Fairchem Organics Limited

June 29, 2026

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	173.99 (Enhanced from 123.99)	CARE A; Stable	Reaffirmed
Long-term / Short-term bank facilities	2.25	CARE A; Stable / CARE A1	Reaffirmed
Short-term bank facilities	5.00	CARE A1	Reaffirmed

Details of instruments/facilities in Annexure-1.

The list of facilities / instruments falling under the purview of various financial sector regulators (FSRs), along with the names of respective FSRs has been disclosed under Annexure-6.

Rationale and key rating drivers

Ratings assigned to bank facilities of Fairchem Organics Limited (FOL) continue to derive strength from its experienced and resourceful promoters, long-standing operational track record in manufacturing specialty chemicals having diverse industry applications, leading position in the domestic market for its products, and its established relation with reputed customers. Ratings also continue to factor in FOL's strong capital structure, comfortable debt coverage indicators, and its strong liquidity.

However, ratings continue to remain constrained considering moderation in scale of operations and profitability in FY26 (refers to April 01 to March 31) considering subdued demand from key end-user industries and increased competition for its key products, presence in a niche market, risk of low-cost Chinese import substitutes, and profitability susceptible to volatile raw material prices and fluctuations in the forex rate. Ratings are further constrained due to its exposure to technology obsolescence risk and stringent pollution control norms.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Growth in scale of operations marked by TOI of over ₹750 crore and healthy profit before interest, lease rentals, depreciation and taxation (PBILDT) margin on a sustained basis
- Diversification of revenue stream in terms of product and customer diversification.

Negative factors

- Sales volume driven de-growth in its scale of operations with TOI falling below ₹400 crore or continued subdued PBILDT margin at present level.
- Large size debt-funded capex or increase in working capital requirement leading to moderation in total debt to gross cash accruals (TD/GCA) above 3x.
- Elongation in its operating cycle beyond 120 days affecting its liquidity.

Analytical approach: Standalone

Outlook: Stable

The 'Stable' outlook reflects CARE Ratings Limited's (CareEdge Ratings') expectation of FOL sustaining its financial risk profile in the medium term considering its presence in niche specialty chemical segment having limited market size and reputed customer base.

Detailed description of key rating drivers:

Key strengths

Experienced and resourceful management

FOL is led by Nahoosh Jariwala (the Chairman and Managing Director), who has an experience of over 25 years in chemical manufacturing and trading textile products. He looks after the company's core operations, including process optimisation, product development, and production planning, among others. He is well-supported by a qualified second-tier management. As on March 31, 2026, Fairfax India holds 57.18% through its wholly owned subsidiary FIH Mauritius Investment Limited (FMIL) and FIH

[1]Complete definition of ratings assigned are available at www.careratings.com and other CARE Ratings Limited's publications.

Private Investments Limited (FPIL; FMIL and FPIL held 54.61% & 2.57% stake respectively). FMIL is an investment arm of Fairfax India Holdings Corporations (Fairfax India), part of Canada-based Fairfax group founded in 2014 by V. Prem Watsa, having diverse investment portfolio with fair value of ₹32,549 crore in India as on March 31, 2026.

The investment portfolio of Fairfax India includes IIFL Finance Limited, IIFL Securities Limited, CSB Bank Limited, Bangalore International Airport Limited, Seven Islands Shipping Limited, 5paisa Capital Limited, and National Commodities Management Services Limited among others.

Ratings also factor in stated intent of Fairfax India, to provide management, operational and financial support to FOL at alltimes, including infuse funds to support cashflow mismatches.

Established track record of operations and diverse industry application

FOL has been one of the leading specialty chemicals manufacturers for over two decades, where it manufactures niche products having diverse industry applications. Over the period, the company increased its processing capacity from 10,000 metric tonne per annum (MTPA) as on March 31, 2011, to 120,000 MTPA as on March 31, 2026. The company is primarily engaged in manufacturing dimer acid and linoleic acid, which finds application in industries such as paints, printing ink, polyamides, and adhesives. FOL's product portfolio also includes mixed tocopherol concentrate and concentrated sterols under nutraceuticals segment whose overall proportion in sales mix remained low over the period. The company commercialised (from FY25) a new product, Isostearic acid which finds application in personal care, cosmetics and bio-degradable lubricants and generated revenue of ₹25.94 crore in FY26 (PY: ₹35.87 crore) considering decline in sales volume by 29% over FY25 due to delay in approvals from the customers.

