



FAIRCHEM ORGANICS LIMITED

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Date: February 13, 2023

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'

Ref. : Regulation 30 read with Schedule III Part A of SEBI (LODR) Regulations, 2015

Dear Sirs,

**Sub. : Submission of Transcript of audio recording of Earnings concall on financial results
for Q3 - FY 2023**

Pursuant to Regulation 30 read with Schedule III, Part A, Para A, Clause 15(b) (ii) of SEBI (LODR) Regulations 2015, we herewith submit a PDF file containing a transcript of audio recording of Earnings concall held on Wednesday, 8th February, 2023 on unaudited financial results for Q3 of FY 2023.

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
Q3 FY23 Conference Call
February 08, 2023

Moderator: Ladies and gentlemen, good day and welcome to Q3 FY23 Conference Call of Fairchem Organics Limited. As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing *, then 0 on your touchtone phone. I now hand the conference over to Ms. Purvangi from Valorem Advisors. Thank you and over to you, ma'am.

Purvangi Jain: Good afternoon everyone and warm welcome to you all. My name is Purvangi Jain from Valorem Advisors. We represent the Investor Relations of Fairchem Organics Limited. On behalf of the company, I would like to thank you all for participating in the company's earnings conference call for the third quarter and 9 months ended of the financial year 2023.

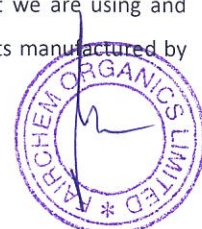
Before we begin, I would like to mention a short cautionary statement. Some of the statements made in today's concall may be forward looking in nature. Such forward-looking statements are subject to risks and uncertainties which could cause actual results to differ from those anticipated. Such statements are based on the management's belief as well as assumptions made by and information currently available to the management. Audiences are cautioned not to place undue reliance on these forward looking statements in making any investment decision.

The purpose of today's earnings conference call is purely to educate and bring awareness about the company's fundamental business and financial quarter under review.

Now, I would like to introduce you to the management participating in today's earnings conference call and give it over to them for the opening remarks. We have with us, Mr. Nahoosh Jariwala - Managing Director and Chairman with Rajen Jhaveri – Chief Financial Officer. I will now hand it over to Mr. Nahoosh Jariwala for his opening remarks. Thank you.

Nahoosh Jariwala: Thank you, Purvangi and good afternoon everybody. It is a pleasure to welcome you to the earnings conference call for the third quarter of the financial year 2023. Let me start by briefing you on the operational highlights for this quarter and then our CFO Mr. Rajen Jhaveri will brief you on the financials.

As you may be aware, the raw material and the finished products what we are using and manufacturing fall under the Oleochemical stream and the prime products manufactured by



us are supplied to paint companies and ink companies. You must be aware at the same time that of lately, you must have seen there has been a lack of demand from the paint industry especially in the decorative segment which our finished products are being sold. The reason in the fall in volume for our company has been to the tune of around 35% and this has been the main reason for the decline in revenue for the quarter and probably it has been one of the worst quarter performance after a very long time. This fall has substantially eroded the margin in absolute terms and at the same time there has been an average fall of around 10% on per unit realization compared to the previous quarter. That was the main reason for which was the continuous fluctuation in the commodity prices which affected our raw material purchase price also.

All this has put an additional pressure on the margin, otherwise all the cost have remained under control, I would like to emphasize one thing and that is that the fall in sales has been only and only for the reason and that is the lack of demand from our customers in the paint industry and not because of we losing out on any of our customers or the paint companies replacing our products with some other products. That is something which I would like to say it again and again and we have been seeing in this quarter starting January that demand has started reviving and we feel fairly confident that over the period we will be able to increase our production to the original levels. Now I hand it over to Mr. Rajen Jhaveri who will brief you on the financial performance.

Rajen Jhaveri:

Thank you, Chairman sir and good afternoon everyone. Let me brief you on the third quarter and 9 months ended financial performance for financial year 2023. For the third quarter, the operational revenue was about Rs. 102 crores, EBITDA reported was around Rs. 4 crores and EBITDA margin stood at 3.51%, net profit after tax reported was around 0.6 crores while the PAT margin was 59%.

