



FAIRCHEM ORGANICS LIMITED

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Date: August 16, 2023

**To,
National Stock Exchange of India
Limited**

Exchange Plaza, Plot No. C/1, G Block,
Bandra Kurla Complex,
Bandra (East),
Mumbai 400051

**To,
Department of Corporate Services
BSE Limited**

Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai 400 001

Ourselfs: BSE Scrip Code: 543252/NSE symbol: 'FAIRCHEMOR'

Dear Sirs,

**Ref: - Regulation 30 read with Schedule III – Part A, Para A – Clause 15(b)(ii) of
SEBI (LODR) Regulations, 2015**

**Sub: - Submission of Transcript of audio recording of Earnings concall on financial
results for 1st Quarter Ended June 30, 2023**

In our furtherance to our letter dated August 10, 2023, we hereby submit, pursuant to Regulation 30 read with Schedule III, Part A, Para A Clause 15(b)(ii) of the SEBI (LODR) Regulations, 2015, a PDF file containing a transcript of audio recording of Earnings on con-call held on Thursday, August 10, 2023 for the Unaudited Financial Results of the 1st Quarter ended on June 30, 2023.

We request you to take the same on your record.

Thanking you,

Yours faithfully,
For Fairchem Organics Limited

Jatin Jain
Deputy Company Secretary

Encl: As above

Fairchem Organics Limited
Q1 FY24 Conference Call
August 10, 2023

Moderator: Ladies and gentlemen, good day and welcome to the Q1 FY24 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 Mr. Anuj Sonpal from Valorem Advisors. Thank you and over to you, Mr. Sonpal.

Anuj Sonpal: Thank you. Good morning, everyone and a very warm welcome to you all. My name is Anuj Sonpal 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 call for the 1st Quarter of financial year 2024. Before we begin, let me mention a short cautionary statement. Some of the statements made in today's earnings call 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 management's beliefs as well as assumptions made by and information currently available to management. Audiences are cautioned not to place any undue reliance on these forward-looking statements in making any investment decisions. The purpose of today's earnings 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 with us in today's earnings call and hand it



over to them for opening remarks. We have with us, Mr. Nahoosh Jariwala, Managing Director and Chairman and Mr. Rajen Jhaveri, Chief Financial Officer. Without any further delay, I request Mr. Jhaveri to start with his opening remarks. Thank you and over to you, sir.

Rajen Jhaveri:

Good morning, everyone and welcome to our Earnings Call for 1st Quarter of financial year 2023-2024. Let me first start off by giving you some of the key financial highlights after which our CMD – Shri Nahoosh Jariwala, will give you some of the operational highlights. For the 1st Quarter, the revenue from operations stood at Rs.161 crores, EBITDA for the quarter was nearly Rs.12 crores with EBITDA margin at 7.29% and we reported a net profit after tax of approximately Rs.6 crores for the quarter. Now I request our CMD, Shri Nahoosh Jariwala to brief you on the operational highlights for the period under review.

Nahoosh Jariwala:

Good morning, everyone. The revenues were impacted due to possible destocking by a few of our customers, mainly triggered by continued fluctuation in commodity prices coupled with dumping by China. In fact, I would like to say that there has been an increase in volume processed by us on a quarter-to-quarter basis by 3.2%. Additionally, the company incurred various expenses in development of isostearic acid. The new product that our company has launched that was more related with some loss of material that happened while testing some job-work charges also were incurred for the trial of intermediate stage and additional utility costs for settling the new product. And there also was one-time cost incurred to REACH compliance registration which is needed if you want to export our material to European nations. I would like to say that we have successfully manufactured isostearic acid on the plant and the samples have been approved by the top companies in US and Europe and also in Japan. Now, we are waiting for the stability test, which is a must as these products will have a shelf life of more than one year. The companies who will be buying this product will have to undertake a stability test and so once the stability tests are over, we will



be able to start manufacturing the materials on regular basis. We are just waiting for the stability case results which might take some time, but I would like to say that we have been the only company in India which has been successful in manufacturing isostearic acid and we will be one of the top five companies in the world. I mean that is from my side, as regards the new product and the reason for some drop in overall profitability. Now, I would like the floor to get open for question-and-answer session. Thank you.

