



OMKAR
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OMKAR SPECIALITY CHEMICALS LIMITED

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To,

The Manager Department of Corporate Services BSE LIMITED P.J. Towers, 1 st Floor, Dalal Street, Mumbai – 400001. BSE Code: 533317	The Asst. Vice President Listing Department NATIONAL STOCK EXCHANGE OF INDIA LIMITED Exchange Plaza, Bandra-Kurla Complex, Bandra (East), Mumbai – 400051. NSE Symbol: OMKARCHEM
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Dear Sirs,

Sub: Transcript of Conference Call held on April 12, 2016.

The Company had organized a Conference Call on April 12, 2016 to discuss the merger of subsidiaries and demerger of the Veterinary API Undertaking of Merged Omkar Speciality Chemicals Limited into Lasa Supergenerics Limited.

A copy of transcript of Conference Call held is enclosed herewith and the same has also been uploaded on the Company's Website at www.omkarchemicals.com

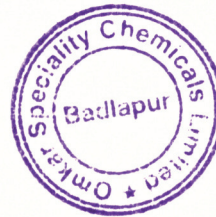
Kindly take the same on your record and acknowledge the receipt.

Thanking you,

Yours faithfully,

For **OMKAR SPECIALITY CHEMICALS LIMITED**

SUNNY PAGARE
COMPANY SECRETARY & COMPLIANCE OFFICER
M. No.: A27431
Encl.: as above.





“Omkar Speciality Chemicals Limited Conference Call”

April 12, 2016



MANAGEMENT: MR. PRAVIN HERLEKAR – CHAIRMAN & MANAGING DIRECTOR, OSCL
MR. OMKAR HERLEKAR – WHOLE-TIME DIRECTOR, OSCL
MR. PRAVIN AGRAWAL – CHIEF FINANCIAL OFFICER, OSCL



Moderator:

Ladies and Gentlemen, Good Day and Welcome to the Conference Call to Discuss the Merger and Demerger Process of Omkar Speciality Chemicals Limited. Today, we have with us on the call, Mr. Pravin Herlekar – CMD; Mr. Omkar Herlekar -- Wholetime Director; Mr. Pravin Agrawal -- CFO and Representative of Bridge IR the Investor Relations Advisors. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Dr. Omkar Herlekar for opening comments. Thank you and over to you sir.

Omkar Herlekar:

Thank You and Good Afternoon, Friends. I have with me Mr. Pravin Herlekar -- CMD of the company; Mr. Pravin Agrawal – CFO; Bridge IR, our Advisors for Investor Relations. We would like to welcome you all on behalf of Omkar Speciality Chemicals Limited to this Conference Call. This is the merger and demerger exercise undertaken by the management. We have uploaded the 'Presentation' on our website and hope you have received the 'Presentation'.

Starting with the Merger, we have five wholly-owned subsidiaries namely LASA Laboratories Private Limited, Urdhwa Chemicals Private Limited, Rishichem Research Limited, Desh Chemicals Private Limited and the newly established LASA Supergenerics Limited. We are merging four of these wholly-owned subsidiaries into the parent company. The four subsidiaries are LASA Laboratories Private Limited, Urdhwa Chemicals Private Limited, Rishichem Research Limited and Desh Chemicals Private Limited.

The rationale behind this merger is it helps us to simplify the corporate structure by reducing the number of legal entities and reorganizing the legal entities in the group structure. This will lead to significant reduction in the multiplicity of legal and regulatory compliances carried out by the wholly-owned subsidiaries. Also, there will be a lot of elimination of duplication in the administrative costs and multiple record keeping which will result in good cost savings. Also, there would be concerted effort and focus by the senior management towards the business growth by eliminating duplicative communication and burdensome coordination efforts across multiple entities.

