

INFORMATION MEMO

FINE ORGANIC INDUSTRIES LIMITED

June 13, 2018



IPO Details

The Offer	Fine Organic Industries Limited
Sector	Chemicals
Transaction	100% Book Building
Offer Size	7,664,994 shares of ₹ 5 each aggregating to ₹ * crs 25% of the fully diluted post issue paid-up capital
IPO Date	June 20th 2018 - June 22nd 2018
Price Band	₹ 780 - ₹ 783
Bid Lot	19 Equity Shares & in multiples of 19
Exchanges	BSE ; NSE
BRLM	JM Financial Limited; Edelweiss Financial Services Limited;
Registrar	Karvy Computershare Private Limited

Objects of the Offer

The Company will not receive any proceeds from the Offer for Sale.

The Business

They are the largest manufacturer of oleochemical-based additives in India and a strong player globally in this industry. (Source: CRISIL Research Report). They produce a wide range of specialty plant derived oleochemical-based additives used in food, plastic, cosmetics, paint, ink, coatings and other specialty application in various industries. As at March 31, 2018, they had a range of 387 different products sold under the 'Fine Organics' brand. They are the first company to introduce slip additives in India and they are the largest producer of slip additives in the world (Source: CRISIL Research Report). Their success is the result of sustained efforts over the decades in all areas of their business, such as product innovation, process technology improvements, increases in scale, improved raw material procurement and focus on cultural understanding of consumers. (Source: CRISIL Research Report). In the 12 months ended March 31, 2018, they had 631 direct customers (i.e., end-users of their products) and 127 distributors (who sold their products to more than 5,000 customers) from 69 countries. Their direct customers are multinational, regional and local players manufacturing consumer products and petrochemical companies and polymer producers globally. Their plastics additives and specialty additives are also used in the packaging of foods and other fast moving consumer goods.

Manufacturing plant-based additives from base oleochemicals is a highly specialised process. Hence, many of these additives are specialty products, and this industry enjoys premium margins with only a few players dominating the industry globally. Proprietary technology to manufacture these specialty additives is available with only a few global

players. They are one of the leading players that developed proprietary technologies to manufacture these green additives. (Source: CRISIL Research Report)

They currently have three production facilities: one in Ambernath (Maharashtra) (the “First Ambernath Facility”); one in Badlapur (Maharashtra) (the “Badlapur Facility”); and one in Dombivli (Maharashtra) (the “Dombivli Facility”). As at March 31, 2017, these three facilities have a combined installed capacity of approximately 64,300 tonnes per annum. Each of their current manufacturing facilities has the ability to manufacture their wide range of products, which provides them with the necessary flexibility to cater to changing demands in the market, thereby avoiding dependence on any one major product category.

Their products are also manufactured for them on a job-work basis by Olefine Organics (“Olefine”), a partnership firm and a Promoter Group entity, at a manufacturing facility in Ambernath, Maharashtra (the “Second Ambernath Facility”). The Second Ambernath Facility is situated on a plot of land that MIDC currently leases to Olefine. Their Company has entered into a leave and license agreement for the land with Olefine for a term of three years effective March 26, 2018. However, they were unable to take over the operation of the Second Ambernath Facility until they receive MIDC’s approval, which they received from MIDC pursuant to a letter dated May 21, 2018. They will be taking over operation of the facility in the near future. As at December 31, 2017, the Second Ambernath Facility had an installed capacity of approximately 5,000 tonnes per annum.

They have developed in-house process design expertise to construct their production facilities. This gives them scale advantages by enabling the timely expansion of their capacity in response to market needs and reduces capital expenditure costs for expansions significantly compared to other players. (Source: CRISIL Research Report)

They are currently planning to set up an additional production facility in Ambernath with a planned installed capacity of 32,000 tonnes per annum (the “Third Ambernath Facility”). They expect it to commence operations in the fourth quarter of Fiscal 2019. In addition, they are currently planning to set up a new production facility in Leipzig, Germany with a planned initial installed capacity of 10,000 tonnes per annum (the “German Facility”). They expect it to commence operations in the third quarter of Fiscal 2020. This facility will be owned and operated by a joint venture company (which they plan to name FineAdd Ingredients GmbH, (“FineAdd”)), in which they will have 50% equity interest.

