FAIRCHEM
A FAIRFAX COMPANY

FAIRCHEM SPECIALITY LIMITED

Works & Office : 253/P & 312, Village -Chekhala, Sanand - Kadi Highway,
Taluka : Sanand, Dist.: Ahmedabad 382 115. INDIA.
Phone (Board Nos.) : +91 90163 24095 / +91 94099 58550
E-mail : info@fairchem.in, comm@fairchem.in
CIN : L15140MH1985PLC286828 Website : www.fairchem.in

Date: August 06, 2019

To,
National Stock Exchange of India Ltd.
Exchange Plaza,
Plot no. C/1, G Block, Bandra-kurla Complex
Bandra (E)
Mumbai – 400 051.

To,
Department of Corporate Services,
BSE Limited.
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai - 400 001.

Ourselves: : BSE Code: 530117 and NSE Symbol: 'FAIRCHEM'

Dear Sirs,

Sub.: Corrigendum in Annual Report for F.Y. 2018-2019

We wish to inform you that the Company had mailed/dispatched the Annual Report for the F.Y. 2018-19 to all the shareholders. Thereafter, it was observed that in the Extract of Annual Return which is annexure to Directors' Report on page no. 24 of the report, under IV Shareholding Pattern (i)(B)(2)(d) 'Others (non-Residents), number of shares as at the end of the year, in columns titled as 'Physical' 'Total' and '% changes during the year', the number of shares/percent were inadvertently misprinted in the Annual Report.

Therefore, the Company has published in all the editions of "Economics Times" corrigendum to Annual Report F.Y. 2018-19 on August 06, 2019, a copy of which is enclosed herewith. The Company has also hosted the Annual Report 2018-19 duly incorporating the changes as per the corrigendum on the Company's website www.fairchem.in

We sincerely regret the inconvenience caused in the matter.

You are request to take above on your record.

Thanking you,

Yours faithfully,
For Fairchem Speciality Limited,

Rajen Jhaveri
Chief Financial Officer & Company Secretary
Encl: as above

FAIRCHEM

FAIRCHEM SPECIALITY LIMITED

Regd. Office: 324, Dr. D.N. Road, Fort, Mumbai - 400001
Works & Office : 253/P & 312, Village Chekhala, Sanand - Kadi Highway, Taluka Sanand,
Dist. Ahmedabad - 382 115, Gujarat, INDIA
CIN: L15140MH1985PLC286828
Email Id: cs@fairchem.in; info@fairchem.in; **Website:** www.fairchem.in

CORRIGENDUM IN ANNUAL REPORT FOR F.Y. 2018-2019

The Company has mailed/dispatched the Annual Report for the F.Y. 2018-2019 to all the shareholders of the Company. Thereafter, it was observed that in the Extract of Annual Return which is annexure to Directors' Report on page no. 24 of the report, under IV Shareholding Pattern (i)(B)(2)(d)'Others(non-Residents), number of shares as at the end of the year, in columns titled as 'Physical' 'Total' and '% change during the year', the number of shares/percent were inadvertently misprinted in the Annual Report.
The Company has hosted the said Annual Report duly incorporating the above changes on the Company's website http://www.fairchem.in
For convenience of shareholders, the correct numbers in **'bold'** are given here under:

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
d) Others (Non Residents)	2,88,858	2,320,354	2,609,212	6.94%	1,015,215	**2,461,914**	**3,477,129**	8.90%	**1.96%**

Place: Chekhala, Tal. Sanand, Dist. Ahmedabad
Date: August 05, 2019

For Fairchem Speciality Limited,
Rajen Jhaveri (Chief Financial Officer & Company Secretary)