Moderator:

Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask questions may press "*" and "1" on their touchtone telephone. If you wish to remove yourself from the question queue, you may press "*" and "2". Participants are requested to use handsets while asking questions. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Prakash Kapadia from Anived Portfolio Managers. Please go ahead.

Prakash Kapadia:

Couple of questions from my end. Last quarter, we were pretty confident of growth coming back and we saw the year being on a good note and Q1 and Q2 and demand scenario looked good. So, can you help us understand slightly better, because if I look at sequential basis sales are up by 5%-6% at 1.6 billion. So, what is really affecting this and specifically, the gross margin trajectory again, we have seen, 600 basis points fall in gross margin. So, what is happening on the raw material front and you have been maintaining and talking about volatility in commodity prices. So, post COVID if you know on investor presentations, if you can plot, key raw material trends and what is happening to the price impact. It will be better for us to relate to the volatility because it is very difficult for us to understand what is happening on a directional basis.

Nahoosh Jariwala:

Okay, good point. As regards the presentation we need to put



something on our website as we are the raw material trend. What we do is our raw materials, the pricing is based on the pricing of vegetable oils. And similarly, our finished products are also sold on basis of vegetable oil. So, what we will do is we will put a chart which indicates what are the month prices or quarterly basis of different types of.

Prakash Kapadia: Maybe an indexation of 100? It was this or this. At least you know it will be.

Nahoosh Jariwala: Yes, very good suggestion. As regards your second question we were pretty confident about our working when we had the conference call, so let me tell you one thing, April, May the working was good. We never expected any drop to happen, but in the month of June, suddenly there was a drop in demand and that is something we are not able to really predict, what our customers would do? But I can say one thing for sure that we have not lost any of our customer and neither new competition has come in. In fact, in current month till date things current quarter till date everything looks good and we are keeping our fingers crossed that they will continue.

Rajen Jhaveri : Yes, as far as the drop in margin is concerned, we have already given few reasons for the same in our investor presentation, but broadly, I will give you the reasons the trials which we took off monobasic acid to make isostearic acid, the loss on account of their ranging anywhere between Rs.1.5 to 2 crores. Then we had these settling utility costs also, then outside job workcharges also. Then we also had these commodity price fluctuating and one-time legal cost of REACH compliance these approximately was 45,00,000 or so. And on top of that as Nahooshbhai said we had not anticipated any fall in the revenue in the month of June. June, the fall in revenue against our expectation was to the tune of Rs.10 crores and considering an average raw material cost of 75% because other costs more or less are same. So, our margin was impacted by approximately Rs.2.5 crores on account of these drop in sales in the month of June only. So that was not



anticipated when we did the call on May 31st or June 1st. So, these all put together are the reasons for the fall in our EBITDA compared to immediate previous quarter. As far as our volume is concerned, on a year-on-year basis the volume is higher by 3.2% and on a Q-to-Q basis, the sales volume is higher by approximately 18%. So, as we said, we were expecting still higher volume, but then because of this June impact, it did not happen. July has gone up reasonably well. As far as isostearic acid is concerned we remain quite optimistic and let me on behalf of Nahooshbhai assure you that we have been able to make isostearic. Of course it is under approval but we have been able to make isostearic acid though we are the 5th or 6th company in the world only in very very cost effective way and once our commercial shipments start, it can go a long way, as far as our company is concerned.

Prakash Kapadia: Okay, so there is no reason for us, to change that direction where Rs.700 crore plus kind of revenues with stability in margin should happen for the rest of the year.

Nahoosh Jariwala: No, I do not think so any change, any knee jerk reaction is needed at this stage, not at all.

Nahoosh Jariwala: We are not able to really understand how China is going to behave. There is massive dumping from China and our dimer which is one of the main products. We have to retain the market share by hook or crook and that is exactly what we are doing because it took years for us to reach a market share of 75% from 25%. Now at this stage, I do not want to lose because China is dumping and I just want to give them way to sell more. No, that's not the thing we are going head-on.

Rajen Jhaveri: So even though it results into lesser margins we want to retain our market share.

Prakash Kapadia: And lastly from my side sir, if you could give us some sense, as we have



expanded? How much of sales contribution is from paint and is there a relation between consumption of linoleic acid and dimer acid ? Are both used in a certain proportion and directionally how much should paint be as percentage of our sales?