They are also in the preliminary stages of planning the development of two additional production facilities: one in Patalganga (Maharashtra) with a planned initial installed capacity of approximately 10,000 tonnes per annum (the “Patalganga Facility”); and one in Ambernath (Maharashtra) for which they are awaiting possession of the land and have yet to decide on the planned initial installed capacity (the “Fourth Ambernath Facility”).

Since their inception, they have looked to expand their product range into segments that they believe offer high growth potential. While they continue to maintain their focus in the additives space, they are planning to diversify and strengthen their business by

manufacturing and distributing premixes for bakery and confectionary products and pan release agents. Fine Zeelandia Private Limited ("Fine Zeelandia"), a joint venture company in which they have a 50% equity interest, is in the process of setting up a new manufacturing facility in Patalganga to manufacture these products (the "Fine Zeelandia Facility"). This new facility has a planned initial installed capacity of 10,000 tonnes per annum. They expect it to commence operations in the first quarter of Fiscal 2019.

They have a dedicated research and development ("R&D") centre located in Mahape, Navi Mumbai. Their R&D activities are focused on improving their production processes, improving the quality of their present products, creating new additives and creating downstream products. They have developed several new products, such as Acetem, Datem and Lactem, and processes, such as in-house technology for the production of fatty amides for the polymer industry. They are currently conducting research and development for new products such as fatty amines, polyglycerols and guerbet alcohols and new organic anti-block additives and new additives to make plastics biodegradable. They are also conducting research into new technologies for chemical processing to minimise energy costs.

Their Company is driven by their experienced Key Management Personnel, who have an average of 30 years' experience each. They believe that their Key Management Personnel's collective experience and capabilities enable them to understand and anticipate market trends, manage their business operations and growth, leverage customer relationships and respond to changes in customer preferences. Their workforce has grown significantly over the years, and as at March 31, 2018, they had 608 full-time employees.

Their revenue from operations for Fiscals 2015, 2016, 2017 and the nine months ended December 31, 2017 was ₹ 6,359.32 million, ₹ 6,860.08 million, ₹ 8,149.36 million, ₹ 5,904.27 million, respectively. Their EBITDA for Fiscals 2015, 2016, 2017 and the nine months ended December 31, 2017 was ₹ 1,129.54 million, ₹ 1,554.59 million, ₹ 1,498.51 million and ₹ 1,130.43 million, respectively. Their Return on Equity for Fiscals 2015, 2016 and 2017 and the nine months ended December 31, 2017, was 25.66%, 31.91%, 24.65% and 17.34%, respectively. Their profit after tax margins (profit for the period as a percentage of revenue from operations) were 8.36%, 11.15%, 9.62% and 10.32% for Fiscals 2015, 2016 and 2017 and the nine months ended December 31, 2017, respectively.

Products

As at March 31, 2018, they had a range of 387 different products sold under the 'Fine Organics' brand. They manufacture and sell a wide range of additives for food, plastic, rubber, cosmetics, coatings, paints and inks, and other specialty applications. Their current downstream products include Datem, Acetem and Lactem.

Food Emulsifiers

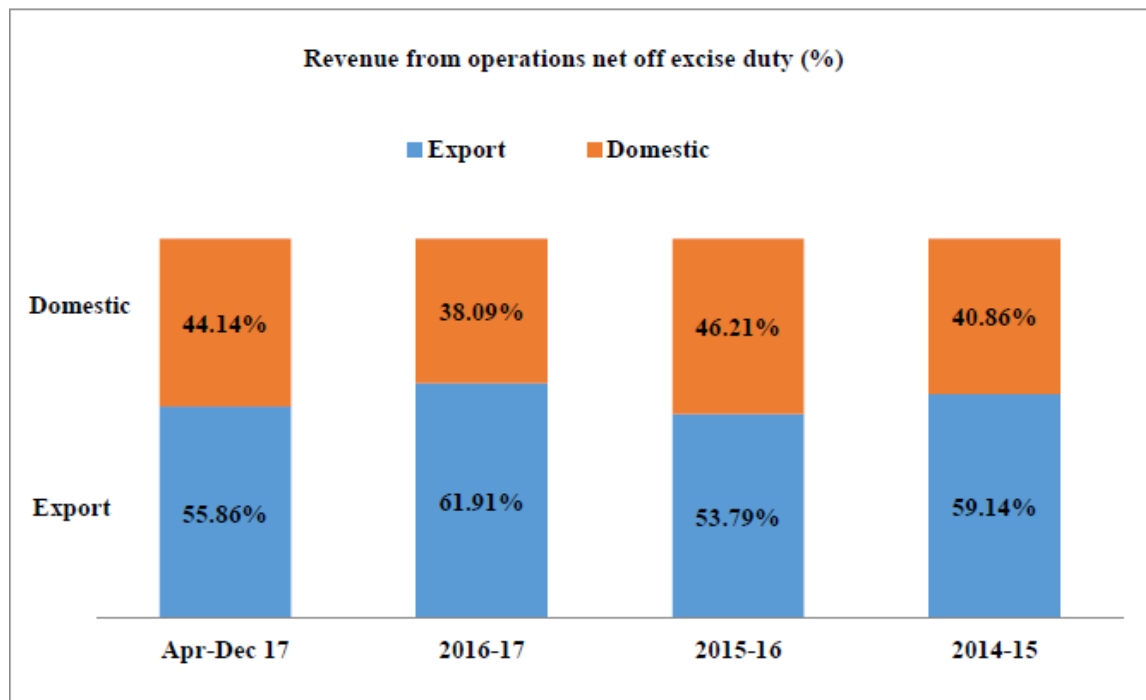
- Anti-fungal agents/preservatives
- Emulsifiers
- Specialty additives

