# FAIRCHEM ORGANICS LIMITED

FAIRCHEM
A FAIRFAX COMPANY

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Date: August 02, 2021

To,
**National Stock Exchange of India Ltd.**
Exchange Plaza,
Plot no. C/1, G Block, Bandra-kurla Complex
Bandra (E)
Mumbai – 400 051.

To,
**Department of Corporate Services,**
**BSE Limited.**
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai - 400 001.

**BSE Code: 543252 and NSE Symbol: 'FAIRCHEMOR'**

Dear Sirs,

**Sub.: Investor Presentation.**

Pursuant to Regulation 30 and other applicable regulations of SEBI (LODR) Regulations, 2015 we are uploading herewith a PDF file containing Earning presentation prepared post first quarter financial results of the Company. Please note that we did not have any analyst/institutional investors meet and so have not shared this presentation with any one.

Please find the above in order and take the same on your record.

Thanking you,

Yours faithfully,
For Fairchem Organics Limited,

Rajen Jhaveri
Chief Financial Officer & Company Secretary
Encl: as above

# Fairchem Organics Limited

FAIRCHEM

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# 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

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

Leading manufacturer in India for substantial part of the overall revenue

High emphasis on Business Sustainability and Corporate Governance standards

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.

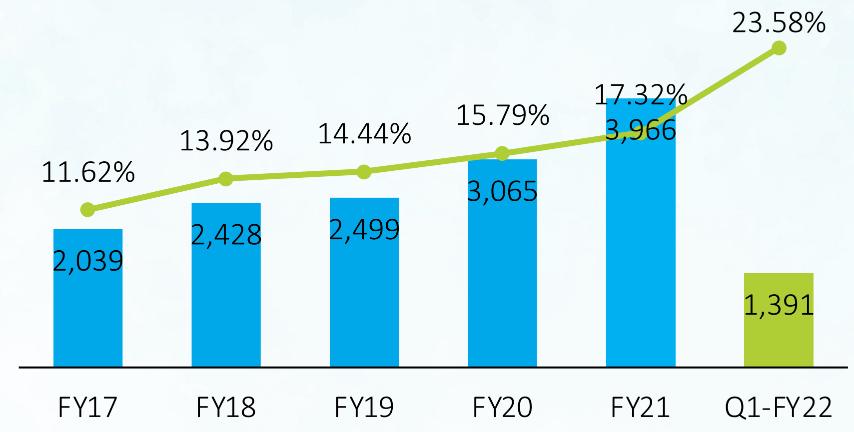
- The plant raw material capacity has been expanded from 45,000 MTPA to 72,000 MTPA in FY21, and is being expanded further to 1,20,000 MTPA by end of FY22 with minimal capex spends.

- 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.

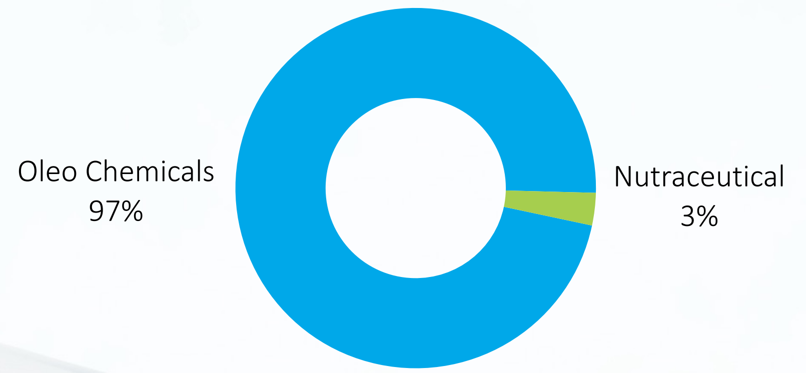
- Mixed Tocopherol concentrate and Sterols concentrate are nutraceutical products having usage in FMCG and food additives.

