

Fairchem Organics Limited



Earnings Presentation

Q1-FY23

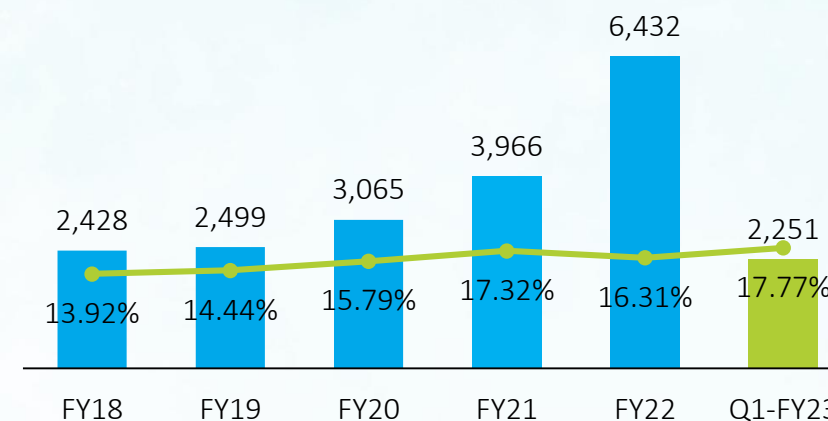
Company at a Glance



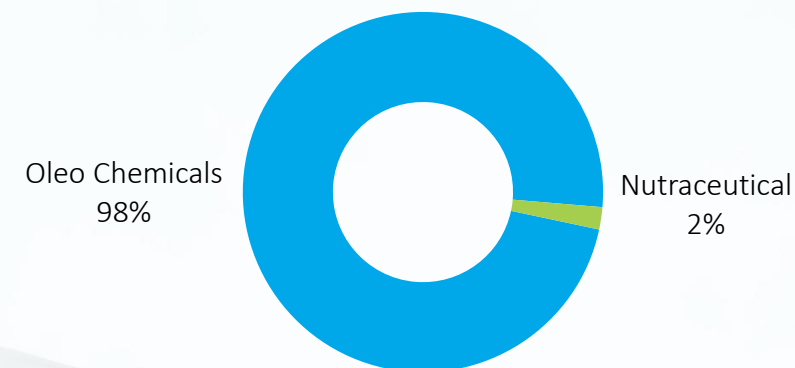
Company Overview

- Fairchem Organics Ltd. (Fairchem) is engaged in the business of manufacturing of Oleo Chemicals and Nutraceuticals, since the last 25 years.
- 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 increased capacity of 120,000 M.Tons per annum, measured in terms of throughput of raw materials, was in place as at the end of June, 2022.
- 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)



Q1-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
- 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-FY23 Financial & Operational Highlights

Q1-FY23 Financial Performance

INR 2,251 Mn

Revenue from
Operations

INR 400 Mn

EBITDA

17.77%

EBITDA Margins

INR 270 Mn

PAT

12.00%

PAT Margins

INR 20.76/Share

Diluted EPS

- EBITDA margins improved during the quarter by containing raw materials costs vis-a-vis realisations from sales.
- Improvement in volumes were due to higher capacity utilisation of new plant capacity.
- The company has completed its capacity expansion and the increased capacity of 120,000 M.Tons per annum, measured in terms of throughput of raw materials, was in place as at the end of June, 2022.
- As the company progressively is manufacturing higher volumes, it would require to source substantial quantity of raw materials locally available.

Quarterly Financial Performance

PARTICULARS (INR Mn)	Q1-FY23	Q1-FY22	Y-O-Y	Q4-FY22	Q-O-Q
Revenue from Operations	2,251	1,391	61.8%	1,776	26.7%
Total Expenses	1,851	1,063	74.1%	1,589	16.5%
EBITDA	400	328	22.0%	187	NA
<i>EBITDA Margins (%)</i>	<i>17.77%</i>	<i>23.58%</i>	<i>(581) Bps</i>	<i>10.53%</i>	<i>724 Bps</i>
Other Income	3	4	(25.0)%	1	NA
Depreciation	19	17	11.8%	19	NA
Finance Cost	24	16	50.0%	17	41.2%
PBT	360	299	20.4%	152	NA
Tax	90	76	18.4%	40	NA
Profit After Tax	270	223	21.1%	112	NA
<i>PAT Margins (%)</i>	<i>12.00%</i>	<i>16.03%</i>	<i>(403) Bps</i>	<i>6.31%</i>	<i>569 Bps</i>
Other Comprehensive Income	1	(1)	NA	2	(50.0)%
Total Comprehensive Income	271	222	22.1%	114	NA
Basic/Diluted EPS (INR per share)	20.76	17.14	21.1%	8.63	NA