Plastics Additives

- Slip additives
- Anti-fogging additives
- Anti-static additives
- Lubricants
- Processing aids

Other Additives and End-Use sector Products

- Cosmetic and Pharmaceutical Additives
- Rubber Additives
- Paint and Coating Additives



(Source: Red Herring Prospectus)

Competition

There are only a few large players in the global oleochemical-based additives industry. This is due to multiple entry barriers, such as product formulations, process technology and customer stickiness to established players. (Source: CRISIL Research Report). None of their major competitors are based in India.

Strengths

- Largest Producer of Oleochemical-based Additives in India and One of the Few Large Players in the Oleochemical based Additives Industry in the World
- Diversified Product Portfolio Catering to a Variety of High Growth Industries
- Specialised Business Model with High Entry Barriers
- Flexible and Strategically Located Production Facilities with In-house Development Capabilities
- Strong R&D Capability with a Focus on Innovation
- Diversified Customer Base with Long-Term Relationships with Marquee Customers
- Strong Management Team

Strategy

- Expand their Total Installed Production Capacity and Product Range
- Expand into Manufacturing Premises for Bakery and Confectionary Products and Pan Release Agents
- Increase Sales of Higher-Margin Downstream Products
- Global Expansion
- Continuing Focus on R&D

Promoters

- Prakash Damodar Kamat
- Mukesh Maganlal Shah
- Jyotsna Ramesh Shah
- Jayen Ramesh Shah
- Tushar Ramesh Shah
- Bimal Mukesh Shah

Registered Office: Fine House, Anandji Lane, Ghatkopar (East), Mumbai 400 077.

Issue Size

(₹ in Cr)

Category	# of Shares	Amount (₹ in crs)	
		780	783
Offer For Sale	7,664,994	598	600
QIBs	3,832,496	299	300
Non Institutional	1,149,750	90	90
Retail	2,682,748	209	210
Pre Issue # of shares	30,659,976		
Post Issue # of Shares	30,659,976		

Shareholding Pattern (%)

Particulars	Pre Issue		Post Issue	
	No. of Shares	% Holding	No. of Shares	% Holding
Promoter and Promoter Group	30,659,976	100.00	*	*
Public	-	0.00	*	*
Total	30,659,976	100.00	*	*

(Source: Red Herring Prospectus)

Financials

Extracts of the Standalone Statement of Profit & Loss Account, As Restated

(₹ in Mn)

Particulars	For the year ended March 31st			For the period ended Dec 31,
	2017	2016	2015	2017
Revenue from Operations	8,134.66	6,848.83	6,374.66	5,902.10
Total Income	8,181.63	6,949.93	6,396.34	5,993.22
Total Expenditures	6,944.89	5,764.26	5,548.19	4,996.19
Profit Before Tax	1,236.73	1,185.67	848.15	997.03
Net Profit (Loss) after Taxes	804.64	774.62	553.22	652.50
Total comprehensive income for the year	802.54	777.14	553.32	652.50

(Source: Red Herring Prospectus)