Reputed clientele with leading position in domestic market

FOL has well-entrenched customer base in high-growth industries like paint, ink, printing and fast-moving consumer goods (FMCG) among others in domestic and export markets. FOL has association with marquee clientele, which includes companies such as Asian Paints Limited, Uniform Synthetics Private Limited, Astral Limited, and Arkema Chemicals India Private Limited, among others. In FY26, top 10 customers contributed ~63% of its net sales (FY25: 66%), with the top customer contributing ~24% (FY25: 31%) reflecting moderate customer concentration. However, majority of FOL's clientele enjoy leading position in their respective industry segments and hence the credit risk is envisaged to be minimal. FOL also has a leadership position in the industry in terms of fatty acid-based products, mainly dimer acid and linoleic acid, in India. FOL manufactures its products through acid oil (which is 1%-1.50% of waste generated in edible oil refining) and mixed fatty acid providing it the cost advantage compared to other players, who manufacture these products using prime oil. The total availability of fatty acid in India is limited. Over time, FOL has developed strong relations with its suppliers and established procurement network, ensuring a steady supply of raw material. Cost advantage, established procurement network, and limited market size, act as a barrier for new players in the industry.

Strong capital structure and comfortable debt coverage indicators

FOL's capital structure remained strong marked by overall gearing and total outside liabilities to total net worth (TOL/TNW) of 0.32x and 0.41x respectively as on March 31, 2026, compared to 0.21x and 0.27x respectively as on March 31, 2025.

FOL's overall gearing deteriorated as on March 31, 2026, due to increased working capital utilisation at year end and moderation in net worth attributable to the share buyback undertaken in the year. However, FOL had nil term debt outstanding on March 31, 2026.

Due to low reliance on debt, PBILDT interest coverage and TD/GCA, though moderated, remained comfortable at 6.09x and 4.58x respectively in FY26 (PY: 12.07x and 1.79x) respectively.

With no major debt-funded capex planned, CareEdge Ratings expects FOL to maintain its strong financial risk profile in the medium term.

Key weaknesses

Moderation in scale of operation, and decline in profitability

In FY26, FOL reported a moderation in its operating performance, with total operating income (TOI) declining to ₹460.54 crore from ₹539.02 crore in FY25. Decline in revenue was primarily driven by softer demand from the paint industry, a key end-user segment (with increased competition), and lower-than-envisaged off-take of its new product, Isostearic acid.

The company's operating profitability weakened in FY26, with PBILDT margin contracting by 332 basis points to 4.89% against 8.21% in FY25. Margin compression was despite an increase in sales realisations across product segments - attributable to elevated raw material costs that could not be fully passed on to customers and heightened competitive pressures particularly from cheaper imports of dimer acid from China and lower absorption of fixed overheads. Consequently, profit after taxation (PAT) margin declined to 1.20% (FY25: 4.08%) and GCA reduced to ₹18.28 crore (FY25: ₹35.15 crore).

despite partial/complete negative rating sensitivities getting triggered, the rating action takes cognisance of a sequential recovery in profitability, with PBILDT margin improving to 6.8% in Q4FY26 (refers to January 01 to March 31), supported by better realisations and easing pricing pressures, and strong liquidity (low working capital utilisation of ~27%) and a comfortable financial risk profile.
Going forward, the company's ability to improve its scale of operations and operating profitability remains a key monitorable.

Presence in niche market with competition from low-cost Chinese products
The industry size for dimer acid and linoleic acid is relatively small compared to the overall size of the speciality chemical industry, which limits the company's growth. FOL faces competition from the low-cost imports from China, especially dimer acid. However, FOL has been able to gain large market share in India with its apt pricing strategy and cost advantages

Profitability susceptible to volatile raw material prices and forex rates
Vegetable oil distillate and fatty acid oil are the main raw materials for FOL. These raw materials are by-products of soft edible oils such as soya and sunflower oil, generated in their refining process as by-products. Prices of both these oils have remained volatile and witnessed sharp fluctuations in the last two years driven by demand supply dynamics. Major portion of FOL's raw material requirement is procured domestically with some import. FOL's profitability is susceptible to volatile agro based raw material prices and forex rates in absence of active hedging policy. However, FOL reported foreign exchange gain of ₹1.12 crore in FY26 (₹1.02 crore in FY25).

Stringent pollution control norms
There is stringent pollution control regulation laid down for chemical processing units under the Gujarat Pollution Control Board (GPCB) norms. The company in its production process generates polluted water and air that needs to be treated before their disposal. Compliance with stringent pollution control norms set by the regulatory authorities and violation in compliance with these norms or further strengthening of these norms would adversely impact FOL's operations. FOL has zero liquid discharge facility with adequate hazardous and non-hazardous waste disposal mechanism in place. Continuous adherence to the prevailing pollution-control norms would remain crucial from the credit perspective.