Moving to the Demerger, the Vet API business of Omkar Speciality Chemicals will be transferred to the new company which is LASA Supergenerics Limited. This company will be then demerged from the parent company that is Omkar Speciality Chemicals. Reason for this Demerger is that Omkar's Speciality Chemicals business and the Vet API business are totally divergent, so also the growth potentials, the risk rewards, the regulatory and capital needs are even very much different and totally independent of each other. We are demerging the Vet API business with the main intention of growing each business to its true potential and achieving operational efficiencies. Post Demerger LASA Supergenerics will carry out the Vet API business and Omkar Speciality will



focus on the production, sales of Selenium Derivatives, Iodine Derivatives, Organic and Inorganic Intermediates as well as Resolving Agents. Unit-5, Unit-6, Urdhwa and LASA are the facilities which will be transferred to LASA Supergenerics while the rest units will remain with Omkar. The share swap ratio will be in the ratio of 1:1 where for each share of Omkar held, the shareholder will get one fully paid additional equity share of resulting company that is LASA Supergenerics. Post Demerger LASA Supergenerics will be listed on both the exchanges, i.e., National Stock Exchange and the Bombay Stock Exchange. The name of LASA Supergenerics will also be changed to LASA Laboratories Limited. Post this exercise, there will be no change in the shareholding of Omkar with the promoter holding 65.77% of the Equity and Rest held by the Public. As for LASA Supergenerics, the holding of the promoters of Omkar will be at 59.2% with Omkar Speciality Chemicals holding 10% in lieu of its investment in the company and Rest 30.8% being held by Public. As per September 30, 2015 total assets of the de-merged Omkar Speciality Chemicals were Rs.304 crores and the net worth was Rs.62 crores. As for LASA, the total assets were Rs.229 crores and net worth was Rs.72 crores. Total borrowings for Omkar was Rs.225 crores and LASA was Rs.109 crores; this is inclusive of both fund and non-fund-based borrowings. The revenue for LASA for half year was Rs.63 crores with PAT of Rs.8 crores. As for Omkar half year revenue was Rs.128 crores and the PAT of Rs.11 crores.

Coming to the Working Capital Cycle: For LASA it is not high basically on account of the nature of the Vet API business. We expect total of Rs.20 to 25 crores of working capital over the next 2 to 3-years. Also, there is no incremental CAPEX requirement immediately for LASA for the next 2 to 3-years at least where we have enough capacities that will enable us to take care of the sales for the next 2 to 3-years. Our current capacity utilization is around 30%. At Omkar, at capacity utilization is around 85% to 90%; however, going forward we plan to bring the business growth through a lease model of the contract manufacturing. This will not only take care on the higher capacity requirements but also make us more efficient. We are committed towards managing working capital cycle and towards reduction of the debt on the books. We are planning on various means and ways to reduce our CAPEX requirement for next 2-3-years while keeping the growth trajectory intact for both Omkar as well as LASA. We believe that these means will enable ROCE as well as ROAs to improve for both the businesses going forward.

We would now welcome questions from you all. Thank you for your participation. Wish You A Wonderful Evening.

Moderator: Thank you very much. We will now begin the Question-and-Answer Session. The first question is from the line of Nitin Gausar from Religare Invesco. Please go ahead.

Nitin Gausar: Sir, on this LASA, just wanted to understand on the manufacturing side, what is the kind of asset turnover, say, three years down the line when you are required to put in a new CAPEX, shares of today if you were supposed to put in a new CAPEX, what could be the asset turnover from here on?



- Pravin Herlekar:** Typically, the asset turnover should be somewhere around 3 to 3.5 in the eventual phase. Initially, it might be little low because some of the capacities are in the process of getting launched, but then may be in a year's time it will be somewhere around 3x.
- Nitin Gausar:** Recently, we had done a big CAPEX at Chiplun plant. So, this was more to do with LASA or more to do with Omkar?
- Pravin Herlekar:** The CAPEX was done in Chiplun plants and that is mostly in Unit 5 and Unit 6 in Omkar plus we had also done some CAPEX in Urdhwa that is one of the subsidiaries. All these assets will ultimately go into LASA.
- Omkar Herlekar:** Whatever CAPEX has been done in Unit 5 as well as Unit 6 transferred to LASA.
- Nitin Gausar:** The balance sheet now which we are seeing as of 30th September 2015, the fixed asset shown is Rs.140 crores. This is including the CAPEX that had gone by or there is more to get capitalized in the upcoming time period?
- Pravin Agrawal:** It is already taking into account the CAPEX which has gone.
- Nitin Gausar:** On the working capital side, could you split up between the average time period that will be there in inventory days, debtors days and trade payables? Is there a scope to squeeze down on working capital the way you have been able to do it in Omkar Speciality?
- Pravin Agrawal:** We do not have the figures for the LASA and Omkar separately, but consolidated as of 31st December it has reached up to 94 days of working capital cycle, gradually reduce the inventories up to 100 days in the past, now it is coming up to 94 days on working capital cycle. Debtors have come down, inventories have come down and similarly the creditors have also come down. Debtors which used to be up to 150 to 180-days has now come down up to 90 to 110-days. The inventory which used to be up to 200-days that has also come down to 100-days. So all these have put in great contributions for working capital cycle, overall, which has come down from 204-days to 94-days.
- Omkar Herlekar:** I would like to add on this the industry standard for working capital and knowledge is in the range of 110 to 120-days. So we are well within that and our endeavor will be to maintain that.
- Nitin Gausar:** But this was more to do with the chemicals side of the business or is it equally applicable on the LASA side of business?
- Omkar Herlekar:** LASA side of business is in fact much better in the same terms of number of working days because the debtor level is low, the realizations are faster.