FAIRCHEM SPECIALITY LIMITED

FAIRCHEM

A FAIRFAX COMPANY

Fairchem Speciality Limited

ANNUAL REPORT

2018-19

FAIRCHEM
A FAIRFAX COMPANY

34th Annual Report

Board of Directors :	Shri Utkarsh B. Shah	*Chairman*
	Shri Mahesh Babani	*Managing Director*
	Shri Nahoosh J. Jariwala	*Managing Director*
	Shri Sumit Maheshwari	*Director*
	Shri D. B Rao	*Director*
	Shri P. R. Barpande	*Director*
	Shri Rajesh Budhrani	*Director*
	Shri Hemang Gandhi	*Director*
	Ms. Radhika Pereira	*Director*
	Shri Darius Pandole	*Director*
	Shri Viren Joshi	*Director*
	Shri Harsha Raghavan	*Director (up to May 24, 2018)*
Chief Financial Officer & Company Secretary	Rajen N. Jhaveri	
Bankers	HDFC Bank Limited	
Auditors	M/s. Price Waterhouse & Co Chartered Accountants LLP, Chartered Accountants, AHMEDABAD.	
Registered Office	324, Dr. D.N. Road, Fort Mumbai - 400 001.	
Works & Office	253/P & 312, Village Chekhala, Sanand- Kadi Road, Ta. SANAND, Dist. AHMEDABAD – 382 115. Gujarat, INDIA. Phone No. : +91 9016324095 and +91 94099 58550	
E-Mail Ids	cs@fairchem.in and rajen.jhaveri@fairchem.in	
Registrar and Share Transfer Agent	Link Intime India Pvt. Ltd. C-101, 247 Park, L.B.S. Marg, Vikhroli (West), Mumbai - 400083.	
Websites	www.fairchem.in and www.privi.com	

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MANAGEMENT DISCUSSION AND ANALYSIS

Global Economic Outlook

As per the latest World Economic Outlook published by the International Monetary Fund (IMF) in April 2018, after strong growth in 2017 and early 2018, global economic activity slowed notably in the second half of last year, reflecting a confluence of factors affecting major economies. China's growth declined following a combination of needed regulatory tightening to rein in shadow banking and an increase in trade tensions with the United States. The euro area economy lost more momentum than expected as consumer and business confidence weakened and car production in Germany was disrupted by the introduction of new emission standards; investment dropped in Italy as sovereign spreads widened; and external demand, especially from emerging Asia, softened. Elsewhere, natural disasters hurt activity in Japan. As a result of these developments, global growth is now projected to slow from 3.6 percent in 2018 to 3.3 percent in 2019, before returning to 3.6% in 2020.

Indian Economy:

As per the latest Bi-monthly policy statement of the Reserve Bank of India (RBI), India's real Gross Domestic Product (GDP) for FY 2018-19 has been pegged down to 7.0%, revised downwards from 7.2% predicted earlier. On India' external front, export growth remained weak in January and February 2019 while imports, especially non-oil non-gold imports, declined. The trade deficit narrowed in February 2019 to its lowest level in 17 months. Net FDI inflows were strong while foreign portfolio investors turned net buyers in the domestic capital market in Q4:2018- 19. India's foreign exchange reserves were at US$ 412.9 billion on March 31, 2019.

With risks broadly balanced. GDP growth for 2019-20 is projected at 7.2 per cent: 6.8-7.1 per cent in H1:2019-20 and 7.3-7.4 per cent in H2.

While India will remerge as the Fastest growing medium sized economy in the world, there are the following events – some of which helps your company and some could pose some challenges:

a) **International Crude Oil Prices:** After a steady decline in Brent Crude oil prices in the last few months of 2018, reaching a low of $50.5 per barrel at the end of the 2018, the prices have steadily climbed up to $ 74 per barrel, and now softened a bit to $ 71.2 per barrel. The outlook for oil prices is that it is expected to remain at about $ 70 to $ 75 per barrel during 2019. The increase in crude Oil prices also leads to increase in the raw material prices of petroleum based products like Citral, Phenols, etc.

b) **Global Growth:** As the advanced economies and the EME continue to grow in 2018, it will have beneficial impact on the Indian economy. A 50-basis point increase in global growth, provides 20 basis point increase in the domestic growth. The US government has recently been showing signs of protectionism, which could dent the global growth and in turn the domestic economy.

c) **Exchange Rate:** With the US Fed having indicated that it is in favor of increasing the target interest rates in the US, and with increased Current account deficit, Indian rupee could be under pressure and could depreciate. For exporting companies, including your company, this is beneficial as the depreciation of the Indian rupee against the dollar helps in improving the revenues as well as net income.