Product obsolescence and substitution risks
The companies such as FOL, operating in the niche specialty chemical segment, carry risk in terms of challenges emanating from the development of alternative technologies for production of chemicals and introduction of newer products, and hence are exposed to the risk of product obsolescence and substitution. However, FOL has expanded its R&D capabilities, which facilitate launching of new derivatives of its existing products thus expanding its product portfolio.

Liquidity: Strong
FOL's liquidity is strong marked by healthy cash accruals against nil term debt repayment obligations and low utilisation of fund-based limit. Average monthly fund-based utilisation remained low at 27% for 12-months ended March 2026 (29% for 12 months ended April 30, 2025).
FOL is expected to generate healthy cash accruals, which would be sufficient to cater to its incremental capex requirement and the company is not planning to avail term debt in the near-to-medium term. Cash flow from operations (CFO) turned positive ₹43.24 crore in FY26 against negative cash flow from operations in FY25 considering efficient realisation of debtors and effective working capital management.
However, owing to increase in inventory level to 75 days in FY26 compared to 58 days in FY26, the company's operating cycle increased to 128 days in FY26 compared to 99 days in FY25.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks:

Risk factors	Compliance and actions by the company
Environmental	FOL has taken significant environmental measures by reducing its greenhouse gas emissions by 45.7% year-on-year. The company has lowered its non-renewable energy consumption to 365.27 TJ and operates a Zero Liquid Discharge (ZLD) system to prevent water pollution. In the year, its water withdrawal stood at 23,953 kilolitres, while total waste generated was 2,751 tonne, most of which was co-processed in the cement industry. The company also ensures that

Risk factors	Compliance and actions by the company
	100% of its raw materials are sourced sustainably, demonstrating strong environmental responsibility.
Social	The company maintains a stable workforce comprising 126 employees and 210 workers, and it has achieved 100% training coverage in areas such as human rights and workplace safety. It reported zero cases of harassment, discrimination, child labour, or forced labour, reflecting a strong ethical work environment. FOL actively undertakes CSR initiatives focused on healthcare (including dialysis support), education, rural development, and environmental awareness.
Governance	FOL has maintained a clean governance record with zero penalties or regulatory actions in the year. Its ESG disclosures are aligned with the SEBI BRSR framework, ensuring regulatory compliance and transparency. The company benefits from strong board oversight and robust compliance systems, and it follows transparent reporting practices through its annual reports and regulatory filings.

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector
Short Term Instruments

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Commodities	Chemicals	Chemicals and petrochemicals	Specialty chemicals

FOL (CIN: L24200GJ2019PLC129759) was established in 2019, where Fairchem Speciality Limited (FSL) transferred the businesses of Oleo chemicals and nutraceuticals (entire business of FSL) per the scheme of demerger. FOL is engaged in manufacturing specialty chemicals such as dimer acid, linoleic acid, mixed tocopherol concentrates and sterols concentrate, which find application across industries such as nutraceuticals, paints, printing ink, detergents, and adhesives, among others. FOL's manufacturing facility is at Chekala village near Sanand, Gujarat, with an installed capacity of 120,000 MTPA as on March 31, 2026.

FSL (formerly known as Adi Finechem Limited) was promoted by Rajan Harivallabhdas in May 1985. In FY10, Rajan Harivallabhdas sold his stake to three new promoters, Utkarsh Shah, Bimal Parikh, and Hemant Shah. In FY16, Fairfax India, through its wholly owned subsidiary, FMIL, acquired controlling equity stake in FSL. Fairfax India holds 57.18% through its wholly owned subsidiary FMIL and FPIL (FMIL and FPIL held 54.61% and 2.57% stake respectively) as on March 31, 2026.

Particular	March 31, 2025 (A)	March 31, 2026 (A)
Total operating income	539.02	460.54
PBILDT	44.25	22.51
PAT	21.97	5.54
Overall gearing (times)	0.21	0.32
Interest coverage (times)	12.07	6.09

A: Audited UA: Unaudited; Note: these are latest available financial results
*PBILDT: Profit before interest, lease rentals, depreciation and tax

Status of non-cooperation with previous CRA: Not applicable

Any other information: Nil

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	173.99	CARE A; Stable
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	2.25	CARE A; Stable / CARE A1
Non-fund-based - ST-Letter of credit		-	-	-	5.00	CARE A1