- Nitin Gausar:** Would you be having the numbers in terms of September 2015 balance sheet date what was the inventory, debtors and trade payables in LASA?
- Omkar Herlekar:** We will come back to you sir over this because we do not have it off hand over here actually.
- Nitin Gausar:** Sir, on EBITDA margins, since we are having the PAT number in front of us, we do not have a great understanding on EBITDA margin what LASA would be enjoying. Could you elaborate on that?
- Omkar Herlekar:** If you go to see individually LASA is currently harvesting EBIT of 22% to 24%. So this is the range of the EBITDA which we are usually doing in LASA. The same for Omkar is around say 16% to 18% depending on what is the position of the dollar, what is the position of the markets in Europe. So depends on that. It is more or less the same.
- Nitin Gausar:** In your opening remarks, you mentioned about the capacity utilization in LASA being around 30-35%?
- Omkar Herlekar:** Right, because lot of CAPEX was done in the last 2-years and a lot is pending to capitalize, we have not yet capitalized the assets as, what you call, the commissioning of the facilities are still pending, one big facility had come up at Unit 5 in Chiplun so that took a long time because of the environment consent which was not on place; however, since the environment consents have come up now, so we can immediately start the facility soon and facility which is seeing currently 30% occupied will gradually go up substantially.
- Nitin Gausar:** So the 30% utilization we are seeing is post doing the CAPEX and not the existing?
- Omkar Herlekar:** No, not the existing, existing capacity is nearly 65% to 70% utilized.
- Nitin Gausar:** We might take 3-4-years to run it down to full 80% utilization?
- Omkar Herlekar:** At least take 2.5-3-years.
- Moderator:** Thank you. The next question is from the line of Baidik Sarkar from Unifi Capital. Please go ahead.
- Baidik Sarkar:** LSL before the merger what sort of revenue that they do?
- Omkar Herlekar:** Revenue? LASA Supergenerics is a very newly formed company.
- Baidik Sarkar:** Only after the demerger it will get the API division of Omkar, that is what in the breakup you have provided post-merger some Rs.71 crores of revenue, is completely the existing revenues of the API division?



- Omkar Herlekar:** Transferred to LASA Supergenerics.
- Baidik Sarkar:** As of now, the EBITDA margins that you have mentioned to the previous caller was the existing API division makes the margins are between 22-24%, is that right, at the current level of 65% utilization?
- Omkar Herlekar:** Perfectly right.
- Baidik Sarkar:** Or is it at the current level of 30% utilization?
- Omkar Herlekar:** You may say that way also because if you take 30% utilization, commissioning of the facilities have not happened yet. So as on the date the active facilities are only those which are utilized 65%, rest all are in commissioning stage.
- Baidik Sarkar:** In terms of timelines, whether this merger and demerger are parallel process or first merger which will take normally 8-12-months to complete and then demerger for another year?
- Omkar Herlekar:** It is everything in a single scheme. It is a court process which goes. So merger and demerger happen together actually. There is no boundary of separation between merger and demerger, it is into a single scheme.
- Baidik Sarkar:** You expect it to conclude in 8-12-months or more than that?
- Omkar Herlekar:** 8 to 10-months to be more precise.
- Baidik Sarkar:** What kind of revenue potential would LSL have on a going concern basis? When we met sometime back, I think you had indicated a number of Rs.200 crores being the immediate potential of the API division, but I might have got that number wrong. So, if you could just come again on that? Also, if you can touch upon the Veterinary API market size it will be good for us?
- Omkar Herlekar:** For 9-months our revenues are around Rs.100 crores in LASA Laboratories. So we will maintain the same run rate for this year. Then usually the business forecast which we have on plate right now will show us the light that the business will grow somewhere in the range of 20 to 25% year-on-year.
- Baidik Sarkar:** That will also witness gradual margin progression as your capacity utilization improves. So what kind of peak margins are you looking for FY17-18?
- Omkar Herlekar:** The kind of regulatory approvals which we are awaiting like TGA and FAMI-QS and there are many approvals which are pending in LASA Laboratories, so if they come in the running calendar year, then our margins might slightly increase because regulatory markets are remunerative markets