- 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

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### 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

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**Q1-FY22 Financial Performance**

| | | |
|---|---|---|
| INR 1,391 Mn<br>Revenue from Operations | INR 328 Mn<br>EBITDA | 23.58%<br>EBITDA Margins |
| INR 223 Mn<br>PAT | 16.03%<br>PAT Margins | INR 17.14/Share<br>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

# 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%** |
| ***EBITDA Margin*** | ***23.58%*** | ***12.54%*** | ***NA*** | ***17.20%*** | ***638 bps*** |
| 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%** |
| ***PAT Margin*** | ***16.03%*** | ***3.42%*** | ***NA*** | ***11.80%*** | ***423 bps*** |
| 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

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| 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** |
| *EBITDA Margin* | *14.44%* | *15.79%* | *17.32%* | *23.58%* |
| 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** |
| *PAT Margin* | *8.60%* | *11.32%* | *10.72%* | *16.03%* |
| 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

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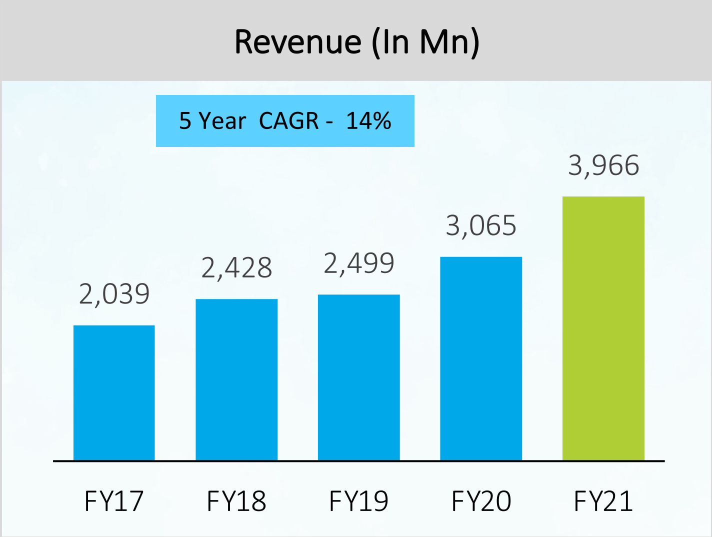
| ASSETS | FY19 | FY20 | FY21 |
|---|---|---|---|
| **Non-Current Assets** | | | |
| Property, Plant and Equipment | 1,108 | 1,219 | 1,220 |
| Capital work-in-progress | 9 | 94 | 295 |
| Right of use assets | 44 | 43 | 43 |
| Intangible Assets | - | 1 | - |
| Financial Assets | | | |
| (i) Investments | - | - | - |
| (ii) Loans | - | - | - |
| (iii) Other Financial Assets | 1 | 3 | - |
| Non-current Tax Assets (Net) | 6 | 14 | 18 |
| Other Non-current Assets | 13 | 66 | 30 |
| | **1,181** | **1,440** | **1606** |
| **Current Assets** | | | |
| Inventories | 340 | 353 | 453 |
| Financial Assets | | | |
| (i) Trade receivables | 321 | 379 | 468 |
| (ii) Cash and Bank Balance | 2 | 2 | 4 |
| (iv) Loans | - | - | - |
| (v) Other Financial Assets | - | - | - |
| Other current assets | 33 | 15 | 55 |
| | **696** | **749** | **980** |
| **TOTAL ASSETS** | **1,877** | **2,189** | **2,586** |

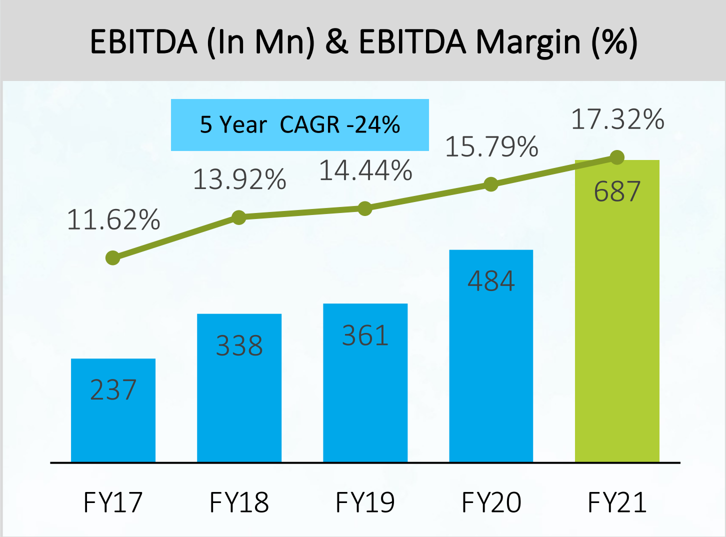
| EQUITY AND LIABILITIES | FY19 | FY20 | FY21 |
|---|---|---|---|
| **EQUITY** | | | |
| Equity Share Capital | 391 | 130 | 130 |
| Instruments entirely equity in nature | | | |
| Other Equity | 635 | 1,137 | 1,557 |
| | **1,026** | **1,267** | **1,687** |
| LIABILITIES | | | |
| **Non-Current Liabilities** | | | |
| Financial Liabilities | | | |
| Borrowings | 83 | 163 | 260 |
| Provisions | 9 | 12 | 18 |
| Deferred Tax Liabilities (Net) | 121 | 116 | 113 |
| | **213** | **291** | **391** |
| **Current Liabilities** | | | |
| Financial Liabilities | | | |
| (i) Borrowings | 405 | 444 | 222 |
| (ii) Trade Payables | 100 | 64 | 109 |
| (iii) Other financial liabilities | 93 | 81 | 107 |
| Other current liabilities | 28 | 29 | 46 |
| Provisions | 6 | 3 | 10 |
| Current Tax Liabilities (Net) | 6 | 10 | 14 |
| | **638** | **631** | **508** |
| **TOTAL EQUITY AND LIABILITIES** | **1,877** | **2,189** | **2,586** |