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2026-2027	Date(s) and Rating(s) assigned in 2025-2026	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024
1	Fund-based - LT-Cash Credit	LT	173.99	CARE A; Stable	-	1)CARE A; Stable (05-Jun-25)	1)CARE A+; Stable (04-Jul-24)	1)CARE A+; Stable (03-Aug-23)
2	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	2.25	CARE A; Stable / CARE A1	-	1)CARE A; Stable / CARE A1 (05-Jun-25)	1)CARE A+; Stable / CARE A1+ (04-Jul-24)	1)CARE A+; Stable / CARE A1+ (03-Aug-23)
3	Non-fund-based - ST-Letter of credit	ST	5.00	CARE A1	-	1)CARE A1 (05-Jun-25)	1)CARE A1+ (04-Jul-24)	1)CARE A1+ (03-Aug-23)

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Non-fund-based - LT/ ST-Bank Guarantee	Simple
3	Non-fund-based - ST-Letter of credit	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please click here

Annexure-6: List of facilities/instruments and FSRs

As required by SEBI Circular dated February 10, 2026, to Credit Rating Agencies (CRAs), the list of activities or instruments falling under the purview of various FSRs, along with the names of respective FSRs, is disclosed below:

Sr. No.	Facilities/Instruments Name	Regulator of the Instruments[2]
1.	Listed / Proposed to be Listed Bonds / Debentures / Preference Shares (All Securities)	SEBI
2.	Unlisted / Proposed to be Unlisted Bonds / Debentures / Preference Shares (All Securities)	MCA
3.	Listed PTCs / Securitisation Notes (Originated by Entities Regulated by RBI) *	SEBI
4.	Listed PTCs / Securitisation Notes (Originated by Entities Not Regulated by RBI) *	SEBI
5.	Unlisted PTCs / Securitisation Notes (Originated by Entities Regulated by RBI) *	RBI
6.	Listed Commercial Paper and NCDs with Original Maturity Less Than 1 Year	RBI
7.	Unlisted Commercial Paper and NCDs with Original Maturity Less Than 1 Year	RBI
8.	Loan Facilities (Fund / Non-Fund Based) From Banks / NBFCs / NHB / FIs ^	RBI
9.	External Commercial Borrowings and Other Similar Borrowings	RBI
10.	Certificates of Deposit	RBI
11.	Fixed Deposits Raised by Banks, NBFCs, HFCs, Fis	RBI
12.	Fixed Deposits Raised by Corporates Other Than Banks, NBFCs, HFCs, FIs	MCA
13.	Inter Corporate Deposits / Loans Extended by Corporates	MCA
14.	Borrowing Programme ~	-
15.	Issuer Ratings #	-
16.	Credit Ratings for Capital Protection Oriented Schemes (By Mutal Funds and AIFs)	SEBI
17.	Credit Quality Ratings (CQRs) for Mutual Fund Schemes and Schemes of AIFs	SEBI
18.	Listed Security Receipts	SEBI
19.	Unlisted Security Receipts	RBI
20.	Independent Credit Evaluation (ICE)	RBI
21.	Expected Loss Ratings (For Loan Facilities (Fund / Non-Fund Based) from Banks / NBFCs / NHB / FIs)	RBI
22.	Expected Loss Ratings (Listed / Proposed to be Listed Bonds / Debentures / Preference Shares (All Securities))	SEBI
23.	Expected Loss Ratings (Unlisted / Proposed to be Unlisted Bonds / Debentures / Preference Shares (All Securities))	MCA
24.	Unlisted PTCs / Securitisation Notes (Originated by Entities Not Regulated by RBI) *	Investor-side regulator such as IRDAI, PFRDA @

* Includes securitisation transactions involving assignee payout, acquirer's payout.

~ The rated instrument may involve issuance of different instruments such as debt securities (listed or otherwise), bank loans, commercial paper (listed or otherwise), among others. The regulator of the instrument may accordingly be SEBI, RBI or MCA and can only be determined upon issuance. In the press releases subsequent to issuance(s), CareEdge Ratings shall separately capture the rated quantum details along with names of respective regulators.

[2]SEBI: Securities and Exchange Board of India; RBI: Reserve Bank of India; MCA: Ministry of Corporate Affairs; IRDAI: Insurance Regulatory and Development Authority of India; PFRDA: Pension Fund Regulatory and Development Authority.

^ Includes bank facilities such as liquidity facility, second loss facility that are part of securitisation transactions.

There is no instrument being rated and hence, Regulator of the Instrument is not applicable. The rating scale and definitions are being followed as stipulated in SEBI Master Circular for CRAs.

@ These ratings were assigned in regulatory regime prior to introduction of SEBI CRA Circular dated February 10, 2026, and the investor side regulators have accordingly been included.

Note: For facilities / instruments falling under the purview of FSRs other than SEBI, the grievance / dispute redressal mechanisms and investor protection mechanisms provided by SEBI shall not be available.

Note on complexity levels of rated instruments: CareEdge Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:
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