

# Fine Organic Industries Limited

## Issue Snapshot:

Issue Open: June 20 – June 22, 2018

Price Band: Rs. 780 – 783

Issue Size: 7,664,994 Equity Shares  
(Entirely Offer for sale)

Offer Size: Rs.597.87 crs – 600.17 crs

QIB Upto 3,832,496 eq sh  
Retail atleast 2,682,748 eq sh  
Non Institutional atleast 1,149,750 eq sh

Face Value: Rs 5

Book value: Rs 114.65 (Dec 31, 2017)

Bid size: - 19 equity shares and in multiples thereof

100% Book built Issue

## Capital Structure:

Pre Issue Equity: Rs. 15.33 cr

Post issue Equity: Rs. 15.33 cr

Listing: BSE & NSE

Book Running Lead Manager: JM Financial Limited, Edelweiss Financial Services Limited

Registrar to issue: Karvy Computershare Private Limited

## Shareholding Pattern

Shareholding Pattern	Pre issue %	*Post issue %
Promoter and Promoter Group	100.0	75.0
Public & Others	-	25.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

Source for this Note: RHP

## Background & Operations:

Fine Organic Industries Ltd (FOIL) is the largest manufacturer of oleochemical-based additives in India and a strong player globally in this industry. It produces 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, it had a range of 387 different products sold under the “Fine Organics” brand. It is the first company to introduce slip additives in India and is the largest producer of slip additives in the world. Success is the result of sustained efforts over the decades in all areas of its business, such as product innovation, process technology improvements, increases in scale, improved raw material procurement and focus on cultural understanding of consumers. In the 12 months ended March 31, 2018, FOIL had 631 direct customers (i.e., end-users of its products) and 127 distributors (who sold its products to more than 5,000 customers) from 69 countries. Its direct customers are multinational, regional and local players manufacturing consumer products and petrochemical companies and polymer producers globally. Its plastics additives and specialty additives are also used in the packaging of foods and other fast moving consumer goods.

FOIL currently has three production facilities: one in Ambarnath (Maharashtra) (the ‘First Ambarnath Facility’); one in Badlapur (Maharashtra) (the ‘Badlapur Facility’); and one in Dombivli (Maharashtra) (the ‘Dombivli Facility’). As at March 31, 2017, these three facilities has a combined installed capacity of approximately 64,300 tonnes per annum. Each of its current manufacturing facilities has the ability to manufacture its wide range of products, which provides with the necessary flexibility to cater to changing demands in the market, thereby avoiding dependence on any one major product category. FOIL has developed in-house process design expertise to construct its production facilities. This gives scale advantages by enabling the timely expansion of its capacity in response to market needs and reduces capital expenditure costs for expansions significantly compared to other players. FOIL is currently planning to set up an additional production facility in Ambarnath with a planned installed capacity of 32,000 tonnes per annum (the ‘Third Ambarnath Facility’). It expects it to commence operations in the fourth quarter of Fiscal 2019. In addition, it is 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’). FOIL expects to commence operations in the third quarter of Fiscal 2020. This facility will be owned and operated by a joint venture company (which it plans to name FineAdd Ingredients GmbH, (‘FineAdd’)), in which it will have 50% equity interest. The company has a dedicated research and development (‘R&D’) centre located in Mahape, Navi Mumbai. Its R&D activities are focused on improving production processes, improving the quality of its present products, creating new additives and creating downstream products. It has 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. FOIL is 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. It is also conducting research into new technologies for chemical processing to minimise energy costs.

## Objects of Issue:

The objects of the Offer is to achieve the benefits of listing Equity Shares on the Stock Exchanges and to carry out the sale of up to 7,664,994 Offered Shares by the Promoter Group Selling Shareholders. The listing of Equity Shares will enhance FOIL’s Company’s brand name and provide liquidity to the existing Shareholders. The listing will also provide a public market for Equity Shares in India. FOIL will not receive any proceeds from the Offer and all the proceeds from the Offer, less Offer related expenses, will go to the Promoter Group Selling Shareholders.

**Competitive 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.

**Business Strategy:**

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

**Key Concerns**

- Increase in the cost of raw materials;
- Failure to compete effectively in the current market;
- Fluctuations of the Rupee against other currencies;
- If the costs of setting up new production facilities are higher than expected or FOIL is unable to secure sufficient term loans to finance the building of new production facilities or it do not receive required licenses or permits to operate such new production facilities or it is unable to procure possession of land on which certain additional production facilities are proposed to be developed;
- If FOIL is unable to successfully develop, manufacture and sell new types of downstream products;
- Failure to protect FOIL's intellectual property and technical know-how against third party infringement or breaches of confidentiality;
- FOIL's shareholding in Fine Zeelandia and FineAdd is subject to certain restrictions and the Company is subject to certain non-compete obligations; and
- If FOIL is unable to estimate demand for its products and thereby effectively manage its inventory.

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