Extracts of the Standalone Statement of Assets and Liabilities, As Restated

Particulars	As at March 31st			(₹ in Mn)
	2017	2016	2015	As at Dec 31st 2017
<u>EQUITY AND LIABILITIES</u>				
<u>Shareholder's Funds</u>				
Equity Share Capital	48.30	48.30	48.30	153.30
Equity Share Suspense account	2.80	2.80	-	-
Other Equity	3,307.91	2,504.20	2,054.76	3,581.44
<u>Non-Current Liabilities</u>				
Financial Liabilities				
- Borrowings	-	212.68	290.55	-
- Trade Payables	-	-	-	-
- Other Financial Liabilities	-	-	-	-
Provisions	-	-	-	-
Deferred tax liabilities (Net)	-	-	3.44	-
Other non-current Liabilities	-	-	-	-
<u>Current Liabilities</u>				
Financial Liabilities				
- Borrowings	402.62	728.68	655.90	285.48
- Trade Payables	677.89	532.03	531.99	765.40
- Other Financial Liabilities	9.12	86.37	88.17	8.15
Other current liabilities	106.94	75.43	71.65	47.95
Provisions	-	3.25	1.64	-
Current Tax Liabilities (Net)	-	4.93	-	-
TOTAL EQUITY AND LIABILITIES	4,555.57	4,198.68	3,746.40	4,841.72
<u>ASSETS</u>				
<u>Non-current assets</u>				
Property, Plant and Equipment	967.72	1,024.72	1,024.18	922.48
Capital Work-in-Progress	27.97	56.50	81.12	67.39
Goodwill	-	-	-	-
Intangible Assets	2.10	1.32	-	2.10
Financial Assets				
(i) Investments	137.05	61.77	8.86	133.54
(ii) Loans	49.37	23.08	17.78	56.74
(iii) Trade Receivables	-	-	-	-
(iv) Other Financial Assets	1.28	0.42	0.70	2.86
Deferred Tax Assets (Net)	34.53	14.35	-	39.00
Other Non-Current Assets	491.81	531.32	527.41	634.46
<u>Current assets</u>				
Inventories	884.58	737.05	622.74	822.98
Financial Assets				
-Investments				
-Trade receivables	1,212.97	936.63	904.58	1,309.68
-Cash and Cash Equivalents	102.80	358.86	13.86	188.00
-Bank balances	39.46	28.28	3.26	1.85
-Loans	7.35	7.61	5.70	7.30
-Other Financial Assets	0.98	1.02	0.14	1.35
Current Tax Assets (Net)	39.74	-	15.19	23.78
Other Current Assets	555.86	415.76	520.87	628.22
TOTAL ASSETS	4,555.57	4,198.68	3,746.40	4,841.72

(Source: Red Herring Prospectus)

Extracts of the Standalone Statement of Cash Flows, as restated,

(₹ in Mn)

Particulars	As at March 31st			As at Dec
	2017	2016	2015	31st 2017
Net Cash Flow From /(used in) Operating Activities	498.80	1,076.03	498.64	707.39
Net Cash From /(used in) Investing Activities	(161.14)	(277.84)	(426.76)	(280.83)
Net Cash From /(used in) Financing Activities	(591.61)	(530.99)	(117.33)	(344.85)
Net Increase /(Decrease) in Cash & Cash Equivalents	(253.95)	267.19	(45.45)	81.71
Ind AS Adjustments	(2.11)	5.74	(29.34)	3.49
Assets transferred from Amalgamating Companies	-	72.07	-	-
Cash & Cash Equivalents at the Beginning of the Period/Year	358.86	13.86	88.65	102.80
Cash & Cash Equivalents at the end of the Period/Year	102.80	358.86	13.86	188.00

(Source: Red Herring Prospectus)

Ratios

Particulars	For the year ended March 31st			For the period ended Dec
	2017	2016	2015	31st 2017
Earning per share (EPS) (₹.)				
Basic & Diluted	26.24	25.26	19.09	28.25
Net Asset Value per share (₹.)	105.70	79.48	72.57	118.04
Return on Net Worth (RONW) (%)	24.83%	31.79%	26.31%	18.03%
Face value per share	10.00	10.00	10.00	5.00

(Source: Red Herring Prospectus)

Valuation

Particulars	Pre Dilution	Post Dilution
EPS - 31st Dec 17	21.28	21.28
EPS Annualised	28.38	28.38
P/E Ratio		
At ₹ 780	27.49	27.49
At ₹ 783	27.59	27.59