Now, coming to the 9-month ended of this financial year, operational revenue stood at Rs. 496 crores, EBITDA reported was around Rs. 53 crores and EBITDA margin stood at 10.68%. Net profit after tax reported was around Rs. 32 crores while the PAT margin was 6.37%.

With this, we can now open the floor for the question-and-answer session and for this, I will hand it over to Ms. Purvangi.

Moderator:

Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Amar Mourya from AlfAccurate Advisors Private Limited. Please go ahead.

Amar Mourya:

Sir, couple of questions from my side, if you can briefly give us what would be in terms of the total revenue degrowth, how much would have been because of the volume degrowth and how much would have been because of the pricing degrowth, that is number one question? Number two is, on an absolute basis, what was the inventory loss which we had seen because of the high cost inventory in the system? And thirdly, if you can sir give us a tentative sales



volume, not the process volume, but the sales volume, how much of the sales volume decline on a sequential basis?

Management: Pricing degrowth was to the extent of 10% which we have mentioned in our presentation also and the remaining is the volume degrowth. As far as inventory losses are concerned, during this quarter, there was no inventory loss. By and large, we managed to avoid the inventory loss as far as this quarter is concerned and your last question about the sales volume, we will give you the sales volume. Sales volume for this quarter in terms of metric tons was around 9,700 tons vis-à-vis around 14,800 tons in the previous quarter.

Amar Mourya: Sir, this is process volume or the actual sales volume?

Management: No, you asked for the sales volume, so I gave you the sales volume, I will give you process volume also and purchase quantity also. So, this because your specific question was about sales volume, I gave the sales volume, then 9,700 tons all products put together was the sales volume for Q3, 14,800 was the sales volume for the previous quarter that is July-September quarter. Now coming to process quantity, 8,700 tons was the raw material process quantity for October-December quarter and 16,700 was the process quantity for the previous quarter that is July-September because as earlier Nahooshbhai said because there was a lack of demand we remained slow on processing of the quantity and having said this, I will also give you the raw material purchase volume also. During quarter 3, we purchased raw materials to the extent of 10,400 tons, but we processed 8,700 tons only because there were some carry over inventory and against this processing of 8,700 ton, we managed to sell the quantity of 9,700 tons. So, effectively, we reduced our quantity at the end of December.

Moderator: Thank you. We take the next question from the line of Bhavesh Chauhan from IDBI Capital. Please go ahead with your question, sir.

Bhavesh Chauhan: Sir, my question is on sales degrowth, sir, our sales have fallen by 35%, but when I see the paint's company's revenue on a Y-o-Y basis, they are more or less flat, so how do you explain this?

Management: Basically, I say it the finished products what we are selling to the paint company, it falls under the rating of decorative paints and decorative paints had seen the degrowth. Paint companies, they manufacture paints for different applications that includes the automobile paint also and so combined one won't be able to make out this because none of the paint companies gives a segregation of what is the paint decorative segment or automobile segment and industrial segment, so it would vary based on the real figures of paint company, but I can say one thing we haven't lost any of our customers, we have all around supplied material to them and in January we have seen the increase in sales also happening.



Management: And there could be one more reason, Mr. Bhavesh, the paint company, they also might have gone slow in purchasing and may have decided to use up their own inventory. So, the sales volume you may be receiving as flat figure, but you also need to have a look at what was the purchase figure during this quarter vis-à-vis previous quarter and that information perhaps is not available in the public domain.

Bhavesh Chauhan: And sir, you have talked about recovery is witnessed from January, so are we recovering to the extent what we have been reporting previous quarters?

Management: No, none of it, you are also aware, no recovery can happen 100%, but I am happy to say that recovery has started and this quarter also we will see like we had seen a drop of around 35% in the sales volume vis-à-vis compared to the Q2 which I feel we will be able to recover fairly good thing, but right now to say because we are not getting that visibility from the paint companies for long term, so I mean it is very tough for me to really say that. Overall, we feel and our team feels confident that we will be able to bounce back.

Bhavesh Chauhan: So, do you mean to say that the March FY22 sales maybe recovered in FY24 or may be, can we expect that?

Management: Yes, for sure.

Moderator: Thank you. We take the next question from the line of Jagvir Singh from Shade Capital. Please go ahead.

