



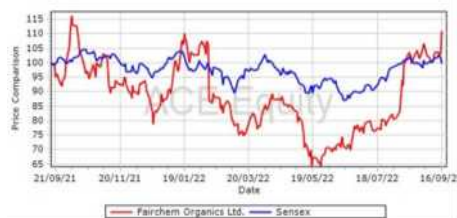
### Script Details

BSE Group	A
BSE Code	543252
NSE Code	FAIRCHEMOR
Bloomberg Code	FAIRORGA IN
Market Cap (INR Cr.)	2,782
Free Float (%)	41.1%
52wk Low/High	2290/1198
Beta (1yr Nifty 50)	0.67
Face Value (INR)/ D. Yield (%)	10/0.6
Total paid Up Shares (Mn.)	13.0

### Share Holding Pattern (%)

Promoters	Public	Others
58.9%	41.1%	-

### Share Price Relative Performance



## FAIRCHEM ORGANICS LTD.

Buy at CMP: Rs 2136 | Target: Rs 2555 (20%) | SL: Rs 1965

Sector

Sep 19, 2022

Chemicals

Fairchem Organics formed in 2019 after getting demerged from Fairchem specialty Ltd to transfer its business of Oleo chemicals and nutraceuticals. Company manufactures specialty chemicals including Dimer Acid, Linoleic Acid, Mixed Tocopherol Concentrate and Sterols Concentrate, which find application in various industries like nutraceuticals, paints, printing ink, detergents and adhesives etc.

### Investment Rationale

- Revenue to boost with 66% Capacity Addition and Robust Utilization:** The produces its products from acid oil & fatty acids, which are derived from the vegetable oil refineries, it has developed relations with suppliers spanning more than 20 years. Company expanded its raw material capacity from 72,000 MTPA in FY21 to 1,20,000 MTPA in FY22 (66% rise). Management expects capacity utilization to clock 70%, 80% and 90% in FY23E, FY24E, FY25E. This provides robust revenue visibility for Fairchem.
- Dominant Positioning in Key Olechemicals to Drive Business:** Fairchem is one of the only manufacturers of Linoleic Acid and Dimer Acid in India, having a large addressable market size in India and which is expected to clock ~4% CAGR over FY21-FY27. The company supplies Linoleic Acid to paints and ink manufacturers, while Dimer Acid finds use in the manufacturing of epoxy hardeners. Mixed Tocopherol concentrate and Sterols concentrate are nutraceutical products having usage in FMCG and food additives.
- Robust Financial Performance to support Growth:** Over the years, company has a reported good financial performance. It has a healthy ROE of 37.7% and ROCE of 33.8%. Its 5-year Revenue, Mar-22 EBITDA and PAT CAGR stood at 14%, 24% and 36%, respectively. More importantly, strong focus on R&D together with higher economies of scale and efficient sourcing of raw materials reflected in improvement in EBITDA margin from 11.6% in FY17 to 15% in FY22.
- Outlook and Valuations:** We estimate a 15% CAGR in Topline over FY22-25E, which implies a forward PE (x) of 25.1 for FY 25E. We value it with an earnings multiple of 30x to FY25 earnings estimate which results in a per share value of Rs 2555. We recommend BUY on FAIRCHEMOR at CMP of Rs. 2136 with Target price of Rs. 2555 (20%).

Year	Revenue	EBITDA	PAT	PE Ratio (x)	EV/EBITDA (x)
FY22	729	112	73	38.3	25.3
FY23E	839	134	84	33.2	21.2
FY24E	964	154	96	28.8	18.4
FY25E	1,109	177	111	25.1	16.0

Source: Company Data, Ace Equity, GEPL Research

## TECHNICAL VIEW

### Observation

- While looking at the broader picture, we can observe that the stock is currently nearing its 52-Week high, which tells that the stock already is in a strong momentum.
- Prices on 12th August 2022 gave a breakout of the bearish trend line, while in the latest trading session the stock have also given a breakout from the rounding bottom pattern this indicates the beginning of the trend on the upside.
- The breakout was confirmed by the high volumes and the gap which was created on 10th August 2022, which can be considered as a breakaway Gap (appears at the beginning of trend)
- Prices have penetrated upper Bollinger band, which is pointing towards the rising volatility for the upside move.
- RSI on daily as well as on weekly timeframe have sustained above 60 mark reflecting the rising momentum in the trend.



### Inference & Expectations

- The breakout is in sync with indicators and Higher Timeframes.
- Going ahead we expect the prices to rise higher till the level of 2428.
- We recommend a strict stop loss of 1965, strictly on the closing basis.

Source: Tradingview.in, GEPL Research



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