Peer Comparison

Name of the company	Face value (₹)	Revenue from operations Fiscal 2017 (₹ million)	EPS (₹) Basic & Diluted	P/E	RONW (%)	Nav per Share (₹)
Fine Organic Industries Limited	5.00	8,149.36	25.56	*	24.65%	103.70
Galaxy Surfactants Limited	10.00	21,717.00	41.27	34.7	28.68%	161.51
Industry Composite				34.7		

(Source: Red Herring Prospectus)

Please refer to the Red Herring Prospectus for Risk Factor

Disclaimer

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OUR NETWORK

Regd Office: 7th Floor, Cnergy, Appasaheb Marathe, Marg, Prabhadevi, Mumbai - 400 025. Tel.: (022) 6630 3030.

Corporate Office: 5th Floor, Cnergy, Appasaheb Marathe, Marg, Prabhadevi, Mumbai - 400 025. Tel.: (022) 6704 0404.

Admin. Office: 1st & 2nd Floor, B Wing, Suashish IT Park, Plot No. 68 E, Off. Dattapada Road, Opp. Tata Steel, Borivali (East), Mumbai - 400 066. Tel.: (022) 6761 7000.

Mumbai - Andheri: 3rd Floor, Dhanashree Heights, Behind Axis Bank, Azad Nagar No-2, Veera Desai Road, Andheri (West), Mumbai - 400 053. Tel.: (022) 6619 1600	Bengaluru - Indira Nagar 1 & 2: 709, 80 Feet Road, 7th Main, Indira Nagar, Bangalore - 560 008. Tel.: (080) 4684 4500.	Nellore: Dr. Anilreddy Building, D. No. 16-2-232, 4th Flr, Gandhi Nagar, Pogathota, Nellore - 524001. Tel.: (0861) 235 8299
Mumbai - Borivali: 1st, 2nd and 3rd Floor, New Pushpanjali II, Jambli Galli, (Factory Lane), Opp. Chintamani Jewellers, Borivali (West), Mumbai - 400 092. Tel.: (022) 2968 6700	Chandigarh: Unit No. 513, 5th Floor, Elante Office Complex, Site No. 178 - 178 A, Industrial & Business Park, Phase - 1, Industrial Area, Chandigarh - 160 002. Tel.: (0172) 403 5500	New Delhi: 5 G&H, 5th Floor, Hansalaya Building, 15, Barakhamba Road, New Delhi - 110 001. Tel.: (011) 4953 7800
Mumbai - Fort: 2, 3 & 4 Kamanwala Chambers, Sir P M Road, Fort, Mumbai-400 001. Tel.: (022) 3021 3500 / 6136 3400 (Primary Products Distribution only)	Chennai: Seethakathi Business Centre, Unit No. 216, Second Floor, 684-690, Anna Salai (Mount Road), Chennai - 600 002. Tel.: (044) 2829 9888	Noida: Office No.1007, 10th Flr, Wave Silver Tower, Opp. Metro Station, Sector - 18, Noida - 201 301. Tel.: (0120) 718 4710
Mumbai - Ghatkopar: 424/425, 4th Floor, Kailash Plaza, Vallabh Baugh Lane, Ghatkopar (East), Mumbai-400 077. Tel.: (022) 4505 8700	Coimbatore: 3rd Floor, AMI Midtown, 25A-4, DB Road, R S Puram, Coimbatore - 641 002. Tel.: (0422) 402 2400	Pune: 205, Business Guild, Opp. Krishna Dining Hall, Law College Road, Erandwane, Pune - 411 004. Tel.: (020) 4903 1600
Mumbai - Malad: Shop No. 1&2, Prathampad CHS, Opp. OBC Bank, Evershine Nagar, Malad (West), Mumbai-400 064. Tel.: (022) 6171 6300	Guntur: Sreenivasam, 2nd floor, D.No.: 5-80-2, 1st Line, Ashok Nagar, Guntur - 522 007. Tel.: (0863) 237 7800	Rajkot: 202, 2nd Floor, Solitaire, Swami Vivekananda Marg, Near Municipal Commissioner's Bungalow, Ramakrishna Nagar, Rajkot-360 002. Tel.: (0281) 619 4000