Rajen Jhaveri: Including linoleic acid and dimer acid in terms of value, it comprises approximately 74% to 75% of our total sales. It will be close to 49% and 50% and from dimer it would be balance 24%-25%. And now we have earmarked these two things, linoleic acid is from one stream of raw material and dimer acid is from another stream of raw material.

Prakash Kapadia: What I was trying to understand paints as an end user would be what 50% of our overall sales as of now are on expanded capacity?

Rajen Jhaveri and Nahoosh Jariwala: Yes.

Prakash Kapadia: And second largest after paints would be what inks industry?

Nahoosh Jariwala: Yes, basically epoxy hardener.

Prakash Kapadia: Okay, so what I was trying to understand, sir, say paints is around 50% plus of our sales, inks would be what 15%-20% of our sales is what I was trying to understand.

Nahoosh Jariwala: No, ink and paints together is 50%.

Prakash Kapadia: OK, ink and paints. Okay, understood, I will join back if I have more questions.

Rajen Jhaveri: Paint is decorative paint.

Prakash Kapadia: Yes, decorative, not the industrial thing.

Moderator: Thank you. Before we take the next question, we would like to inform



participants that in order that the management is able to address questions from all participants in the conference, please limit your questions to two per participant. The next question is from the line of Rahil Dasani from Smart Sync services. Please go ahead.

Rahil Dasani: I have a few questions. I will take them one by one. The first question is, in a time when entry barriers are reducing for several industries and new players with stronger and better technology are taking a market share from the old ones who went obsolete by have R&D cost being so low, it is close to 0.0003% of sales. So, do you plan to increase this? How are you planning to get future ready and protect your future revenue? So, basically it is a three-part question. Why are the costs so low? Do you plan on increasing it ?

Rajen Jhaveri: We have been doing these R&D, this isostearic, stearic, everything is developed in our R&D only. But this is not a pharma company. This is specialty chemicals company in a niche segment company where we are specializing.

Rahil Dasani: Are there any new products in the pipeline which you are currently developing right now?

Rajen Jhaveri: Yes, so as far as our R&D is concerned, we are not conserving the resources by not doing R&D whatever is required for R&D we are spending on that and because of that only we are at this stage of isostearic acid, we are the 5th or 6th company only in the world to make isostearic acid and the first Indian company and even China has not been able to make isostearic acid as of now. So only by increasing the percentage spending of R&D, we would be able to make a better product or more products that is not the case.

Rahil Dasani: So, the second question is, as you already said, shipments are started for isostearic, trial shipments, I guess I missed the first part. So, what sort of margins are you expecting there? Second of all, how have the customer reviews been till now and what is the total sales contribution



you are expecting from this product?

Nahoosh Jariwala: Initial sample approvals have happened and all the companies where we have sent the samples, both in lubricant industry as well as cosmetic industry, but now we are waiting for the stability test results. As all these products are being used where the shelf-life is of utmost importance, right? So, the companies would have to undertake stability tests which might take some time. Otherwise, everything is through with it. Once we get the stability test results because initial purchase orders have also been received. It is not that we are waiting for purchase orders also. So, if the thing is that till that level, so we are just waiting, sitting tight. Once the results are out and we receive it, we will start shipping the material.

Rajen Jhaveri : And the incremental revenue from this isostearic acid is expected to be around Rs.25 crores per quarter incremental revenue instead of selling monobasic acid, we are now making isostearic acid so that incremental revenue on account of that per quarter for three months is expected to be around Rs.25 crores.

Rahil Dasani: Okay, so just in continuation to this, you have said isostearic is a forward integration of monobasic. So, are you like completely backward integrated or are you buying some monobasic? And secondly, if you are completely backward integrated, do you still have some monobasic left to sell it outside?

Rajen Jhaveri: The monobasic acid, our company has been generating since last 20 years. Whenever we make dimer acid, which is our prime product, as discussed earlier in the call. Monobasic acid, it is



simultaneously generated when we make dimer acid, monobasic acid is as a co-product is simultaneously generated and since last 20 years, we have been selling the monobasic acid. Since last couple of years, we tried to make a further value-added product from this monobasic acid and we have now reached this stage of making of isostearic acid. So off late, we have stopped selling monobasic acid and earmarked that monobasic acid quantity for making isostearic acid. That is why we said incremental revenue.