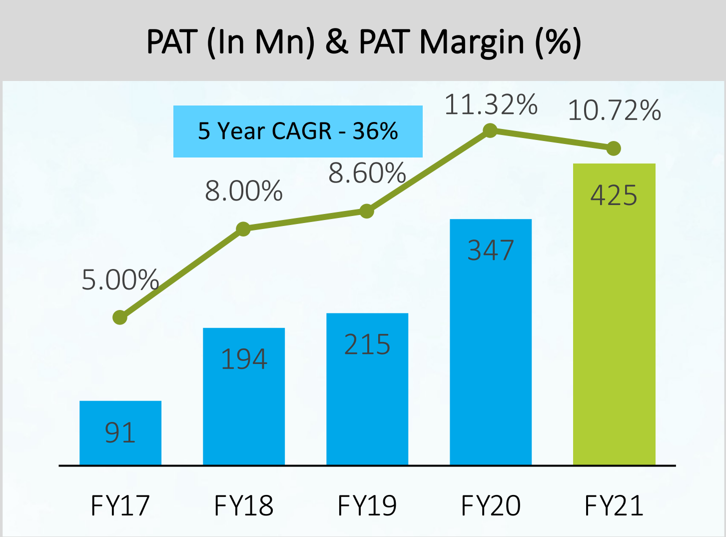
# Historical Cash Flow Statement

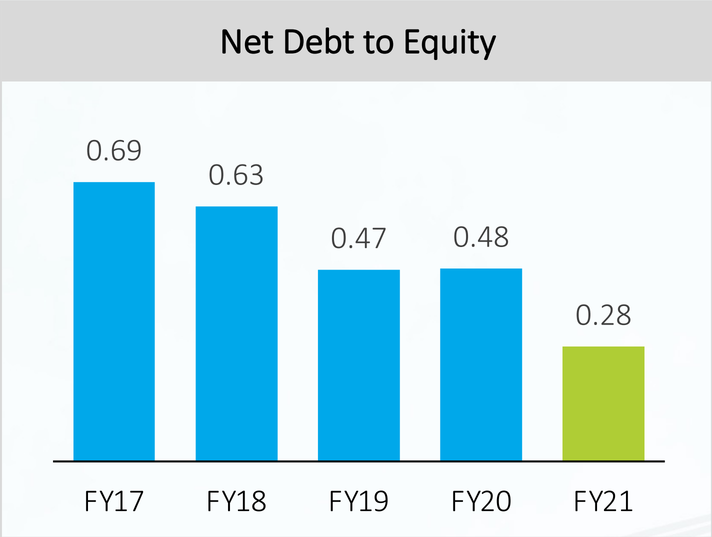
| PARTICULARS (INR Mn) | FY19 | FY20 | FY21 |
|---|---|---|---|
| Cash and Cash Equivalents at Beginning of the year | 0.2 | 0.2 | 0.3 |
| Cash Flow From Operating Activities | 342 | 312 | 394 |
| Cash Flow from Investing Activities | (137) | (239) | (228) |
| Cash Flow From Financing Activities | (205) | (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 |