Jagvir Singh: Sir, my question is regarding the capacity expansion, we complete the category expansion also, so now there is some pent-up demand, so can you guide us for 24 and 25, so when we can get some benefit of the capacity expansion, when we can see this kind of demand that we can absorb with what we did for capacity expansion last quarter?

Management: Looking at the growth which was happening in last 4-5 years we had gone in for the capacity expansion, but at the same time, what happened in the Q3 made us realized that it would be more prudent to say not to have such a situation in future, we have decided to go for one additional raw material. Obviously, it is based on the Oleochemical stream only which is our core competence and we will be utilizing the same set of equipments also and so that is what we have already started working and you will be able to see the results of the product addition before end of 2024.

Jagvir Singh: Sir, my next question is regarding, I have attended the last call also, so we were talking about one more product and we were talking about some exports, because we can do the exports also, so what is the status on this?



Management: Yes, that export thing what we have talking about is the forward integration project of one of our current product stream and that is on stream and we will be starting commercial production in the April-June quarter.

Jagvir Singh: Calendar year 23?

Management: Yes

Jagvir Singh: And sir, last question, so we did around Rs. 643 crores in the financial year 22, so you are always talking about the 16% to 17% EBITDA margin, so in FY24 we can see the revenue of around Rs. 650 crores of the same EBITDA margin side if you have always said sustainable margins are 16% to 17%?

Management: See, this margin in percentage term is a very debatable kind of a percentage, suppose assuming what happened about 9 months back, the prices of everything went up, so at the same volume, we received higher per unit realization. Now, this per unit higher realization only be applied the same percentage margin on that and that would be a very large number and that may not necessarily be the case. So, instead of telling that 16% because our 9-month cumulative result was approximately 10-11%, so we will certainly be improving on that. That is at this stage that is what we can say. Certainly, going forward from this quarter onwards, we will be improving on these and time and again, we have been saying that our performance ideally should be measured on an annual basis rather than on a Q-o-Q basis.

Jagvir Singh: And I am talking about the annual basis, so that is why I am not talking about the 22-23% margin which these kind of....

Management: 23-24, our topline would be more straightly we are anticipating being higher than 22-23 and bottomline also we are anticipating, 23-24 bottomline also would be higher than what would be the bottomline of 22-23. Only thing is that the percentage term is very difficult thing to comment on because if the prices remain at this level stable as far as raw material and finished goods are concerned, then it is okay and it actually was the case from 1996 till end of 2021 or even up to March 2022, but thereafter post this February 2022, Russia-Ukraine war, the instability in the last 12 months, the volatility in the pricing that has actually ruined this entire thing and then it is now difficult to categorically state that this would be the EBITDA margin in terms of percentage. In absolute number, yes, we are quite hopeful that absolute numbers will keep on increasing.

Jagvir Singh: Sir, last question, some new entrants like Birla are coming in this paint industry, decorative industry, even JSW is also trying, so are we talking for them also for the claim?

Management: Yes, already our samples are under analysis. In fact, they are under analysis since last 1 year.



Moderator: Thank you. We take the next question from the line of Prakash Kapadia from Anived Portfolio Managers. Please go ahead.

Prakash Kapadia: Couple of questions from my end, last quarter you had highlighted the demand challenges and we have seen on a sequential basis, sales being down by %, EBITDA being down by 35%, so going forward to understand the business momentum, should we evaluate the business on a sequential basis to get a sense of how quarterly trends are shaping up and how demand is shaping up is that the right metrics to look at and when does operating leverage come back, say above 10-12% kind of sales volume growth, above 15% growth and lastly, how much is paint industry of our total sales as of now versus say last year or as on FY22?

Management: See, this paint industry, how much of our raw material goes as an ingredient in terms of quantity that they are not disclosing to us.

Prakash Kapadia: No, out of our total sales, so if we take sales of say Rs. 500 crores, last year I think it was Rs. 640 crores?

Management: 21-22 balance sheet, we have already disclosed that 40% of our sales of that year had gone to one company and that was that same company only in terms of value.

Prakash Kapadia: Yes, but we supply to other paint companies also, so is it right?

Management: Yes, we supply that this was to one company only. Overall, the combined value of our two main Fatty acids is in terms of values was close to 70-75%.

Prakash Kapadia: That is what I was looking out for. And from the business perspective, at what capacity does operating leverage come?