Rahil Dasani: Okay, so basically you are not buying any monobasic from the market, right?

Rajen Jhaveri: It will not be available. It is captive consumption of our monobasic acid. In India, no one makes dimer acid and monobasic acid apart from us. So, it is not available within India also.

Moderator: Thank you very much. The next question is from the line of Prit Nagersheth from Wealth Finvisor. Please go ahead.

Prit Nagersheth: One question, I had Nahooshbhai was regarding that the margin guidance that you have given at the start of the year was something around 14% as for the full year. Now, given that volumes will be maintained, but with China dumping, those margins may not be sustainable. Do you have a sense of what could be a sustainable margin that we should expect?

Nahoosh Jariwala: If dumping from China stops, immediately it will roll back to the 14%-15% level. See, as I explained earlier, I do not want to lose out on the market share and for that I would try and no one is going to pay me any higher price compared to my competitor. So, I mean that is the situation. It's a cat and mouse situation for us. I mean whether to sell less at a higher price or to maintain the market at whatever price till the Chinese dumping stops, which I feel might take maximum two



quarters. And see because the even the government would have to do something about it. Because all the specialty paint companies are suffering like us.

Prit Nagersheth: So, you mean the Chinese dumping continue?

Rajen Jhaveri: The rate 7.5% and 10% surcharge. So, it is effectively only 8.25% is the custom duty.

Rajen Jhaveri: So, if China subsidizes this product to a substantial extent, then these Indian companies will be forced to bring down their price if they want to maintain their quantity share.

Prit Nagersheth: So, my question was that assuming that this continues, we should expect similar margins in the forthcoming quarter that we saw in this 1st Quarter.

Nahoosh Jariwala: It should be better than 1st Quarter.

Rajen Jhaveri: And with isostearic thing coming whenever it comes once the stability tests etcetera get over and then that would help us in improving the margin, irrespective of these China factor for dimer acid.

Prit Nagersheth: These stability tests that you mentioned is that something that you have already completed at your end?

Nahoosh Jariwala: We have completed at our end, but it is the customer who will make their product and do the stability test. We have done stability test of isostearic. The product stability test only the customer can do.

Prit Nagersheth: And how much time will it take for them to roughly another 2-3 months for this testing can be done?

Nahoosh Jariwala: Yes, maximum, I feel so 2-3 months max that is what we feel.



Prit Nagersheth: And how much ramp up would you need to start the incremental the production on?

Nahoosh Jariwala: Zero ramp up. Everything is ready. We are just waiting. All plant is ready. Everything is ready.

Rajen Jhaveri : Everything is in place, including the entire team, people everything is there.

Prit Nagersheth: Right, wonderful. Okay, thank you.

Moderator: Thank you. The next question is from the line of Tanika Agarwal from Green Portfolio Private Limited. Please go ahead.

Tanika Agarwal: So, I was asking like when you say like the topline was getting impacted or impacted the quarter one due to this de-stocking by our customers. So, was it the export revenue that was impacted more or was it the domestic revenue?

Rajen Jhaveri: Domestic sales, yes. Export anyway is very less in the presentation we have given the bifurcation of domestic and export. I think export sale is 4% only domestic is 96%.

Tanika Agarwal: And also, when you say like to retain our market share? For like due to this anti-dumping from Chinese players. Is it fair to say that our plan to sail through this aggressive strategy adopted by the Chinese player is to be a price taker only?

Nahoosh Jariwala: It makes sense for us to maintain the market share, that's what we feel.

Rajen Jhaveri: We are in this business since last 20 years 2002 we are in this business of dimer acid. And this Chinese competition might have come in about 10-12 years or 12 years or so only.

Tanika Agarwal: So basically, to retain our market share, we are just playing along.



Nahoosh Jariwala: Pricing mechanism because if you really look at it, our material cost has gone up from average around 70%-72% to around 80%-82%. So that is the only impact because we have to bring down up finished product prices, that is the only thing. Otherwise, there is nothing. Everything else is under control.

Tanika Agarwal: Alright, I am sure when we talk about this isostearic acid if you can talk a little about the opportunity size of this product.

Nahoosh Jariwala: Opportunity of isostearic? It is really wonderful product. It goes in making of biodegradable lubricants and cosmetics. And we will be working at full capacity. We have created the plant of matching capacity.