Global Aroma Chemicals Market Overview: -

Global Flavours & Fragrance (F&F) Industry is expected to reach USD 28 billion by 2022 (Source: Leffingwell report). Post 2000, Aroma Chemicals has been the fastest growing segment within F&F industry at CAGR of ~6.21% as compared to F&F growth of ~5%.

The aroma chemicals market was valued at US$ 4.09 billion in 2016 and is projected to reach US$ 6.6 billion by 2024, exhibiting a CAGR of 6.21% during this period, according to **Market Report published by Transparency Market Insights.**

Growing personal disposable income in emerging economies such as India, China and ASEAN countries coupled with increasing demand for cosmetics and homecare products resulted in the growth of aroma chemicals market.

Among the application of aroma chemicals, the cosmetic and toiletries segment held the highest market share in 2016 and is expected to show the same trend over the forecast years.

Europe accounted for the largest market share in terms of revenue and volume in the global aroma chemicals market in 2016-2017. The region is expected to retain its dominance throughout the forecast period, due to growing use of cosmetic and personal care products in European economies. In terms of revenue, Europe had a market share of 33.47% in 2016. (Source: Coherent Market report).

Europe is followed by North America and Asia Pacific in the market of aroma chemicals. The North American market growth is expected at a CAGR of 5.80% with Asia Pacific market with a CAGR of 7.15%. (Source: Coherent Market report). Asia Pacific is the fastest growing market and is expected to retain its dominance during the forecast period.

Growing population coupled with the increasing disposable income in economies such as India and china has fueled the growth of cosmetics, personal care, and home care products, in turn increasing the demand for fragrances thus leading to increased demand of aroma chemicals. Moreover, the growing retail sector in emerging economies of the region has made the availability easier of products, such as cosmetics, fragrance, soap, and detergents, which is further surging the market growth.

In terms of geographical regions, Asia Pacific is expected to be the major revenue contributor to the market in future. Rapid increase in population, rapid urbanization, women empowerment, increasing investments, and the rise in demand for better lifestyles are few factors that will drive market growth.

Presence of some of the major aroma chemical producers in Asia Pacific countries and the rising demand for aroma chemicals in these countries will also aid in the growth of the fragrance market in this region.

Regulations

Regulations are forcing companies to follow compliance, which could affect the market's growth trajectory.

For instance, wastewater discharge during the production of various synthetic aroma chemicals consists of many effluents, which need to meet applicable regulations for such discharge. As regulations are getting stringent and are imposing various restrictions on the emissions, like waste water, air emissions etc producers are required to comply with the norms.

Growth drivers

As per market information, use of aroma chemicals so far was limited to the personal and household care sector. Market expansion and penetration of new generation lifestyle products like body deodorants has provided new market opportunities.

Demand for aroma chemicals is expected to rise especially in emerging economies such as India, China, Brazil and Africa. Rising income expected to drive increasing willingness among young consumers to spend on personal care products.

Shifting consumer preferences would create lucrative prospects for aroma chemicals market. Increasing market penetration and investment towards product development will help the aroma chemicals market to register strong growth in the forthcoming years.

With companies focusing on product diversification, consumers will have wider options to choose from. Spurred by these factors, the global aroma chemicals market will continue treading along a positive trajectory.

GLOBAL FLAVOUR AND FRAGRANCE INDUSTRY:

The future of the global flavor and fragrance market looks impressive with opportunities in fragrance products, such as fine fragrance, cosmetic and toiletries, household and air care.

The global flavors and fragrances market size was valued at USD 20.75 billion in 2018 and is expected to expand at a CAGR of 4.7% over the forecast period 2019 – 2023.Increasing demand from application industries such as food, beverages, and cosmetics and toiletries is projected to drive the growth.