but the volumes are not that big. So may be 2 or 2.5% may be the increase in the margins, nothing beyond that.

Baidik Sarkar: At the base case 20% revenue growth rate which you just spoke about, is that into the order book, is it organic or is that something will have to go out to market and then earn for ourselves?

Omkar Herlekar: Whatever we speak about is thoroughly guided either by the order book or concrete intent from the customers.

Baidik Sarkar: On the amount of debt, is there any deleveraging plans that we have because clearly from the amount of cash flow that we generate just from LASA, it might be a long time before we deleverage into significantly. So any plans to deleverage and what would be the viability to deleverage?

Omkar Herlekar: For the moment, we will be doing it organically from internal accruals whatever we generate we will try to minimize our expenses, we will try to maximize our sales as well as our margins by the way of backward integration as well as by the way of catalytic processes and bring up the gross profit we generated behind per kg of the product. So that will itself take care within next 2 to 3-years. Automatically you will see that the debts are significantly reduced. In between if at all we get some good opportunity we may think of doing it by a different way also like bringing in some new investors.

Baidik Sarkar: So Pravin, our total borrowings today are about Rs.107 crores. Could you break that up into long-term and working capital?

Pravin Agrawal: Rs.81 crores is the long term and Rs.26 crores is the short term.

Baidik Sarkar: Where do you see this going say March 2017, March 2018?

Omkar Herlekar: Business will also increase, no. So proportionately your working capital will also remain the same as such. Infact, you know, here the incrementation in business is a fair justification even though working capital has not increased. So on a pro-data basis you may consider that the working capital is decreased in fact because business is growing with the same working capital.

Baidik Sarkar: So given that we do not have additional working capital requirements as well as zero CAPEX?

Omkar Herlekar: In the present scenario whatever working capital is there it is sufficient to take care of the further business growth also.

Baidik Sarkar: So given that you have your drawdowns and you have your EMIs on for your long-term debts, where do you see that closing towards the end of say March 2017 and 2018?



- Omkar Herlekar:** Our long term debts are getting to an end, so our cash flow will significantly increase after typically December 2016, so many of our long term debts are getting exhausted, so we will be sitting on a very good cash flow.
- Baidik Sarkar:** What will be the demerger timelines be?
- Omkar Herlekar:** That is what I said; it will be around say 8-to-10-months.
- Baidik Sarkar:** Very briefly can you touch upon API market size and your competitors?
- Omkar Herlekar:** As API per se the market size is Rs.4500 crores. You can readily refer to a report which is published by Religare over this. So that is the size of the Veterinary market. In fact, there are lot many products. Out of the total Veterinary products we may be just doing around say 20% of the products which are available in Veterinary products. There are 2 or 3-products where we are practically monopolizing as well as we are the world leaders in those products. As far as the competitors are concerned in India, our immediate biggest competitor is Sequent Scientific. That is it. We do not foresee any big competition as such in Veterinary APIs. I may not see it as a competition because the processes which we follow and the kind of markets we are into are totally different than those people are working. We are not facing kind of a tough competition as such.
- Baidik Sarkar:** What are your tax rates on both LSL and OSL?
- Omkar Herlekar:** Its around 22% blended tax we are paying.
- Baidik Sarkar:** What would be for LASA post demerger?
- Omkar Herlekar:** It will be almost same because we are a research oriented company and all of our products are research-driven, mostly all the process are catalytic which are patented also and we have a state of art R&D where we every year do expense of nearly 1-1.5% of the total revenue generated by the company and in that return we are getting 200% tax benefit over the parent company for the R&D which we are doing. So that is enabling us to save upon tax. So in absolute terms our tax outflow is less.
- Moderator:** Thank you. The next question is from the line of Atul Bhangadia from Lucky Investment Managers. Please go ahead.
- Atul Bhangadia:** Rs.4,500 crores market is only India or global markets?
- Omkar Herlekar:** Global markets.