Tanika Agarwal: And what would be the overall market size for this product.

Nahoosh Jariwala: We will be hardy 5%-7% of total world's market.

Rajen Jhaveri: At full at our full capacity also we will be 5%-7% only. So, we are not anticipating any difficulty in selling this 5%-7% or taking the market share of 5%-7%.

Tanika Agarwal: Okay understood. I just wanted isostearic acid only you aforementioned that you have stopped selling the monobasic acid. So, what was the revenue you were getting from the sale of the monobasic acid?

Rajen Jhaveri: As I said mam, 74%-75% comes from two brand products. These linoleic acid and its co-products, soya fatty acid and dimer acid balance 25%, approximately 4%-5% is from nutraceutical, so that leaves approximately 20%, and that 20% comprises of everything monobasic acid, palmitic acid, other fatty acid, residue, everything put together so individually, these monobasic acid, palmitic acid, everything would be anywhere between 4%-7% in the band of 4%-7% or so.



Moderator: Thank you. The next question is from the line of Aashish Upganlawar from InvesQ Investment Advisors. Please go ahead.

A Upganlawar: Sir, if we look at the past 5-6 years, we had a pretty stable business where we did not see all these disruptions so-called what we have seen last three, four quarters on the raw material side or on the demand side on the topline because of the dumping that you are talking about. So, this Chinese angle that you are talking about, has this been noticed earlier also where it becomes very aggressive sometimes in terms of dumping and then we have an impact and or this is pretty new to us and is there any representations to the government or something that is being made to ensure that the domestic industry is protected or this is absolutely going to be market driven now.

Nahoosh Jariwala: We are too small a company for really to go and do any representation in government. Basically, if you really look at it, specialty chemical sector itself is suffering. All the companies are suffering. So may be some day government will have to act based on that situation and we have never seen this type of dumping happening from China. This is something which has started since last couple of months.

Rajen Jhaveri : Earlier disruptions on account of this, you were talking about last four quarters disruption etcetera, earlier disruptions were on account started with this war on February 2022 and the lot of volatility in vegetable prices in previous conference calls also.

A Upganlawar: Right, we are aware of that, sir.

Rajen Jhaveri: The vegetable oil price had increased from 80 to 160. Then again it fell to 120, then again rose to 140 and then again 90, etcetera. So, this dumping of Chinese is the latest phenomenon only.



Nahoosh Jariwala: Since last quarter it has started.

A Urganlawar: And you mentioned that July, August have been better, but that you are talking about the volume sales rather than the overall business margins and stuff.

Nahoosh Jariwala: Everything, we keep our fingers crossed.

Rajen Jhaveri: August is just 10 days only.

Nahoosh Jariwala: July and August, yes, we are in volume wise and we are keeping our fingers crossed till then it is normal.

A Urganlawar: No, volumes are normal, but the pricing is still under pressure. Is that?

Nahoosh Jariwala: Pricing obviously they are affected. I mean, that is affecting here as I have been explaining, I want to retain the market. I will not lose market share because later on, to regain that would be a tough thing.

Moderator: Thank you. The next question is from the line of Bhavesh Chauhan from IDBI Capital. Please go ahead.

Bhavesh Chauhan: Sir again with regard to this Chinese dumping, how are we so confident in their dumping and they are not cost competitive?

Nahoosh Jariwala: Because nothing is coming from Europe and all these years, we were able to maintain a market share of 75% and still making money. So that is the in fact that is the proof of the pudding. And even at this price, we are not losing money. We are taking a beating on the margin. Maybe there is some government support or maybe they are unwinding their stock position. We do not know anything. It is not because our yields are nearing what theoretical possible yields are there. Everything is lined with that. So, we are fairly confident that it's not any technological age because of which they are able to sell at a lesser price.



Bhavesh Chauhan: And also, if what if China keeps dumping for next one or two years because in steel industry, we have seen that they spoiled the world market between 2009 to 2020 and if this kind of thing continues in chemicals also what is our way out of this?

Nahoosh Jariwala: See we have started making isostearic acid. That is one thing which will give us added as it is a core product of dimer. It will help us because it is a product which is going to give us better margins. So overall we will be better placed. That is our strategy.

Rajen Jhaveri : Anywhere volume rise of range of 7%-8% or so or other cost more or less will remain same. So that will also help us in improving.