Emerging trends, which have a direct impact on the dynamics of the flavor and fragrance industry, include increased use of biotic ingredients and business expansion by major players in emerging markets.

On the basis of its comprehensive research, Lucintel forecasts that, fine fragrances, and household and air care are likely to experience the highest growth in the forecast period.

Within the global flavor& fragrance market, the beverage application is likely to remain the largest in the flavor segment during the forecast period, while soap & detergents is likely to be the largest in segment for the fragrance market.

Industry Insights:

Increasing disposable income in developing economies is projected to augment the demand for cosmetics, toiletries, perfumes, and soaps and detergents. This factor is anticipated to drive the market in near future. Natural fragrances are perceived to be safe, healthier and therapeutic. Natural flavor and fragrance ingredients are expected to grow rapidly owing to the rising preference for organic ingredients in food and personal care sector. Manufacturers engaged in developing natural fragrances often charge a green premium on their products.

The demand for synthetic fragrances is also predicted to witness a significant CAGR as they are long lasting, emit strong fragrance, and offer a greater freedom of creativity to manufacturers. Moreover, synthetic fragrances are less expensive compared to natural variants. Growing number of retail stores, new product launches, and economic prices of personal care products are anticipated to be extremely influential factors contributing to the growth of the fragrance market.

With Fragrances projected to expand at the highest CAGR over the forecast period. Increasing investment in new product developments to cater to demand from personal care, home care, automotive, pharmaceutical, and hospitality industries is projected to augment growth.

Manufacturers have integrated their production and distribution channels for better market approachability. Most companies are vertically integrated and produce products that cater to various applications. Manufacturers have to abide by manufacturing and labeling laws, regulations, and guidelines published by regulatory authorities such as Food and Drug Administration (FDA), U.S. Department of Agriculture (USDA), Health Canada, European Food Safety Authority, and World Health Organization (WHO).

Manufacturers also obtain certifications such as Kosher, Halal, and ISO to gain a competitive edge in the market. End-user business activities greatly influence financial condition as well as operations of raw material manufacturers and suppliers

Product Insights:

Aroma chemicals are expected to hold the largest market share over the forecast period. Majority of demand for these chemicals is likely to come from fragrance industry. The demand for esters was valued at USD 5.73 billion in 2018. Increasing concern about fitness and well-being by people of all ages is likely to provide lucrative opportunities for aroma chemicals in fragrances. Increasing R&D investments is projected to further drive the demand for aroma chemicals over the forecast period.

Natural segment is estimated to witness the fastest growth over the forecast period. Rapid shift towards natural products, especially in developed countries is projected to drive the growth in the forthcoming years.

Global Flavors and Fragrances Market: Regional Analysis

Regions in which the global flavors and fragrances market is classified includes Europe, North America, the Middle East and Africa, Latin America, and Asia Pacific. Among these regions, Asia Pacific holds a dominating share in terms of revenue. Growing economic development in emerging countries like China and India are considered responsible for the dominance of Asia Pacific. Increase in per capita spending on consumer products in high-growth economies, such as China, India, South Korea, and Indonesia is also expected to drive the flavors & fragrances market in the Asia Pacific. In addition, emerging economies are growing at a significant rate; therefore, the investors are investing heavily in these markets. This is likely to create huge growth opportunities for the flavor and fragrances market. The demand for flavor and fragrances is expected to remain high in developed countries for example, in 2018 the U.S. holds' 24% share of the total World demand and is projected to expand at a CAGR of 2.9% over the forecast period.

The fragrance segment is anticipated to grow owing to increased demand for the products from personal care, cosmetics, home care, therapy, oral care, and air freshener products. North America and Europe are anticipated to register growth owing to concentration of cosmetics industries in these particular regions.

Asia Pacific is expected to become the largest market and is also expected to witness above average growth over the forecast period due to strengthening economies, growing urbanization, changing lifestyle, and a rise in per capita income.

Indian Opportunities and Growth:

With a large and growing demand and the resultant opportunities for Indian manufacturers, the market for

Flavours& Fragrances and ingredients is set to serve up a spicy fare.