- Atul Bhangadia:** Since you said that you are at 30% capacity now in LASA. Which means that next 3-years the CAPEX would be very minimal?
- Omkar Herlekar:** Almost negligible.
- Atul Bhangadia:** Which is why you are referring that organically you should be able to repay debt because all the profits will...?
- Omkar Herlekar:** That is what we are foreseeing.
- Atul Bhangadia:** What is the maximum turnover you can generate from the existing LASA facility?
- Omkar Herlekar:** It is around Rs.500 crores of total top line we can generate out of this.
- Atul Bhangadia:** Against close to Rs.125-130 crores?
- Omkar Herlekar:** Perfectly right sir.
- Atul Bhangadia:** So you can almost do a turnover of 4x from the current size without major CAPEX?
- Omkar Herlekar:** More or less sir.
- Atul Bhangadia:** That you hope to achieve in the next 3-4-years?
- Omkar Herlekar:** More or less sir.
- Atul Bhangadia:** Any intention of getting into some other segments or you will continue to focus...?
- Omkar Herlekar:** Definitely, we will be growing into other segments of Veterinary only, but we will be focused to Veterinary only, we will not diversify into any humans or anything, we are planning for some growth promoters to increase the weight of the cattle as well as we are planning for some veterinary vitamins also. So these are the new segments which we are planning to endeavor into and will be evident within the next 2-years.
- Atul Bhangadia:** All these are part of that Rs.4,500 crores market?
- Omkar Herlekar:** Perfectly right, sir.
- Atul Bhangadia:** So does it mean that at full capacity it will be like 10% market share globally and Rs.500 crores approximately?
- Omkar Herlekar:** Sort of.



- Atul Bhangadia:** Who is globally the largest player in this Rs.4,500 crores market?
- Omkar Herlekar:** The largest players you may say there are Novartis Veterinary division is there, Axo Veterinary division is there, then there is a company called as Merck, then Tetragon, Nutrition is there, then Orfa is there, then DSM Nutritional Products.
- Atul Bhangadia:** They would all be in the range of \$100 million or some of them are even larger than that?
- Omkar Herlekar:** No, not really, they are in the range of say Rs.400 to 500 crores in rupee terms.
- Atul Bhangadia:** Then at that point of time you are among one of the largest players globally?
- Omkar Herlekar:** Yes, definitely, after next 2-years we will be one of the largest players, in fact, we will be better than them, I am not boasting, but because of our immense backward integration from the petrochemical level, we will be much-much better than them and then they are into Formulations also. For the moment we are doing only APIs, but going ahead may be in the immediate future we are also planning to come up with Formulations division in Veterinary.
- Atul Bhangadia:** But what is the skill set required for that? Secondly, will we require any heavy investments either in R&D or on CAPEX?
- Omkar Herlekar:** Not at all, in fact, Formulations does not require heavy CAPEX, neither it requires any big sort of skill sets because making Formulations is just changing of form while making API is a tedious job by doing some chemical reactions over there. So there is a lot of difference between APIs and Formulations. In Formulations, we do not foresee any big hurdles as such.
- Atul Bhangadia:** You mentioned that your tax rates will be lower because you will be continuously investing in R&D. So, what is type of R&D spend you envisage in next 2-3-years as a percentage?
- Omkar Herlekar:** We are usually spending about 1 to 1.5% of our total revenues on R&D. So say if last year my revenue was around say Rs.300 crores, so around Rs.3 crores we would have spent on R&D last year approximately, that is what we do.
- Atul Bhangadia:** This is the trend you will sustain or because you want to now grow faster in the Veterinary division you may...?
- Omkar Herlekar:** Not unnecessarily to spend more on R&D. It is very logical because the cost of R&D we incur is only the salaries and little of instrumentation here and there. Unnecessarily spending more over R&D also does not make sense as long as the product development purpose is fortified.