Nahoosh Jariwala: I do not think government would let the chemical sector die. I do not think so.

Bhavesh Chauhan: But this new product at peak, how much can it contribute to total sales?

Rajen Jhaveri: Already said that incremental revenue will be Rs.25 crores per quarter.

Moderator: Thank you. The next question is from the line of Janmajay Gandhi from IVG Trust, please go ahead.

Janmajay Gandhi: Good afternoon, Nahoosh Bhai. I wanted to find out, I think you are also developing another bio lubricant besides isostearic acid. Can you give us some idea on that product and what is the timeline process and step required? Does that also require stability test from the consumers, the companies that you would be supplying, would they be same as isostearic, the same customers or and what is the timeline for commercialization of that product?

Rajen Jhaveri : You are talking about that biofuel project?



Janmajay Gandhi: Yes, sir.

Nahoosh Jariwala: Currently, that biofuel project is ready with us. It is not that plant is not ready, but we are not making because right now the prices of vegetable oils are higher than the price of diesel. So, it does not make any sense for us to manufacture biofuel. So that is the reason, because that new plant, what we had created biofuel plant, it was for multiple applications and one of the uses of that plant was manufacturing of isostearic acid also. Similarly, we are working on one new product, also, wherein that particular plant will be used and whenever it becomes viable for us to manufacture biofuel, we will start biofuel manufacturing also. In that, no stability or anything is required.

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

Jagvir Singh: My question is related to the margins. So, in the last quarter vegetable oil prices are low, so our raw material prices are low. Even then is there any connection between these two things? Can you give some color on this, sir?

Rajen Jhaveri: Pardon, you are talking about lower margin this quarter compared to immediate preceding quarter?

Jagvir Singh: This quarter, yes even when the vegetable oil prices are at low, so when vegetable prices are at low, our raw material prices are also very low.

Rajen Jhaveri: No, that would impact the topline if vegetable price is low, the top line would be impacted if the vegetable price is higher, the top line will be higher. But as far as margin is concerned, margin would depend on how the pro rata raw material pricing is there and how the finished good prices are there. And as Nahooshbhai already said that dimer which contributes approximately 25% of our sales in terms of sales value. If for



maintaining the market share, we have sold this dimer acid at a lesser price or at a lesser margin that would overall impact our margin. And further, we have already mentioned in our presentation, the other reasons for the fall in margin in this quarter. So, pricing of vegetable oil per se lower does not necessarily result in the higher margin. There are other factors also. Like due to trials, there was a legal compliance cost. There was a utility cost for making of isostearic acid. See if you are the 6th or 7th company in the world only making isostearic acid. Then you need to incur those kinds of trials, and you may end up making some losses before finally achieving the result.

Jagvir Singh: Except from this new product, so we can see some revenue in the Q4 or Q3.

Rajen Jhaveri: We are expecting revenue to start from Q3. Now let us hope for the best as Nahooshbhai said that we have completed our trials of isostearic acid. Now our customers abroad, they have used their particular samples sent by us. They have made the product. Now they are taking the stability risk as of their product, which is made from our isostearic acid.

Jagvir Singh: Okay and last question is we have one and half month and gone in this second quarter. So, at the current price, is there any improvement in the margins compared to the 1st Quarter?

Rajen Jhaveri: Current quarter we are at 10th of August only, so it is difficult to predict that what is going to be the July - September quarter. But as Nahooshbhai said July was fairly reasonable and we hope August also to be fairly reasonable.

Moderator: Thank you. The next question is from the line of Pujan Shah from Congruence Advisors. Please go ahead.

Pujan Shah: My broad question would be on the dimer acid. So, if we look at the, as you said, the market share has been increased from 25% to 75%. So,



can you just cover the history, how we make it from 25% to 75% How many companies was there and now we are the only sole manufacturer so how industry has been evolved for the dimer acid. Can you just give a broad sense on that part?

Rajen Jhaveri: See all end users of dimer acid then they would have both the suppliers. So, there is no question of adding the customer or dropping the customer. See, our product goes into B2B segment, all our products go into B2B segment. Suppose, we assume that there are say two dozen end users of dimer acid in India, who make polyamides. Now these all two dozen customers or more than that, whatever is the customer number, of them would be using our dimer acid also and all of them would be using Chinese dimer acid also. It is a question of we gradually replacing gradually penetrating and increasing our market share in their overall use of the dimer acid.