Management: As in the past, this was not a very good quarter, reason for us the previous one was also, otherwise since 2010-11, our volume growth has never been less than on an average, on 11 years average, it has never been less than 10-12% and we hope to maintain these in the years to come also, volume growth. Value ultimately will depend on what are the raw material prices and input cost.

Prakash Kapadia: Input cost, right.

Management: This year, because of the Ukraine thing, things going there in Europe a lot of things have, overall the industry has come under pressure, demand has come under pressure expect for that there is no other reason like we losing our customer or our finished product being replaced by something else or there is nothing like that is happening, so that is the reason for the confidence at our side.



Prakash Kapadia: And sir, we also supply to ink, soap, detergent, so how is your demand looking from some of the other industries and is it possible to say in the medium to long term, to derisk ourselves from the paint industry and develop some of ancillary products for some of other new business?

Management: That is exactly what I said that we are introducing one new raw material obviously part of the Oleochemical stream so that our dependence on the paint industry goes down, will reduce.

Management: It will be all together a new brand product from this new raw material and it will cater to entirely new kind of customers.

Prakash Kapadia: And that we should see commercialization in 24?

Management: We hope to commercialize this somewhere by December 2023 or at the most March 2024.

Prakash Kapadia: And lastly sir, one data keeping point, in case we have the metric ton sold I think 9 months we should be around 39,000, now the figure for last year 9 months year to date and Q3 of last year, if you have it handy?

Management: Last 12 months figure is already there in one of our earlier presentations and this year the raw material process is closely 40,000 in this 9 months and maybe another 15,000 or so during January-March quarter we are quite hopeful, let us see how things unfold in the times to come, but that is what we are targeting and then it should be anywhere between 54,000 to 55,000 during these 12 months. Of course, it will be somewhat less than what was last year. Last year, if I am not mistaken, it was around 59,000 or so.

Prakash Kapadia: Q3 last year, would you have that number, sir?

Management: Readily, I am not having that number.

Moderator: Thank you. We take the next question from the line of Nirag Shah from Exemplar Investments. Please go ahead.

Nirag Shah: Can you share some more light on the new raw material that we are talking about as to it will be again a byproduct from refining of soft edible oils and what kind of end products we are targeting from that?

Management: Yes, it would be of the same family, it will be utilizing the same set of raw material purchase companies, we will be utilizing the same set of transporters, we will be utilizing the same set of equipments, only change is going to be we will be using these types of catalysts and the marketing what will be happening won't be going to the paint industry, but it will be going to epoxy industry. Beyond this, at this stage, I won't be able to share.



Nirag Shah: My other question was regarding emerging competition, as I believe Andhra Pradesh based 3F industry also started manufacturing Dimer acid, so do we anticipate any threat over market share in Dimer acid and do we see any problem in observing our installed capacities for this project?

Management: No, we don't see anything. First thing is that Dimer 3F manufacturing, but we don't see anything much occurring on that front and second thing is that as such we are having around 65% of Indian market share, balance 35% is coming from imports. What would happen is that he would be replacing the imports.

Moderator: Thank you. We take the next question from the line of Mr. Aashish from InvesQ. Please go ahead.

Aashish: You sounded off regarding this blip in demand from paint companies, I think in November sometime, so if there was an inventory correction that was to take place in the paint industry and nowadays, inventories are managed very tightly by anyone, so wouldn't that two months gap be enough to kind of bring down the inventory for them and resume the purchases from you, so that your sales now should become normalized sometime, so is that correct understanding?

Management: Yes, that specifically what I said that in January, we have seen a good revival in sales.

Aashish: Good means what sir, good means normalized monthly sales or is it still may be 20-25% down from the paint?

Management: The numbers sharing would then amount UPSI and as per the latest through this Indian guidelines, whenever you disclose this UPSI first half also you should be collecting their income tax file number sending them OTP you might have heard if you are in security market. NSE has already started investigating these top 1,000 companies and on market capitalize basis we are falling under that. I think the first 300 to 400 companies, they have already investigated whether this equity data base is correctly mentioned or not. So, whatever call because this is an earnings call for October-December, it will be better if you link ourselves as far as numbers are concerned for this particular quarter only, we can give a directional kind of a thing as far as future is concerned, but insistence of the numbers we request not to insist for the same.