- Moderator:** Thank you. The next question is from the line of Deepak Poddar from Sapphire Capital. Please go ahead.
- Deepak Poddar:** You mentioned that the Veterinary API is close to Rs.4,500 crores market size and we are catering to 20% of the current products, right, so our market size would be close to about Rs.900-1,000 crores?
- Omkar Herlekar:** With the current products, our market size will be Rs.900 to 1,000 crores, you are perfectly right.
- Deepak Poddar:** Majorly the CAPEX is overall done. So are we trying to capture about Rs.500 crores of this revenue target that we...?
- Omkar Herlekar:** We are planning to capture around Rs.500 crores within 2.5-3-years.
- Deepak Poddar:** So basically in this market we are plying to cater to about 50% of this Rs.1,000 crores market because the CAPEX majorly we have already done, right?
- Omkar Herlekar:** Yes, we are planning to capture not 50% but around say 30 to 35% of the current Rs.1,000 crores market, that is around Rs.300 crores plus additionally some from Vitamin- C we are introducing plus some growth promoters we are introducing, so those will also contribute to that Rs.500 crores.
- Deepak Poddar:** You also mentioned that current working capital that we are kind of having is sufficient to grow the business. So I just wanted to understand when we reach the peak level maybe about Rs.400-500 crores, what kind of working capital you might be requiring because currently we have only close to Rs.25-30 crores?
- Omkar Herlekar:** For a company like LASA I think so 20% of the total top line should be the working capital, that is around say if at all my business goes to around Rs.500 crores, Rs.100 crores is sufficient as far as working capital needs are concerned.
- Deepak Poddar:** So 20% close to about 2.5-months kind of?
- Omkar Herlekar:** Perfectly right, actually if we were to see the working capital cycle, it is typically 45-days, but you should always keep a little of cushion for that.
- Deepak Poddar:** From the management perspective, which would be the key focus area for us among the LASA or Omkar or where we as management would be focusing?
- Omkar Herlekar:** Since the promoters will be the same, the shareholding will be the same with the promoters, so we will be focusing and nurturing both the entities equally; so in Omkar Speciality we are planning for some Novel Speciality Chemicals products which are used for different segments across like



starting from Optical Photoconductors like what you call Water Treatment at pharma and textile auxiliary, many more. So that will be catering particularly the Speciality Chemicals segments and LASA will be catering the API segment. So we will be focusing on both the verticals.

Deepak Poddar: In terms of shareholding pattern of LASA, I notice that Omkar has about 10%, right. So, what is the rationale for that or is there any particular reason for that?

Pravin Agrawal: This LASA and other subsidiary are 100% owned by Omkar Speciality. So whatever the investment they have put in initially in these subsidiaries to compensate those investments the Omkar Speciality Chemicals will hold 10% shares of the LASA Supergenerics.

Moderator: Thank you. The next question is from the line of Nikhil Shah from NVS Wealth Managers. Please go ahead.

Nikhil Shah: Sir, I suggested like the API market currently we are seeing it around Rs.4,500 crores and we are targeting almost Rs.500 crores of turnover in the next 3-years for the LASA segment for the API, right?

Omkar Herlekar: Correct.

Nikhil Shah: So basically in next 3-years are we expecting the API market to also to grow as such like in...?

Omkar Herlekar: Veterinary API market by itself is growing not very fast, may be around say 9 to 12% is the growth rate in API market for Veterinary, but we can very well take over the share, the total objective of LASA is to take the market share not to depend on the market growth.

Nikhil Shah: So basically like in this Rs.4,500 crores market share we are targeting almost around Rs.500 crores as of now for the next 3-years, right?

Omkar Herlekar: You are right.

Nikhil Shah: For OSCL, with 100% capacity utilization, what kind of turnover we can reach, sir?

Omkar Herlekar: You can reach up to say Rs.500 crores. In OSCL we have plans to go in for some lease facilities for manufacturing wherein we will not incur any CAPEX but then we can take benefit of the facilities available elsewhere.

Nikhil Shah: So the turnover that we can expect to touch is almost around Rs.500 crores for Omkar Speciality?

Omkar Herlekar: Yes please.