Pujan Shah: Yes, I got it, but is that like as we have seen the industry has consolidated? So just wanted to know how many players were there like 10 years back or 20 years back and how many have quit the industry size because of the like not being competitive?

Nahoosh Jariwala: No one has quit the industry, no one has quit any. Maybe we would have added / doubled our customer base.

Pujan Shah: Sir, just wanted to know why we have so much like we know that the China is dumping. So why are we have so much of that having we wanted to main because ultimately after the dumping, the price would be more than what our pricing is and then ultimately, we will again regain the market share. So why we are emphasizing more on the market share and losing the pricing terms like what are your thought process on that?

Rajen Jhaveri: If you had heard our earlier conversation, what we said is whenever we make dimer acid, we simultaneously get monobasic acid and this



isostearic is made from monobasic acid only. Now isostearic acid is a very promising product. So, if we want to make isostearic acid, we need monobasic acid and if we need monobasic acid then we have to make dimer acid also and if we need dimer acid also, we have to ensure that the dimer acid is sold also. So, this business is entirely linked with each other and further, we want to retain our market share also. So, it is a double-edged sword. We want to retain our market share also, we want to make more dimer acid also so that we can get more monobasic acid and so that we can make more isostearic acid. So, it is a business decision in the interest of the company only.

Pujan Shah:

And my last question would be if like suppose if we are not impact like considering the cost of what we have done for this specific isostearic acid for the samples approval and the other cost which we have spent for isostearic what would be the impact on EBITDA it would be like suppose significantly 10% or 20% delta change or it would be less than that?

Rajen Jhaveri:

In absolute amount, I will tell you because of these trials etc, we would have lost approximately Rs.2 crores during this quarter. Then impacting our revenue in the month of June. Had it not happened, that would have given us additional Rs.2.5 crores. And these legal compliance cost of Rs. 50,00,000. So, all these three factors put together itself resulted into Rs. 5 crores of fall in the EBITDA and we are not considering these additional utility cost in our plant or the job-work charges which we paid to for a couple of intermediate trials which we took outside etc. Had we not undertaken this isostearic trial etc itself, then our margin would have been more or less what was in the immediately preceding quarter. But we are looking for the better future and for the better future you need to bear some loss in one or two quarters, then only you will get this better future.

Pujan Shah:



Yes, right, absolutely correct. I got your point. Thank you so much. That would be from my side.

Moderator: Thank you. The next question is from the line of Rahil Dasani from Smart Sync Services. Please go ahead.

Rahil Dasani: My question is, as you know your linoleic acid is used in the paint segment. So, are there any substitutes for linoleic acid overall?

Nahoosh Jariwala: Yes, vegetable oil, oil itself, prime oil, refined soybean oil.

Rahil Dasani: Indirect substitution for linoleic acid, right? No, further production of vegetable oil.

Rajen Jhaveri: Yes.

Rahil Dasani: Okay and the second question is your employee costs have been reducing since 2020. So, what has been the cause of this and are you planning to reduce it further and have we done some automation in the new production capacity?

Rajen Jhaveri: Pardon, what are you saying automation and salary cost?

Rahil Dasani: As we have done some automation in the new production capacity we have brought in the new client for the new products.

Rajen Jhaveri: No, our overall employee strength would remain more or less same. Only at the very bottom level, operators etc as and when we increase the equipments - utility equipment, the production equipment only operators and helpers only will increase. All persons at manager and above level would remain same. They have remained same over a period of last close to 2-3 years, ever since the COVID time only, we have not increased, though our sales might have increased or in future will increase. The personnel appointed at manager and above level would remain same only.



Nahoosh Jariwala: And second thing is we have 100%, all our plants are on DCS.

Rahil Dasani: And the last question is just to confirm it the new product which we are talking about in the last conference call that is biofuel.

Rajen Jhaveri: Biofuel just now Nahooshbhai already explained that another speaker inquired about biofuel. Nahooshbhai already explained that it is not viable as of now. We are ready with that, but as of now it is not viable and we had simultaneously considered several applications, though the plant name was only given biofuel. But that itself contains several product applications in there, and from that only partly utilizing that plant only, we are making these isostearic acid.