Historical Income Statement

PARTICULARS (INR Mn)	FY20	FY21	FY22	Q1-FY23
Revenue from Operations	3,065	3,966	6,432	2,251
Total Expenses	2,581	3,279	5,383	1,851
EBITDA	484	687	1,049	400
<i>EBITDA Margins (%)</i>	<i>15.79%</i>	<i>17.32%</i>	<i>16.31%</i>	<i>17.77%</i>
Other Income	66	3	3	3
Depreciation	60	66	71	19
Finance Cost	66	68	69	24
PBT	424	556	912	360
Tax	77	131	233	90
Profit After Tax	347	425	679	270
<i>PAT Margins (%)</i>	<i>11.32%</i>	<i>10.72%</i>	<i>10.56%</i>	<i>12.00%</i>
Other Comprehensive Income	(1)	(5)	1	1
Total Comprehensive Income	346	420	680	271
Basic/Diluted EPS (INR per share)	26.65	32.63	52.15	20.76

Historical Balance Sheet

ASSETS	FY20	FY21	FY22
Non-Current Assets			
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
	1,440	1,606	1,868
Current Assets			
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
	749	980	1,373
TOTAL ASSETS	2,189	2,586	3,241

EQUITY AND LIABILITIES	FY20	FY21	FY22
EQUITY			
Equity Share Capital	130	130	130
Instruments entirely equity in nature			
Other Equity	1,137	1,557	2,191
	1,267	1,687	2,321
LIABILITIES			
Non-Current Liabilities			
Financial Liabilities			
Borrowings	163	260	100
Provisions	12	18	17
Deferred Tax Liabilities (Net)	116	113	128
	291	391	245
Current Liabilities			
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
	631	508	675
TOTAL EQUITY AND LIABILITIES	2,189	2,586	3,241

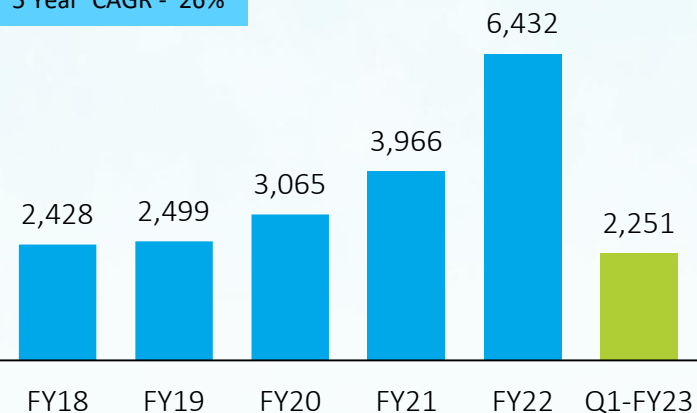
Historical Cash Flow Statement

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

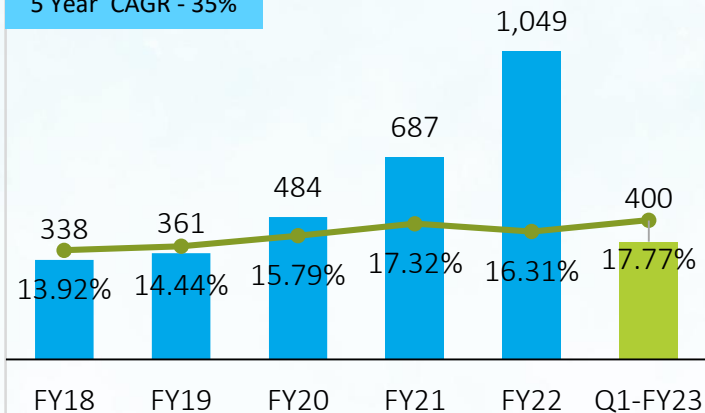
Revenue (In Mn)