- Nikhil Shah:** For LASA also, we are expecting a turnover of almost Rs.500 crores in the next 3-years?
- Omkar Herlekar:** Yes, of course.
- Moderator:** Thank you. The next question is from the line of Baidik Sarkar from Unifi Capital. Please go ahead.
- Baidik Sarkar:** When you had mentioned that we will target to take the market share from our competitors, how will it pan out – I assume that you will be supplying the APIs to the formulators and some of the formulators could be backward integrated also. So there are enough formulators who are not backward integrated?
- Omkar Herlekar:** Basically in the Veterinary market the market is basically a three-tier market -- the first tier is of all the dairy farms basically who are the milk producing farms; the second tier is of all the MNCs who are having their own veterinary divisions like I just said in my previous talk that companies like Novartis veterinary division, Merck veterinary division, Glaxo veterinary division, DSM veterinary division, Orfa, many companies like that, they are basically the MNCs companies who are having their own formulations and these people buy out all the APIs basically, they do not prefer to make APIs as such; the third is the Poultry and Aquaculture which is big market in our country also as well as in Latin America also. So these are the basically markets. The best part in this is that we have a very-very diversified clientele. For a single product we are nothing less than 300 clients.... I am talking about a single product. So it is very-very diversified, it is customer independent business model. So as your question was that “How would be the growth coming?” Now coming to the point in Veterinary segment you will hardly find any company who is doing full backward integration from the petrochemical level. So we proclaim ourselves as the only company which are doing full backward integration. Secondly, our processes are catalytic processes, I am basically a doctorate from UDCT and my basic topic of the research was Development of Novel Catalyst. So I basically know how to fabricate a catalyst for making a reaction faster to generate more yields, to ensure less time cycles for the reaction. So basically our products are very-very efficient you may say. The gross profit which we enjoy practically nobody will be able to harvest that. So that is how confident we are.
- Baidik Sarkar:** So you will basically be a cost and efficiency leader. So business will automatically come to you?
- Omkar Herlekar:** Cost and efficiency leader is just one aspect of it. Secondly, we are coming up with regulatory approvals also like FAMI-QS, TGA. Two approvals we are having; we are having cGMP plus we are having EDQM which is required by Europe. So once this TGA as well as FAMI-QS will come in, those markets will also open up and we will be getting more volume from over there which will turn into more turnover also.
- Baidik Sarkar:** So, is it like the Human APIs also, in the sense that there is a facility approval and there is a product level approval also?



- Omkar Herlekar:** Perfect, there is a facility approval plus there is a product level approval.
- Baidik Sarkar:** Facility approval we have obtained and we are waiting for product or we are awaiting both?
- Omkar Herlekar:** This information I am already supplying to Novartis, I am already supplying to Merck, my audit with Glaxo is now due. So you can understand that a company like Novartis audits my facility and gives me orders. So my facility is definitely a regulatory approved facility. Regulatory approvals I am awaiting, not product approvals, product approvals are done only once I get the certification of TGA I will be able to explore it more.
- Baidik Sarkar:** So are you awaiting the inspections any time this year?
- Omkar Herlekar:** This year we will be expecting inspections, we were expecting actually inspections in the month of April end, but somehow the regulatory authorities are tied up and busy with some other agenda so it may be postponed by a few months here and there, but as soon as it gets, we will be able to explore more markets also.
- Baidik Sarkar:** In Omkar, all your price contracts with your customers, are you able to pass through the material cost fluctuations and currency fluctuations also?
- Pravin Herlekar:** **Orders are** Booked on spot basis. So there is nothing like any long-term contract.
- Baidik Sarkar:** So 16-18% margins reflect the steady state margins taking into account of all the raw material and currency volatility?
- Pravin Herlekar:** Based on the actual costing of raw material on cost plus basis, we are supplying to the customers. So the margins I do not see any reason why they should not be maintained.
- Baidik Sarkar:** A book-keeping question; what is the closing debt of LASA as of 31st March? As per your disclosure, Rs.107 crores is your total borrowings as of September end.
- Pravin Agrawal:** We cannot share that number right now because that need to be get audited and need to be published with the stock exchange.
- Baidik Sarkar:** I was just checking when your Q4 numbers might be expected?
- Pravin Agrawal:** We can expect it to have somewhere mid-May.
- Moderator:** Thank you. The next question is from the line of Jayesh Gandhi from Harshad Gandhi Securities. Please go ahead.