Moderator: Thank you. Next question is from the line of Mehul Chawla from RW Equity. Please go ahead.

Mehul Chawla: Just want to ask if you look at the presentations of, Patanjali and Adani Wilmar, both of them have talked about expanding into downstream products and oleochemicals. So, is that going to impact the availability of raw material for you, if they are also consuming whatever they produce in-house, whatever waste from edible oil.

Nahoosh Jariwala: No, basically as I explained earlier, we are in soft oils and predominantly Adani are in hard oils which are palm and coconut. And they already have oleochemical plant in Mundra.

Mehul Chawla: Okay, So, do you see availability of the raw material that you require as a constraint or it is easily available?

Nahoosh Jariwala: No, we do not see it as a constraint.

Rajen Jhaveri: Only because Adani is further going into these that is not going to impact the availability of soft oil byproducts.



- Nahoosh Jariwala:** There are lots of other players also and we are using all the soft oils.
- Mehul Chawla:** All the soft oils, okay thank you, sir and fully support your business strategy of maintaining market share. I think there is a temporary challenging period, but I think going forward, it should help us. Thank you, sir.
- Moderator:** Thank you. The next question is from the line of Prakash Kapadia from Anived Portfolio Managers. Please go ahead.
- Prakash Kapadia:** In terms of the tonnage process dye got to 3%-3.5% year-on-year tonnage process. So, it would be around 15,000 tons, right?
- Rajen Jhaveri:** 3.2% is on year-on-year quarterly basis Q1 of 2023-2024 over Q1 of 2022-2023. The volume growth is 3.2%
- Prakash Kapadia:** So that should be around 14,900 tons, right?
- Rajen Jhaveri:** Since we are talking about sales, you are talking about quantity processed, or you are talking about sales.
- Prakash Kapadia:** Yes, quantity processed.
- Rajen Jhaveri:** Quantity process the year-on-year growth is 2.8% from 14,000 something to 14,000 something. So, it is a 2.8% quantity growth year-on-year basis.
- Moderator:** Thank you. The next question is from the line of Prit Nagersheth from Wealth Finvisor. Please go ahead.
- Prit Nagersheth:** Just wanted to understand what should be the gross margins for the isostearic product. What should we anticipate?
- Rajen Jhaveri:** It is a value-added product and let sample be first approved and then the pricing
- Prit Nagersheth:** But should we expect it to be higher than the margins that we see for



dimer?

Nahoosh Jariwala: Margins are going to be higher,

Rajen Jhaveri: otherwise we would not have been talking so optimistically about that.

Nahoosh Jariwala: You have to understand we are, that's not a single company in India and maybe we are the 5th or the 6th company in the world. So obviously the margins are going to be good.

Prit Nagersheth: And should we expect any other trials in this quarter?

Rajen Jhaveri: For snatching someone else's market share of 5%-7%, maybe we will have to do some pricing strategy. That is all. It is a short term thing.

Prit Nagersheth: And should we expect any further trials in the second quarter?

Nahoosh Jariwala: No, we have successfully made it on plant. And we have stabilized our process. So, no more trials needed.

Rajen Jhaveri: And in a very cost-effective manner. Important thing is in a very cost-effective manner and that is why we are so optimistic about this particular thing.

Prit Nagersheth: And I think just like the previous speaker would definitely congratulate that management is doing very well in such kind of time. So, wish you all the best.

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

Nirag Shah: How much approximate time it will take for us to become REACH compliant?

Nahoosh Jariwala: We are already REACH compliant. We have got it.



Nirag Shah: Okay and what is the status of that project regarding the new raw material that we are planning to introduce?

Nahoosh Jariwala: It would take some time. Once it is at the pilot plant stage, we will put it on website.

Nirag Shah: Last quarter, you told that by Q4 is expected to go on steam. So, it is on track.

Nahoosh Jariwala: Yes, it is on track working fine, but still as again it is a novel product. We are going to be the first company doing it in India. So yes, it might take something, couple of months more, but that is it. We are on track.

Moderator: Thank you very much. That was the last question in queue. I would now like to hand the conference back to the management team for closing comments.

Rajen Jhaveri: Thank you everyone for participating in this conference call Q1. Thank you, everyone. Thank you, Anuj Bhai.

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