Aashish: But are you getting a feeling that this is going to normalize in the next 1 or 2 quarters?

Management: We certainly are getting feeling, otherwise this would not have come from our CMD's mouth.

Aashish: And second question would be you said that the war would have impacted your business also because I can't connect, how, because your raw material comes from somewhere else?

Management: I talked about the volatility in prices, war has resulted into.



Management: Between Ukraine and Russia, they are world's largest manufacturers of sunflower oil. So, that is the reason it is affecting, the overall commodity has become little bit volatile because of that. So, once, we haven't seen this type of volatility in the last 25 years of our existence. For the first time this is happening, I feel once the things stabilize then there should not be anything based on that.

Aashish: So, the feeling that I am getting from your comments is that by maybe towards the second half of next year, everything should be fine and including the new molecules that we are basically going to launch?

Management: We are hopeful and we remain optimistic about. Everything is there, we are ready to go whenever the demand arise and demand comes back we will be able to start supplying because everything, all investments and everything has been done, everything in place.

Moderator: Thank you. We take the next question from the line of Simar from Region Capital Services. Please go ahead.

Simar: I just wanted to ask you about the Q1 concall that you had mentioned that the 40% share in paint industry would be declining as well as you mentioned about that in the presentation, but what decisions are we taking apart from the addition of the new raw material, I want to ask you, are you looking at the option of exporting of your Linoleic Acid since it does not post any competition in the local market?

Management: See, as regard to the export of Linoleic Acid, small beginning has been made by us, both as regards to Linoleic and as regard to Dimer, we had started exporting both these products in small quantities and we expect the volumes to go little bit higher also in coming quarters.

Simar: My second question, could you help me out with Tocopherol addition which you have added in the forward integration, could you help me with the topline for the next year and so on and can you just share some margin profile for that as well which you are providing to the 3 fortune 500 companies?

Management: It is the same set of three companies with whom we are supplying our current Tocopherol stream. We are going to supply this subdivided stream to them only, so we are not looking at the new set of customers.

Moderator: Thank you. We take the next from the line of Keshav Kumar from RakSan Investors. Please go ahead.

Keshav Kumar: What is the difference in raw material prices currently compared to how it was before all sorts of volatility started happening, so basically pre-COVID?



Management: The raw material prices were ruling at the particular thing it almost reached 2x, nearly 2x and then from 2x it again came down to maybe up to 1.3x or so and now it is hovering around 10-15% here and there and since last few weeks we are seeing that it is perhaps time to settle at a particular level, but it still is somewhat higher than what it used to be prior to February 2022 when this war started.

Keshav Kumar: And sir, when the demand comes back and assuming that the volatility does not again rise up, our internal ROC targets for next 2 to 3 years would still be in the line of what the company has done in past 2 to 3 years?

Management: That is what in one of my previous replies also, I said that what we are looking for is and what we are hoping to achieve is on a yearly basis continuous rise in topline and bottomline, earlier also in many a times we have said this. The only thing is this year, this 22-23 we fell short on that, but this we have been achieving since 2010-11 and we hope to achieve this growth in absolute numbers in topline and bottomline in the years to come on a sequential yearly basis.

Moderator: Thank you, sir. We take the next question from the line of Pranay Dhelia from Panchatantra Advisors. Please go ahead.

Pranay Dhelia: I sincerely hope as a shareholder that the numbers improve, during the call you mentioned quite a few times that we have had a fall in demand from the paint company, that is why our topline, bottomline, both have been affected, two questions regarding, one is looking at the paint company's numbers, none of them have reported a big downfall in sales, whether it was Asian Paints or for that matter JSW if you look at their aggregated numbers or other companies, so is it that they have started importing more rather than buying from us?

Management: Basically, the Fatty Acids what we are selling to paint companies is being used by them in decorative paints. At the same time, paint companies whenever they show their results, they show consolidated results which includes the sales in decorative segment, the sales in automobile segment, the sales in industrial segment and others. So, we have seen a drop in sales in decorative segment and that is where our product goes, but the paint companies whenever they share their details and second thing is that paint companies might have decided to reduce their inventory and in that case they might have reduced their purchasing from us and must have decided to use their inventory. So, both the possibilities are there and that is the only reason why we feel that drop has happened because since last many months, there has been talk about global recession coming, so may be that company might have decided to go slow on inventory buildup.