The global Flavours& Fragrances houses and some of the scaled up Indian players are directly aligned to the major FMCG players, and supply specific fragrance or flavour blends for specific products. Few FMCG players also have blending capability for some blends, for which they source ingredients directly from ingredient manufacturers. Indian ingredients manufacturers supplying to the global Flavours& Fragrances houses are very closely aligned with them. It is common for Flavours& Fragrances houses to develop new flavours or fragrances jointly with their ingredient suppliers. Flavours& Fragrances houses also inspect and formally approve their suppliers and require them to maintain international standards.

Based on their source and processes, flavour and fragrance ingredients can be broadly classified into –

(a) Essential oils: Concentrated liquids containing aroma compounds extracted from natural sources

(b) Aroma chemicals: Chemical compounds with a distinct smell produced synthetically through a chemical process, derived from natural or synthetic feedstock.

Fragrances are an important part of FMCG products. Despite constituting less than 1% of a product's volume and under 10% of its total cost of production, fragrances are instrumental in creating a distinct product association with the consumers. India is also characterized by a large unorganisedFlavours& Fragrances blending market, estimated to be larger than the organised market, but difficult to quantify. The unorganised market largely caters to tobacco, incense (agarbatti) and other such end products with thriving unorganized markets by themselves.

The growth is driven by the following major factors

1. Developing countries are witnessing growth of 13% in this category compared to the global growth of 4%. Large global players traditionally from developed countries are now targeting these geographies and expanding the market.

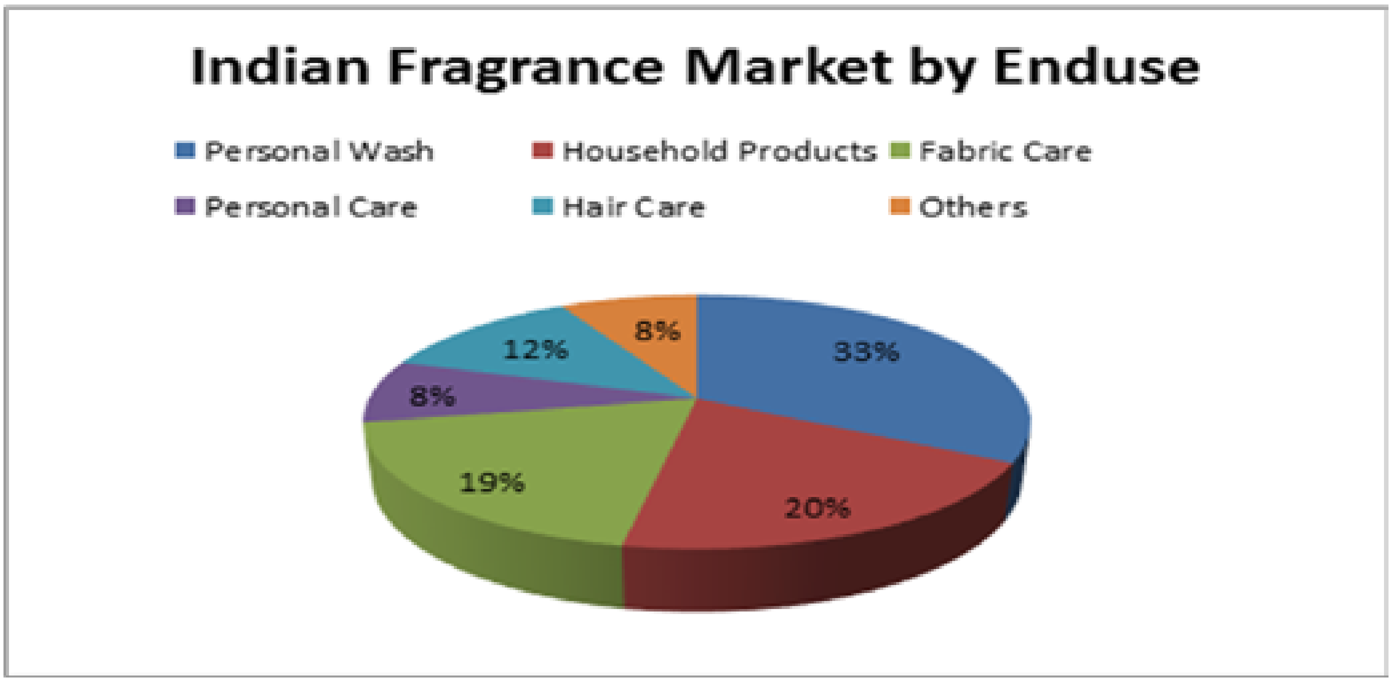
2. **Higher consumer willingness to experiment with new flavours and fragrances:** This trend has led to additional sales in developed markets where consumers have higher disposable incomes, and thus are willing to spend on non-essential sophisticated products across food categories.