Mumbai - Malad: Office No. 8, 1st Floor, Abhishek Commercial Complex, (above Dena Bank), Plot No.104, S.V. Road, Malad (West), Mumbai - 400 064. Tel.: (022) 2882 2832 (Primary Products Distribution only)	Gurgaon: Office No 316, 3rd Floor, MGF Metropolis Mall, Sector 28, Main Mehrauli Gurgaon Road, Gurgaon - 122 001. Tel.: (0124) 471 7600	Secunderabad: 305, 3rd Floor, Jade Arcade, Opp. Paradise Hotel, M.G. Road, Secunderabad-500 003. Tel.: (040) 4010 5200
Mumbai - Vashi: 328, 3rd Floor, Vardhman Market, Sector 17, Vashi, Navi Mumbai - 400 703. Tel.: (022) 6632 9200	Guwahati: Ganpati Enclave, 1st Floor, Bora Service, GS Road, Guwahati - 781007. Tel.: (0361) 246 7808 / 246 7809	Surat: International Commerce Centre, A wing, 2nd flr, 202, Near Majura Gate, Ring Road, Surat-395002. Tel.: (0261) 408 1700
Mumbai - Vile Parle: 602, 6th Floor, Kingston, Tejpal Road, Near Railway Crossing, Vile Parle (East), Mumbai - 400 057. Tel.: (022) 2663 6700	Hyderabad: 9-10, 3rd Floor, Uma Chambers, Road No.1, Banjara Hills, (Nagarjuna Hills), Hyderabad - 500 034. Tel.: (040) 4010 5875	Tirupati: 174, 2nd floor, New Balaji Colony, AIR Bypass Road, Tirupati - 517 502, Andhra Pradesh. Tel.: (0877) 668 8100.
Ahmedabad - Ashram Road: G-10/301, Chinubhai Center, Near Nehru bridge Corner, Ashram Road, Ahmedabad-380 009. Tel.: (079) 2657 6666 / 3001 3700	Indore: UG 7 & 8, Ground Floor, D.M.Tower, 21/1 Race Course Road, Indore - 452 004. Tel.: (0731) 474 2100	Vadodara: G1-Ground Floor, "Soham", 49 Alkapuri Society, Opp. HDFC Bank, Alkapuri, Vadodara - 390007. Tel.: (0265) 619 1300
Ahmedabad - Himalaya Emerald: 201, 2nd Floor, Himalaya Emerald, 132 Feet Ring Road, Near IOC Petrol Pump, Shivrangani Char Rasta, Satellite, Ahmedabad-380 015. Tel.: (079) 4982 6600	Jaipur: G-7 & G-8, Plot No. K-13, Brij Anukampa, Ashok Marg, C-Scheme, Jaipur - 302 001. Tel.: (0141) 438 4400	Vizag: Door No: 9-1-224/4/3, 1st Floor, Nandan Nirman, CBM Compound, Near Ramataalkies Junction, Visakhapatnam-530 003. Tel.: (0891) 660 3800
Bengaluru - Basappa Complex 1 & 2: No. 40/1A, 4th Floor, Basappa Complex, Lavelle Road, Bengaluru - 560 001. Tel.: (080) 4927 2400.	Kolkatta: Ground & 8th Floor, Kankaria Estate, 6 Little Russell Street, Kolkatta - 700 071. Tel.: (033) 4031 0330	
Bengaluru - Malleshwaram: 199, 1st & 2nd Floor, Yathi Raj Mutt Building, 11th Cross, Malleshwaram, Bengaluru - 560 003. Tel.: (080) 4923 0500	Lucknow: Eldeco Corporate Tower, 701, 7th Floor, Vibhuti Khand, Gomtinagar, Lucknow - 226010. Tel.: (0522) 4933 250	

JM Financial Services Ltd.

Corporate Identity Number : U67120MH1998PLC115415 | **Compliance officer:** ManishkumarSabu, Tel: 022-67617400, Email: manish.sabu@jmfl.com

NSE - Capital Market INB231054835 | Member Code 10548 | **Futures & Options** INF231054835 | **Currency Derivatives** INE231054835. **BSE -** Cash Market INB011054831 | Clearing No. 325 | **Equity Derivatives** INF011054831. **MSEI -** Equity INB261054838 | **Equity Derivative** INF261054838 | **Currency Derivatives** INE261054835 | Membership No. 58300. **NSDL -** IN-DP-NSDL-241-2004 | **CDSL -** IN-DP-CDSL-236-2004. **PMS -** INP000000621. **AMFI -** ARN0002. **Research Analyst -** INH000001196.