- Jayesh Gandhi:** Can you quantify the synergy in terms of cost savings? You said there is significant reduction in multiplicity of legal and regulatory compliances, elimination of duplication in the administration costs. Can you quantify the amount?
- Pravin Agrawal:** Today, we have OSCL as the parent company and four subsidiaries are there, 100% subsidiaries. As far as the regulatory aspect is concerned, we have to comply with all the regulatory compliances for all the units. Going forward, we have only two units. So the compliance cost and the administrative cost for maintaining separate books of accounts, the audit and everything, will also come down drastically. It will be 2-3% on administration cost.
- Moderator:** Thank you. The next question is from the line of Kushal Rughani from IIFL. Please go ahead.
- Kushal Rughani:** As you explained in the earlier remarks like Omkar will be having Iodine, Selenium, Resolving Agents, Organic and Inorganic, right?
- Omkar Herlekar:** Correct.
- Kushal Rughani:** LSL will be having Veterinary APIs plus Pharma Intermediate?
- Omkar Herlekar:** No, only Veterinary API.
- Kushal Rughani:** So like Unit 5 which is transferred to LASA, that is into Pharma Intermediate if I am not wrong?
- Omkar Herlekar:** Perfectly right, it was proposed to be Pharma Intermediates; however, we have deferred the plan very long back and we have already concluded to make Vitamin C and Folic Acid over there which was also told in the last concall, we will be making vitamins over there which I had just mentioned before and then supplying to all the Veterinary segments.
- Kushal Rughani:** Vitamins and these all will be only pertaining to Veterinary segment?
- Omkar Herlekar:** Perfectly right.
- Kushal Rughani:** OSCL is into Iodines right and Selenium and all. So mainly it will be into Iodines, Iodine prices and...?
- Omkar Herlekar:** Not necessarily only in Iodine, there are many segments, like Selenium Derivatives, Resolving Agents.
- Kushal Rughani:** Almost 70% turnover will be from that only, right?
- Omkar Herlekar:** We used to have something like 70% revenues coming from Iodine.



- Kushal Rughani:** But I guess after restructuring, it will be around 65-70%. So my question was how you will grow Iodine segment going forward because you are now separating both the entities right?
- Omkar Herlekar:** This is what I have been repeatedly saying; it is not only Iodine, where Omkar will be focused, as it has already diversified into a lot of other intermediates, organic as well as inorganic which are not dependent on Iodine, there are many products which we have developed for many innovator companies and last two years we have been doing extensive work on these products. Iodine will be one of the segments. I think it will not exceed more than 50%.
- Kushal Rughani:** Entity for OSCL?
- Omkar Herlekar:** Yes, please, the Omkar products are well diversified with respect to the number of products, again with respect to the customers also. With respect to LASA, there is a lot of diversification, then there is no dependence on any particular customer, any product segment. That brings the consistency in the business both in LASA as well as Omkar.
- Kushal Rughani:** Is it better to assume like LSL will grow faster than OSCL?
- Pravin Herlekar:** It is very difficult to say like that, but LASA just started about 3-3.5-years back with the turnover top line of only Re.1 crore, initial growth was definitely much faster, with respect to Omkar we already had close to around Rs.200 crores, there are limitations with respect to the growth factors, but Omkar, as already mentioned, overall growth for both the companies we will be maintaining somewhere around 20-25% year on year. If we look into this, LASA has grown now almost something like 100% every year. That does not mean that it will continue to grow at 100% for next....looking for long-term.
- Moderator:** Thank you. The next question is from the line of Dhiral Shah from GEPL Capital. Please go ahead.
- Dhiral Shah:** I just wanted to ask this Vitamin-C and folic acid will be under LASA or it will be under Omkar Speciality?
- Omkar Herlekar:** Yes, it will be under LASA.
- Moderator:** Thank you. Ladies and Gentlemen, as there are no further questions, I would now like to hand the conference over to the management for the closing remarks. Thank you. Over to you, sir.
- Omkar Herlekar:** Thank you for your participation. Wish you a great evening.
- Moderator:** Thank you very much. Ladies and Gentlemen, with that we conclude this conference. Thank you for joining us and you may now disconnect your lines.