3. **A shift in perception of fragrance from being a nonessential attribute to an indispensable part of personal care:** Fragrance was considered to be a discretionary attribute in several mass market products in developing countries, including China and India. However, with the increased penetration of scented personal care products in developing nations, fragrance is now perceived as more of a necessity than a luxury. Global market growth is primarily driven by Asian markets. These markets are expected to grow at 6.5% over the next 5 years, constituting ~ 30% of the global market by 2020.

4. **Rural Penetration of FMCG:** Marketing by FMCG companies has created demand for categories like deodorants, room fresheners and perfumed soaps in rural markets. This has opened up a new opportunity for the currently underpenetrated fragrance market (penetrated only to an extent of 0.5% of the potential market). Growth of aspirational products and growth of the rural retail sector will also help in driving demand.

5. **Premiumisation:** As Indian consumers graduate from using basic soaps and detergents to higher end products such as skin creams, lotions, hair gels and other specialized cosmetics products, the quality and value of the flavors and fragrances used in these products is expected to increase. Products like room fresheners and car perfumes are seeing increased penetration, bolstering the demand of flavors and fragrances. The air care market in India is expected to grow at 40% p.a.

   In the aroma chemicals space, some large Indian players are Privi Organics India Limited and Eternis. For both these players, the majority of the revenue is contributed by exports. This is common across most scaled up Indian players.



Synthetic ingredients continue to dominate Indian market

Currently the Indian consumption of naturals is very small due to price sensitivity of the Indian consumer. Natural ingredients may cost anywhere between 10-100 times that of their synthetic counterparts. Due to consumer demand for more healthy products, some natural-like products (refer to the next section for details) are entering the market. However, we expect synthetics to continue to dominate the segment in the near future.

6. **Moving up the value chain:** Most of the Indian ingredient providers are suppliers of oleoresins or aroma chemicals to the Flavours& Fragrances houses in India or exporters of the same. Many of the synthetic aroma chemicals are not differentiated and as a result there is stiff price competition in this space. Some natural extracts and oleoresins may command a premium; however, they are seasonal in nature and are beginning to face price competition from the Chinese. As a result, manufacturers of bulk aroma chemicals or oleoresins typically experience relatively low margins (15-25% gross margins) compared to the global Flavours& Fragrances houses which have much higher profitability. Moving up the value chain may not be an urgent imperative for Indian ingredient manufacturers, but may be a key differentiator in the long term.

7. **Building barriers to entry:** There are no significant technology barriers in the space. However, established players have a critical advantage in terms of client relationships. Global Flavours& Fragrances houses derive most of their revenue from mature FMCG players. Competition among the larger players is often price based, which is the consequence of limited product differentiation. Companies that are able to create product differentiation would be in a position to build better margins and protect themselves.

Challenges:

- Volatility in foreign exchange.
- Pricing and availability of raw materials.
- Socio-geographic issues.
- Research and development.
- Taxation (GST) etc.

Technology initiatives:

Your Company continues to be engaged in research and development in respect of technology & process improvement.

Your Company has further increased capacities of key products as well as installed new capacities for certain niche specialty aroma chemicals to stay ahead of competition.