



**OMKAR**  
Always the leaders

# OMKAR SPECIALITY CHEMICALS LIMITED

Regd. & Corporate Office : Unit - III, B-34, M.I.D.C., Badlapur (East), Thane - 421 503, Maharashtra, India

Tel. : +91 (0251) 2697340, 2690651, Fax : +91 (0251) 2697347, 2691572

Email : info@omkarchemicals.com Web. : www.omkarchemicals.com

CIN : L24110MH2005PLC151589

Ref. No.: OSCL/SE/2016-17/067

Date: August 29, 2017

To,

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

**Ref.: Transcript of Conference Call – Reg. 30.**


Dear Sir / Madam,

In furtherance of our letter dated August 11, 2017, Ref.: No.: OSCL/SE/2017-18/059, we are enclosing Transcript of Q1 , FY 17-18 Earnings Conference Call held on Wednesday, August 16, 2017, at 3:00 pm to discuss Quarterly Financial Performance of the Company.

This is for your record and reference.

Thanking You,

Yours truly,  
For OMKAR SPECIALITY CHEMICALS LIMITED

  
**SUNNY PAGARE**  
COMPANY SECRETARY AND COMPLIANCE OFFICER  
(M. NO. F8896)



**Omkar Speciality Chemicals Limited**  
**Q1 FY 18 Conference Call**  
**August 16, 2017**

---

**Moderator:** Good day, ladies and gentlemen and a very warm welcome to the Omkar Speciality Chemicals Limited Q1 FY18 Conference Call. As a reminder, all participant lines will be in the listen-only mode. 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 \* followed by 0 on your touchtone phone. I now hand the conference over to Mr. Anuj Sonpal from Valorem Advisors. Thank you and over to you, Anuj.

**Anuj Sonpal:** A warm welcome to you all. My name is Anuj Sonpal, CEO of Valorem Advisors. We represent the Investor Relations of Omkar Speciality Chemicals Limited. On behalf of the company and Valorem Advisors, I would like to thank you all for participating in the Company's earnings conference call for Q1 FY18.

Before we begin, I would like to mention a short cautionary statement. Some of the statements made in today's concall may be forward looking in nature. Such forward-looking statements are subject to risks and uncertainties which would cause actual results to differ from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. Audiences are cautioned not to place undue reliance on these forward-looking statements in making any investment decisions. The purpose of today's earning conference call is purely to educate and bring awareness about the company's fundamental business and financial quarter under review.

Before we begin, I would like to give a brief overview of the company after which I will introduce you to the management participating in today's concall. And then we will give an opportunity to everyone for question and answers.

Omkar Speciality Chemicals Limited is one of the leading global specialty chemical companies with a strong focus on process innovation to develop high-quality customized products. Incorporated and promoted by Mr. