



OMKAR

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OMKAR SPECIALITY CHEMICALS LIMITED

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CIN : L24110MH2005PLC151589

Date: 21th December, 2015

To,

| | |
|---|---|
| Corporate Services Department BSE LIMITED P.J. Towers, 1 st Floor, Dalal Street, Mumbai – 400001 BSE Code: 533317 | Corporate Services Department NATIONAL STOCK EXCHANGE OF INDIA LIMITED Exchange Plaza, Bandra Kurla Complex, Bandra (E), Mumbai – 400051 NSE Symbol: OMKARCHEM |
|---|---|

SUB: DISCLOSURE OF EVENTS OR INFORMATION

Dear Sir / Madam,

Pursuant to Part A of Schedule III of Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, we wish to inform you that there is revision in rating on the bank facilities of the Company. The ratings outstanding for the debt instruments/facilities of the Company, and the rating actions by CRISIL on the ratings are as follows:

| | |
|----------------------------------|--|
| Total Bank Loan Facilities Rated | Rs. 2.55 Billion |
| Long-term Rating | CRISIL BB +/ Stable (Downgraded from CRISIL BBB+ / Negative) |
| Short-term Rating | CRISIL A4 + (Downgraded from CRISIL A2) |

Please find enclosed herewith the rating rationale for the Company as given by CRISIL.

Kindly take the same on record and acknowledge receipt.

Thanking You,

Yours Faithfully,

For **OMKAR SPECIALITY CHEMICALS LIMITED**

SUNNY PAGARE
COMPANY SECRETARY & COMPLIANCE OFFICER
M. No. A27431





Rating Rationale

December 04, 2015
Mumbai

Omkar Speciality Chemicals Limited

Ratings downgraded to 'CRISIL BB+/Stable/CRISIL A4+'

| | |
|---|---|
| Total Bank Loan Facilities Rated | Rs.2550 Million |
| Long Term Rating | CRISIL BB+/Stable (Downgraded from 'CRISIL BBB+/Negative') |
| Short Term Rating | CRISIL A4+ (Downgraded from 'CRISIL A2') |

(Refer to Annexure 1 for Facility-wise details)

CRISIL has downgraded its ratings on the bank facilities of Omkar Speciality Chemicals Ltd (OSCL, part of the Omkar group) to '**CRISIL BB+/Stable/CRISIL A4+**' from '**CRISIL BBB+/Negative/CRISIL A2**'.

The downgrade reflects deterioration in the Omkar group's liquidity because of larger-than-expected, capital expenditure (capex) of over Rs.900 million undertaken in 2014-15 (refers to financial year, April 1 to March 31); the capex was largely funded through short-term resources, leading to mismatch in cash flows and tightening of liquidity. Furthermore, commencement of operations of Unit 5 (organic manufacturing facility, with a total capital outlay of around Rs.750 million) has been delayed significantly on account of environmental clearance issues. Delays in expected accrual from this unit have further constrained the group's liquidity. The bank limit utilisation levels were high, averaging over 95 per cent for the 12 months through September 2015. The current ratio also deteriorated to 0.84 time as of March 2015, from 1.08 times as on March 2014. CRISIL expects the Omkar group's liquidity to partially ease over the medium term, backed by reduction in working capital requirement due to a substantial drop in the inventory holding period to around 100 days as of September 2015, from 152 days as of March 2015. The group's current ratio also improved but remained moderate at 1.04 times as on September 2015. CRISIL believes, that the group's ability to sustain its working capital requirement, and any larger-than-expected, debt-funded capex over the medium term, will remain key rating sensitivity factors.

The rating continues to reflect the Omkar group's healthy business risk profile, marked by diversified product profile and healthy operating profitability in the speciality chemical compound business, and its above average financial risk profile, marked by moderate gearing and healthy debt protection metrics. These rating strengths are partially offset by the large working-capital-requirements and exposure to risks related to significant forex rate volatility.

For arriving at its ratings, CRISIL has combined the business and financial risk profiles of OSCL and its subsidiaries, Urdhva Chemicals Company Pvt Ltd (UCPL), Lasa Laboratory Pvt Ltd (LLPL), Risichem Research Ltd (RRL), and Desh Chemicals Pvt Ltd (DCPL). This is because all these entities, together referred to as the Omkar group, are in the same line of business and have common promoters and significant fungible cash flows among them.

Outlook: Stable

CRISIL believes the Omkar group will benefit over the medium term from its diversified and established product profile. The outlook may be revised to 'Positive' if liquidity improves backed by prudent working capital management or any large equity infusion, or if the group successfully stabilises new capacities. Conversely, the outlook may be revised to 'Negative' if liquidity weakens on account of any further stretch in working capital cycle, or in case of a larger-than-expected, debt-funded capex or delays in stabilisation of new capacities.

About the Group

OSCL, set up in 1983, manufactures speciality chemicals, organic and inorganic chemicals, and inorganic intermediates such as iodine, selenium, molybdenum, and their derivatives. The company's managing director, Mr. Pravin Herlekar, has nearly 35 years of experience in the speciality chemicals business. The company manufactures a wide range of products for an established clientele, including Dr. Reddy's Laboratories Ltd, Cipla Ltd, Biocon Ltd (rated 'CRISIL AA+/Stable/CRISIL A1+'), Asahi India Glass Ltd, Jubilant Organosys Ltd, Cadila Healthcare Ltd (rated 'CRISIL AA+/Stable/CRISIL A1+'), and Lupin Ltd. The company has subsequently acquired a 100 per cent stake in UCPL, DCPL, and LLPL. OSCL also has a 99 per cent stake in RRL.

The Omkar group's consolidated profit after tax (PAT) rose to Rs.242.8 million on an operating income of Rs.2.65 billion in 2014-15, from a PAT of Rs.135.6 million on an operating income of Rs.2.41 billion in 2013-14. The group achieved a PAT of Rs.171.8 million on an operating income of Rs.1.92 billion for the six months through September 2015.

Annexure 1 - Details of various bank facilities

| Current facilities | | | Previous facilities | | |
|--------------------|---------------------|-------------------|---------------------|---------------------|----------------------|
| Facility | Amount (Rs.Million) | Rating | Facility | Amount (Rs.Million) | Rating |
| Cash Credit | 710 | CRISIL BB+/Stable | Cash Credit | 710 | CRISIL BBB+/Negative |

| | | | | | |
|--|-------------|--------------------------|--|-------------|-----------------------------|
| External Commercial Borrowings | 367 | CRISIL BB+/Stable | External Commercial Borrowings | 367 | CRISIL BBB+/Negative |
| Letter of Credit | 600 | CRISIL A4+ | Letter of Credit | 600 | CRISIL A2 |
| Proposed Long Term Bank Loan Facility | 863 | CRISIL BB+/Stable | Proposed Long Term Bank Loan Facility | 849 | CRISIL BBB+/Negative |
| Term Loan | 10 | CRISIL BB+/Stable | Term Loan | 24 | CRISIL BBB+/Negative |
| Total | 2550 | -- | Total | 2550 | -- |

| Media Contacts | Analytical Contacts | Customer Service Helpdesk |
|--|---|--|
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