Pranay Dhelia: That has worked very well.

Management: We haven't lost any of our customers.



Pranay Dhelia: That is very reassuring, sir, just one more clarification regarding this, with the paint companies, our selling price is determined quarterly or are we merely doing an engineering business wherein after the procurement of raw materials, we bring them over and above that?

Management: No, it is on monthly basis.

Pranay Dhelia: So, we are more or less insulated from raw material shops if you are being able to reprice it monthly?

Management: We always have seen one thing that we are not a commodity company, we are a manufacturing company and our core competence is to manufacture goods of the right quality and the accepted price and that is the reason that we will never play around in commodity.

Pranay Dhelia: So, I will share your same optimism for the future sir, hopefully we will be able to recover our losses of our shareholders very soon.

Moderator: Thank you. The next question is from the line of Mr. Amar Mourya from AlfAccurate Advisors Private Limited. Please go ahead.

Amar Mourya: Sir, if you can share the 9-month sales volume and not process volume, sales volume and what was the 9-month sales volume, let us say in 22, is it possible?

Management: Last 3 quarters 9 months is not readily available, but these 9 months is more than 40,000 and last full year was 59,000, so last 9 months also could be anywhere between 42,000 to 43,000 vis-a-vis more than 40,000 this year.

Amar Mourya: 42,000 to 43,000 you are saying last year whole?

Management: Should be, I am telling you based on the annual figure of 59,000 that it could be anywhere between 42,000 to 43,000 for the last 9 months. These 9 months it is little more than 40,000 tons.

Amar Mourya: And this is sir, sales volume, not the processed volume?

Management: Yes, sales volume.

Moderator: Thank you. We have the next followup question from the line of Nirag Shah from Exemplar Investments. Please go ahead.

Nirag Shah: What is the status of Isostearic and high concentrated Tocopherol and Sterol's project, when will we be in the market with the same?

Nahoosh Jariwala: Isostearic, we will be commissioning the plant in April-June quarter.



Nirag Shah: And Tocopherol also?

Management: Yes.

Nirag Shah: Will it take time to stabilize?

Management: In Tocopherol, we have been talking that we intend to introduce one new set of raw material which in this case, we might hold our forward integration of Tocopherol project for some time and use those set of equipments for this new raw material.

Nirag Shah: So, Tocopherol product should be for FY24 I think?

Management: Yes. We will continue with our present stream of Tocopherol share on export which we are since 1996.

Nirag Shah: But it is low concentration Tocopherol?

Management: Yes, that is low concentration.

Moderator: Thank you. The next question is from the line of Simardeep from Region Capital Service. Please go ahead.

Simardeep: I am just trying to have a follow-up question with the Tocopherol, could you share some line on the margins as well as have you seen growth in the topline for the same product?

Management: Marginally.

Simardeep: Tocopherol?

Management: In terms of value, Tocopherol is only 5% of our total sales.

Participant: Yes, I know sir, but since it has been increasing...

Management: The 70-75% of the sales value comes from these two main products, Linoleic Acid and Dimer Acid only, but since we started our business with Tocopherol and it is our ultimate dream to one day go ahead and make mix Tocopherol's pure 100% and ultimately Vitamin E, we have decided to remain in this business.

Participant: Sir, what about your biodiesel plant which has been operational, can you share some light in terms of the cost benefit that could be having and can you share some numbers regarding that as well?



Management: Yes, this is what the MD said this Tocopherol and Sterol plant and biodiesel plant that entire plant is one only, so now we already said that we may decide to remain with the present export stream of Tocopherol and if possible we will use these for that other raw material about which we talk, the new set of raw material and new finished product for the new set of customer. In that case, we stay put with our present Toco. export stream and differ, we are not seeing abandoning or cancelling, this Toco upgradation plant.

Moderator: Thank you. The next question is from the line of Chirag Vakharia from Budhrani Finance. Please go ahead.

Chirag Vakharia: Sir, in the last quarter, we had two issues, one was demand which you clarified and second was high cost inventory, so I want to understand is all the high cost inventory that we were holding is normalized and second question, have you taken any cost control measures to sort of compensate for the demand loss that we are having?