5 Year CAGR - 26%



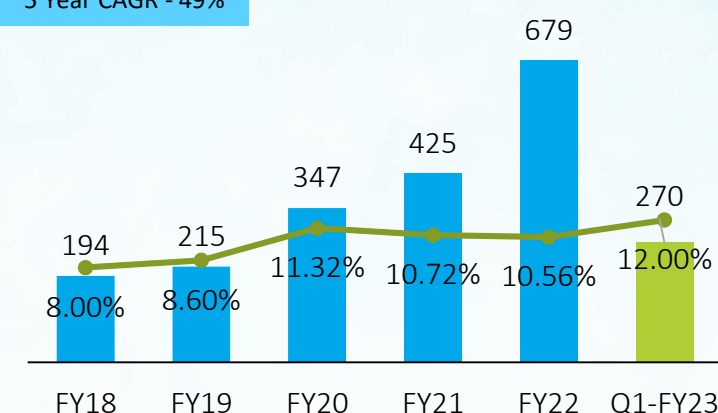
EBITDA (In Mn) & EBITDA Margin (%)

5 Year CAGR - 35%

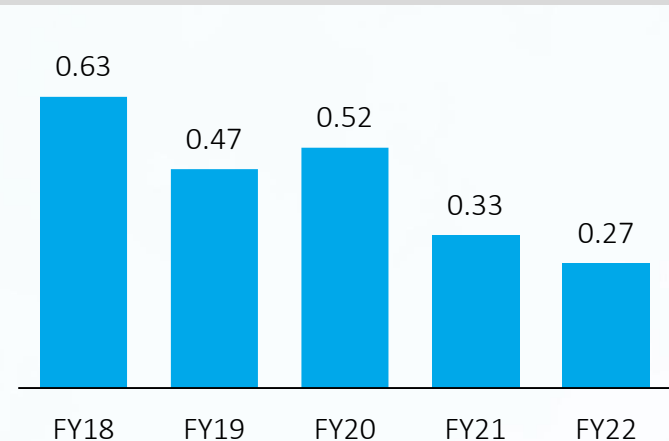


PAT (In Mn) & PAT Margin (%)