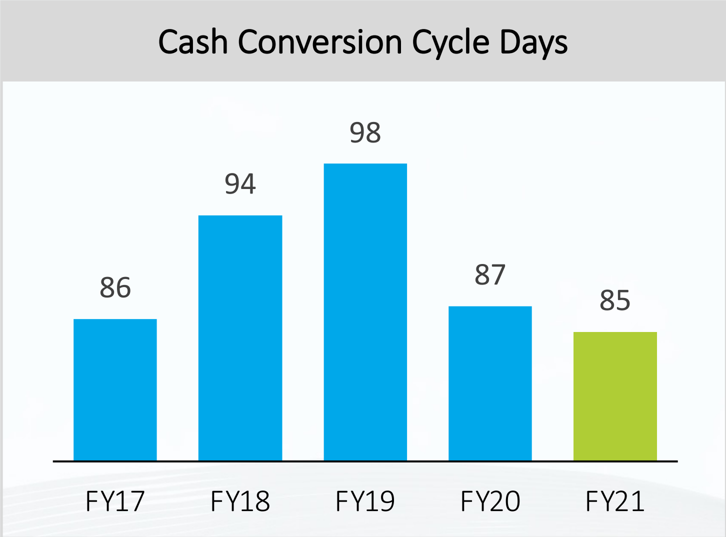
# Key Financial Highlights

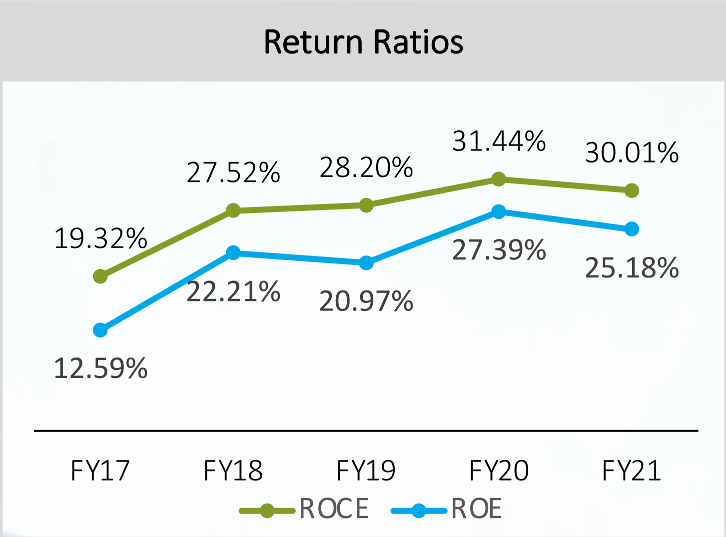


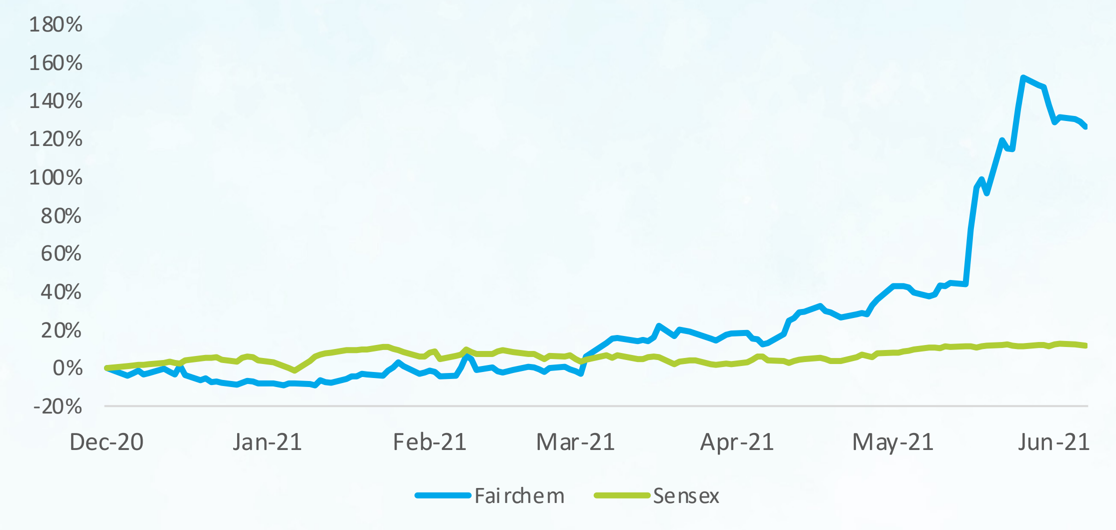



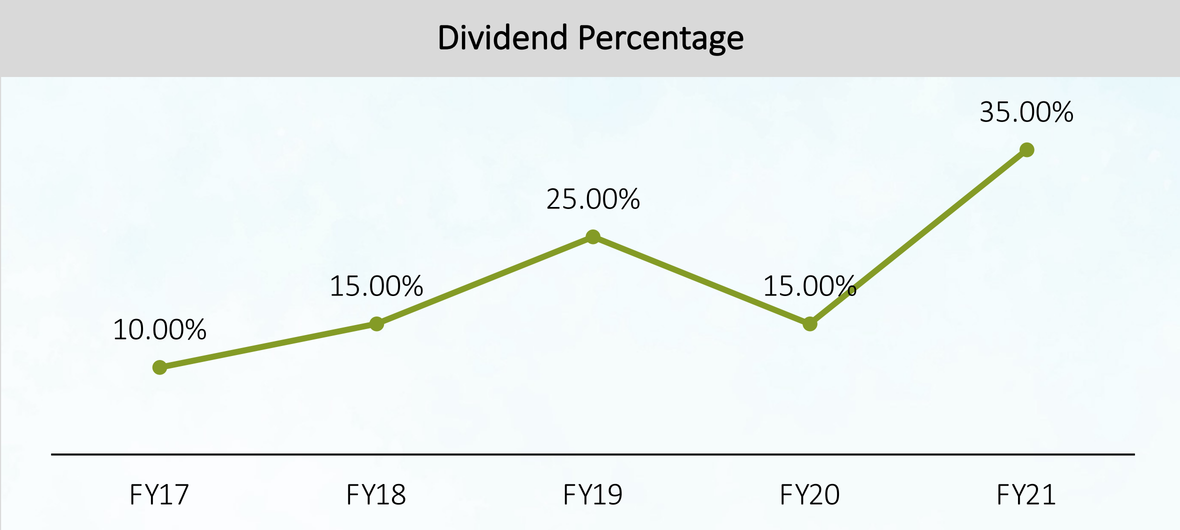



