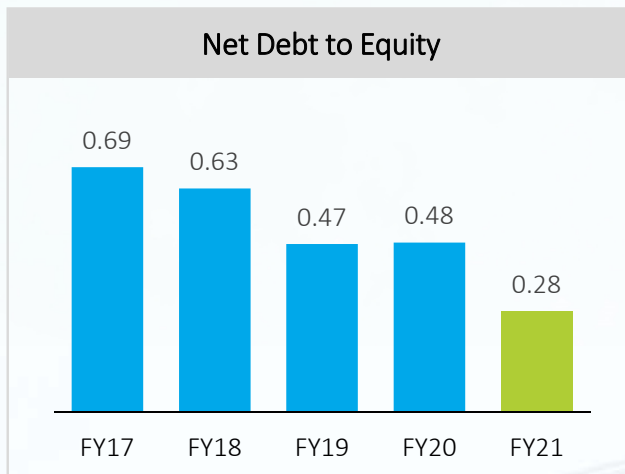
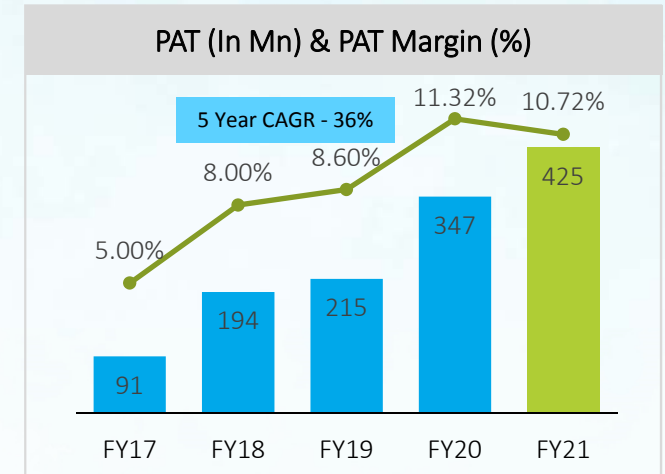
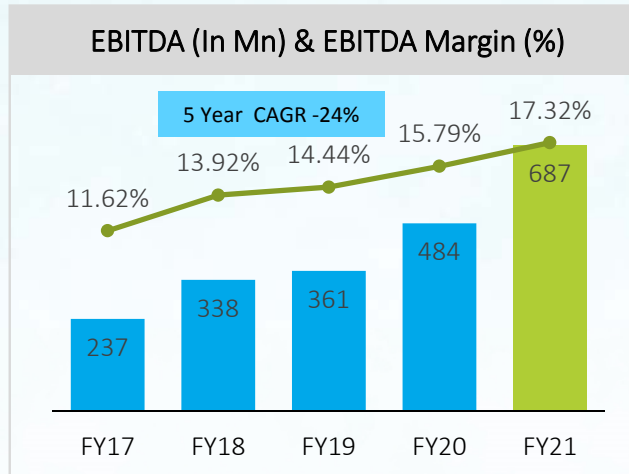
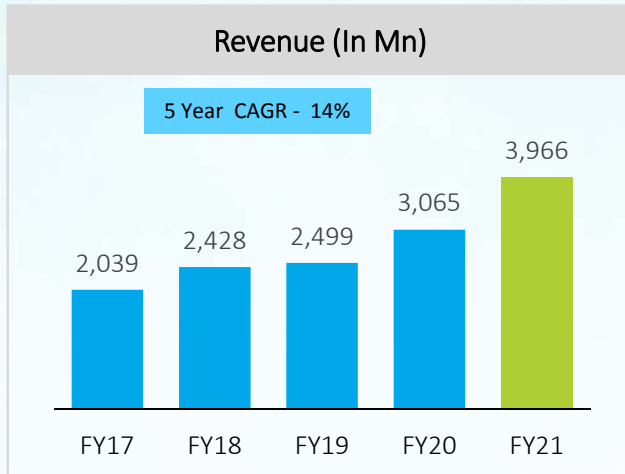
ASSETS	FY19	FY20	FY21	EQUITY AND LIABILITIES	FY19	FY20	FY21
Non-Current Assets				EQUITY			
Property, Plant and Equipment	1,108	1,219	1,220	Equity Share Capital	391	130	130
Capital work-in-progress	9	94	295	Instruments entirely equity in nature			
Right of use assets	44	43	43	Other Equity	635	1,137	1,557
Intangible Assets	-	1	-		1,026	1,267	1,687
Financial Assets				LIABILITIES			
(i) Investments	-	-	-	Non-Current Liabilities			
(ii) Loans	-	-	-	Financial Liabilities			
(iii) Other Financial Assets	1	3	-	Borrowings	83	163	260
Non-current Tax Assets (Net)	6	14	18	Provisions	9	12	18
Other Non-current Assets	13	66	30	Deferred Tax Liabilities (Net)	121	116	113
	1,181	1,440	1606		213	291	391
Current Assets				Current Liabilities			
Inventories	340	353	453	Financial Liabilities			
Financial Assets				(i) Borrowings	405	444	222
(i) Trade receivables	321	379	468	(ii) Trade Payables	100	64	109
(ii) Cash and Bank Balance	2	2	4	(iii) Other financial liabilities	93	81	107
(iv) Loans	-	-	-	Other current liabilities	28	29	46
(v) Other Financial Assets	-	-	-	Provisions	6	3	10
Other current assets	33	15	55	Current Tax Liabilities (Net)	6	10	14
	696	749	980		638	631	508
TOTAL ASSETS	1,877	2,189	2,586	TOTAL EQUITY AND LIABILITIES	1,877	2,189	2,586