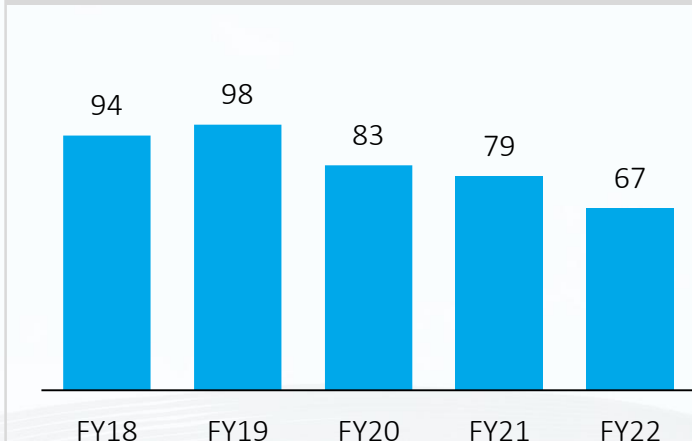
5 Year CAGR - 49%



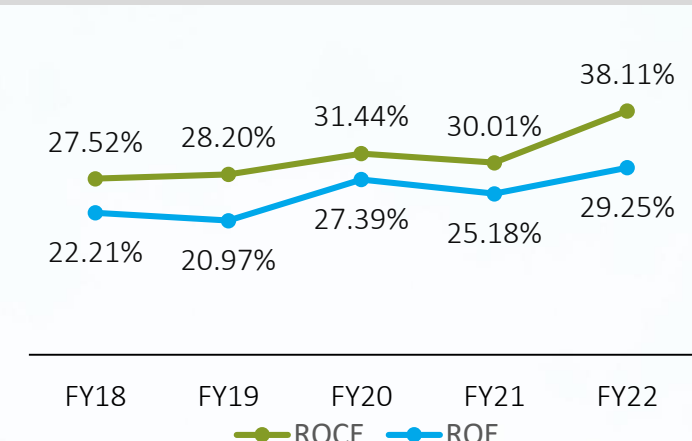
Net Debt to Equity



Cash Conversion Cycle Days

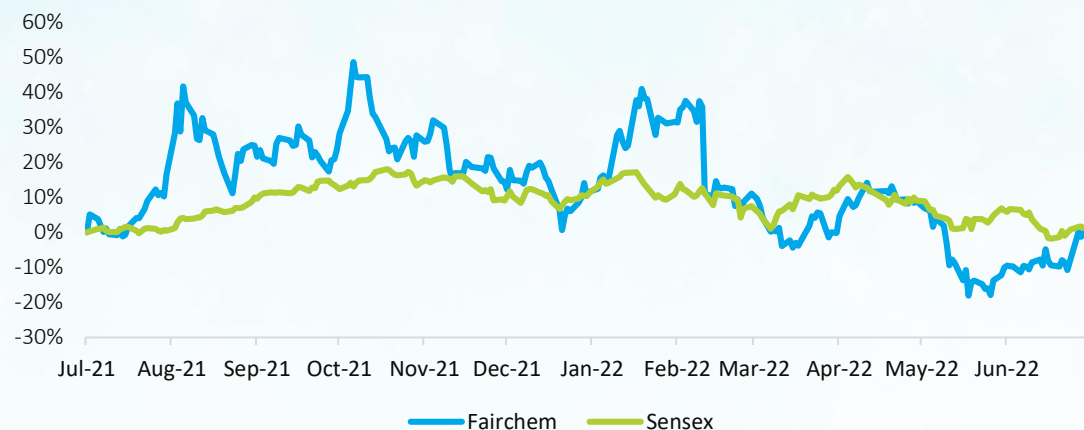


Return Ratios

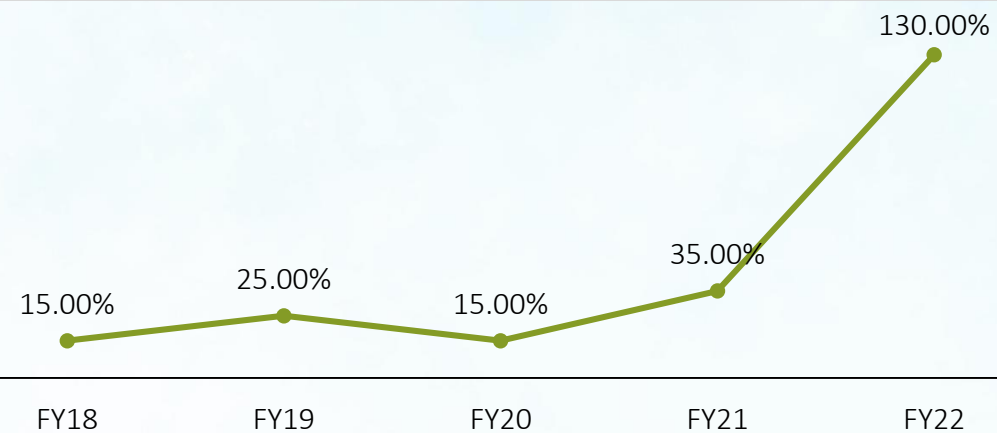


Capital Market Data

Stock Market Performance (as on 30th June, 2022)



Dividend Percentage

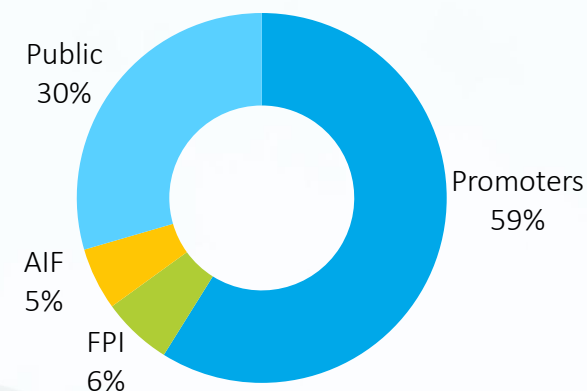


Price Data as at 30th June, 2022

INR

Face Value	10.0
Market Price	1,514.6
52 Week H/L	2,290.0/ 1,198.0
Market Cap (Mn)	19,720.8
Equity Shares Outstanding (Mn)	13.0
1 Year Avg Trading Volume ('000)	46.5

Shareholding Pattern as on 30th June, 2022



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