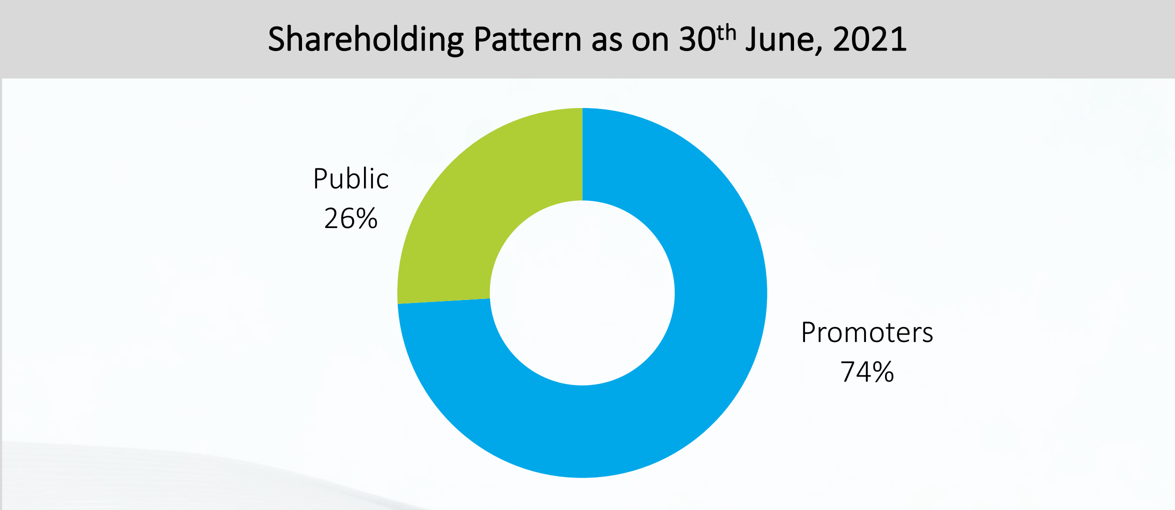



# Capital Markets




| Price Data as at June 30th, 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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