Management: As far as high cost inventory is concerned, it is normalized and as far as cost control is concerned, cost control has always been an ongoing thing in this company, ever since Shri Nahooshbhai took charge in April 2010 and if you compare our other cost except this raw material cost, not power and fuel cost, because power and fuel it is not entirely in our hand, the electricity price and coal price is not entirely in our hand, but if you compare all our costs compared to the volume that we process or the sales value which we have achieved, you will always find that it is always an economizing thing only. So, it is an ongoing thing, whatever best was to be achieved, we have nearly achieved the same. Now the only thing perhaps is on the major front, is the solar power which may be after we are through with all these things, one day Shri Nahooshbhai will take this solar power thing also.

Moderator: Thank you. We take the next question from the line of Shashank from Value Educator. Please go ahead.

Shashank: Sir, my question is regarding this Tocopherol only, so what would be the realization difference between the current mix Tocopherol and the product which we are planning about the 100% concentration and Vitamin E, so what would be the realization difference or the margin difference if you can share?

Management: As of now, we have targeted upgraded Tocopherol only. Pure Vitamin E is a very far of thing, What we have targeted was upgraded Tocopherol which we are saying that we are reviewing and we are reconsidering to differ it temporarily to accommodate that other raw material and other finished product.

Shashank: Just I am asking for the knowledge purpose, what would be the realization difference between the current and which we were planning?



Management: Difference in absolute amount would be substantial, but then it will also entail some cost also to make those categories.

Shashank: And sir like, I have been observing this project has been delayed multiple times from last many years, so what is the reason like, is this technology ?

Management: It got delayed for 2 years because of two main reasons, one reason was we had Corona that affected the paint and it is very absolutely modern project where lots of instrumentation is also there and as everyone is aware that instrumentation, things got delayed due to nonavailability of chips that was one thing and second thing was that in our new plant we were going to use Methanol as one of the material and Gujarat being prohibition state, getting Methanol permission has always been a task. It is not that our plant was ready, but we were waiting for the permission and getting permissions, once the election in last 6 months and everyone went in election mode, no permissions were given. It was not because of any other reason like lack of will to invest or anything else. Plant has been ready since practically 95%-97% was over since long.

Shashank: Because I have been tracking another player who is in this side, so they probably started somewhere in 2011 or 2012 and they have substantially grown in Tocopherol, high concentrated Tocopherol and even Vitamin E side, while we were in this product much earlier like at least in mix side, so are there any technological related challenge to scale up?

Management: We had taken a conscious decision to concentrate more on the Fatty Acid side because that can give us higher volumes and higher topline and bottomline. Tocopherol business is very niche business, where you cannot have crazy scale for anything like the volumes or values what we are having. Right now, it won't be possible to invest till Tocopherol business and we are already supplying low concentrated stream and we are there in the business. So, I mean it is not that. Technology challenges and everything that is not an issue because we have good support from our three buyers who were prepared to help us to make the product which can be of good help to them in manufacturing Vitamin E. So, it is not that and we also have had a business relationship with all these three companies since last more than 20 years.

Moderator: Thank you. We take the next question from the line of Amar Mourya from AlfAccurate Advisors Private Limited. Please go ahead.

Amar Mourya: Sir, two questions, one is that like in your last presentation, I believe 22 presentation, we indicated that in Dimer Acid, the country has imported something around 7,700 metric tons that year and you basically are 55 to 60% of the market, so is that the right number, sir, 7,700?

Management: Yes.



Amar Mourya: So, basically sir, then how is the volume is divided, so is it that you are selling more of a Linoleic Acid and more of the other Fatty Acid also and Dimer it is the ratio of let us say?

Management: Let me tell you one thing, none of the companies would keep only a single source of raw material supply. So, that is the reason that at the most we can go, reach up to 75% India's total market share if we convince all our customers to buy 75% from us and 25% from other suppliers. So, what typically are the things varies between 62 to 70% that two third, one third is thumb rule you can take.

Amar Mourya: So, basically, that let us say if 77,000 and we are like 65% of the market, then basically the total size will be let us say 12,000 metric tons, is that the right number?

Management: Yes.

Amar Mourya: Basically, what I am trying to understand here is that then in that case, out of the total salable volume, the Dimer Acid volume is basically very less, so is it the Linoleic Acid is basically the large chunk of our business?