Historical Cash Flow Statement

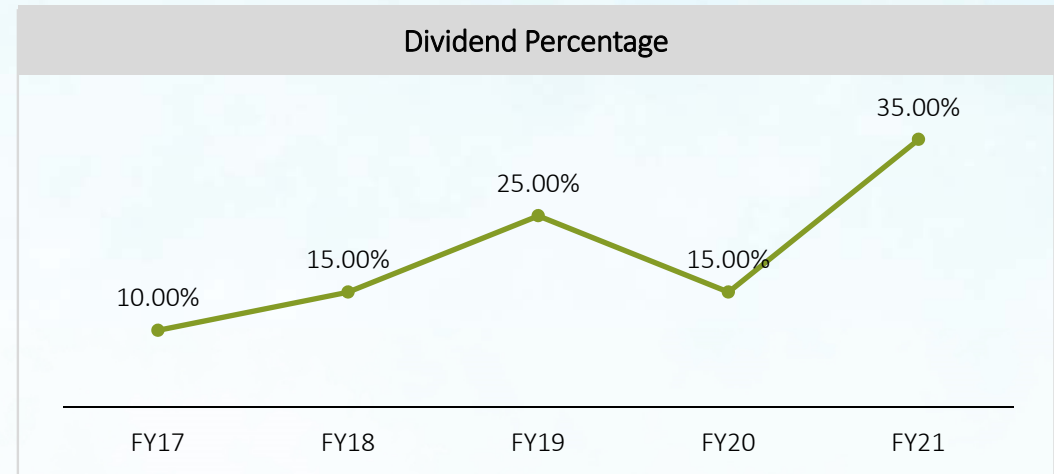
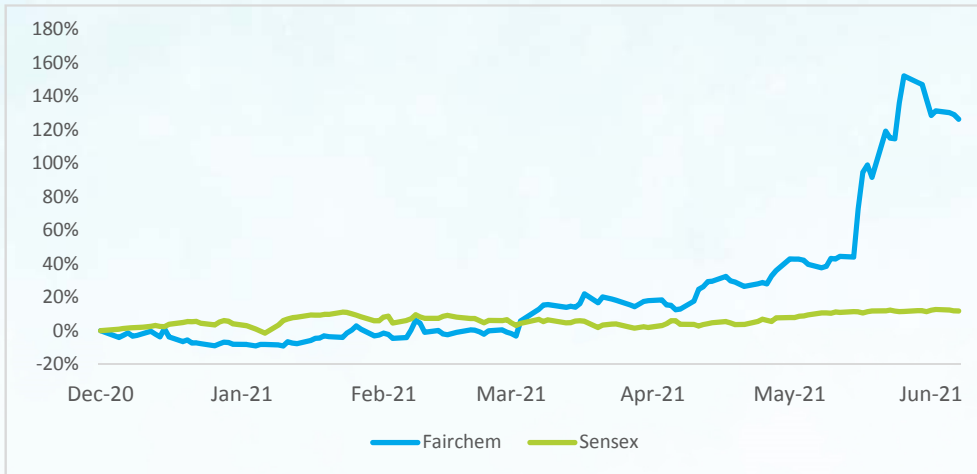


PARTICULARS (INR Mn)	FY19	FY20	FY21
Cash and Cash Equivalents at Beginning of the year	0.2	0.2	0.3
Cash Flow From Operating Activities	342	312	394
Cash Flow from Investing Activities	(137)	(239)	(228)
Cash Flow From Financing Activities	(205)	(73)	(166)
Net Inc./ (Dec.) in Cash and Cash Equivalent	-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

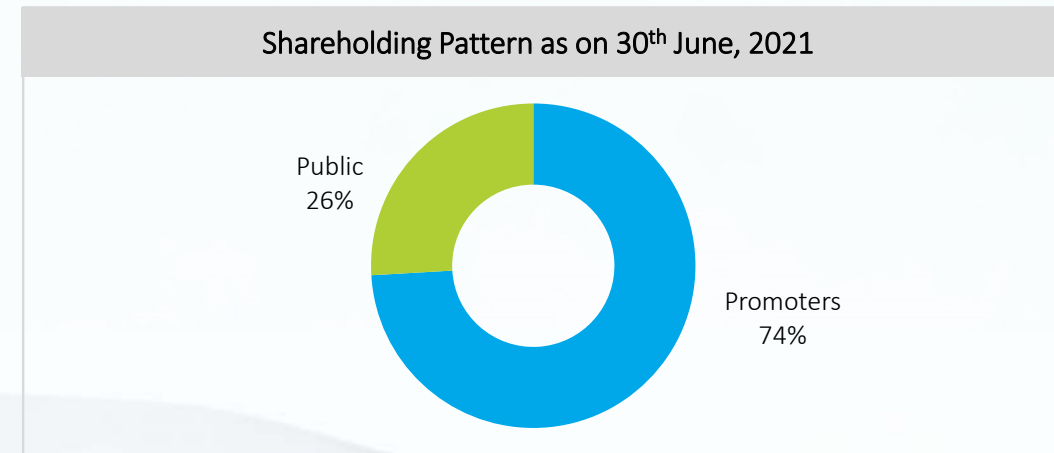
Key Financial Highlights



Capital Markets



Price Data as at June 30 th , 2021	INR
Face Value	10.00
Market Price	1,468.9
52 Week H/L	1,768.9 / 511.0
Market Cap (Mn)	19,126.4
Equity Shares Outstanding (Mn)	13.0
1 Year Avg Trading Volume ('000)	49.8



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