Management: Yes, it is a high priced item.

Amar Mourya: Which, Dimer is the high priced item?

Management: Yes.

Amar Mourya: But Dimer, sir, if I check with lot of other buyers like I get to know that it is a \$2 and \$2.5 item, right?

Management: Yes, compared to Linoleic, it is high price.

Amar Mourya: But Linoleic is high price, Linoleic would-be high price.

Management: No, compared to Dimer Linoleic is not high price. Compared to Dimer is low price.

Amar Mourya: Then Linoleic would be less than \$2?

Management: Yes.

Amar Mourya: Then there I think I got a wrong figure and secondly sir, as you indicated that you will be processing let us say approximately 14,000 metric ton of processed volume, so is it like something around the sales volume would be around, going that the sales ratio is around 16,300 would be the sales volume for next quarter?



Management: No, I told you in one of the other query's response, I told you the 9-month volume is 40,000 tons, somewhat higher than 40,000 tons. So, you have to add 13,000-14,000 there because whatever processed the salable quantity which we will derive will be approximately 95% to 96%. That would be 4% to 5% of process loss in terms of moisture, handling loss, etc.

Amar Mourya: But sir, in this quarter, if I see, you said that process volume was 8,200, but your sales volume was 9,700?

Management: Because we used the previous quarter's inventory.

Amar Mourya: And even in the last quarter also you said that process volume was 12,700 and the sales volume was 14,800, in September quarter also?

Management: Yes, sales volume was 14,800, yes, and raw material volume was 16,700.

Amar Mourya: So, I am just going by that number, I am saying you must be having some inventory, right?

Management: Yes, that is what we use the plan in this Q3. Q3 is reversed than Q2. I hope you are not mixing about the two things. In Q2 the process volume was higher and in Q3 the sales volume was higher vis-a-vis the process volume.

Amar Mourya: In Q2 what was the process volume?

Management: 16,700.

Amar Mourya: I got it, so basically 13,000-14,000 you are saying 90% of that, got that. Sir, then also basically there would be sequential growth, but year over year there would be volume degrowth?

Management: Yes, that is what I earlier said also in reply to question from one of the participants that there could be some marginal degrowth in terms of volume though in terms of value it may not be that much.

Amar Mourya: And sir, the price that 14% decline which you are seeing in this particular quarter, the price also recovered now?

Management: Which price?

Amar Mourya: Realization you said that this quarter realization was down 10%, right?

Management: The average price realization depends on the entire product mix, so different products have different value and as I said Dimer Acid is a high priced product, so if there is more Dimer sale or more demand and more Dimer sale then average would tend to be on the higher side. Suppose if there is less demand from Dimer Acid and more demand for another fatty acid,



Linoleic Acid which is relatively lower price, then again per unit realization would be different, so it is the product mix, we are not in the same, like cement that we are making one particular product only. Our products command different pricing and there is a substantial gap between one prime product to another prime product.

Moderator: Thank you. We take the next question from the line of Nirag Shah from Exemplar Investments. Please go ahead.

Nirag Shah: We are delaying that high concentration Tocopherol plant for the new product that you talked about, so is it?

Management: We are exploring whether to do that or not.

Nirag Shah: Yes, I was just asking that new product is to be commissioned based on existing paint segment customer's demand, so that we are going to get ready market, so that is why we are doing like that way or is it something else?

Management: It is something else.

Nirag Shah: Can I have Linoleic and Dimer acid figure for 9 months from percentage contribution?

Management: In terms of quantity?

Nirag Shah: Quantity or value also it is okay?

Management: Dimer Acid value for 9 months was Rs. 130 crores and Linoleic Acid value for the 9 months was Rs. 234 crores.

Moderator: Thank you. Ladies and gentlemen, that was the last question for the day. I now hand the conference over to the management from Fairchem Organics Limited for closing comments. Thank you and over to you, sir.

Nahoosh Jariwala: Thank you all for participating in this earning concall. I hope we were able to answer your questions satisfactorily and at the same time offer insight into our business. If you have any further questions or would you like to know more about the company, please reach out to our Investor Relations Manager at Valorem Advisors. Thanks a lot. Thank you everybody.

Moderator: Thank you very much. Ladies and gentlemen, on behalf of Fairchem Organics Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.



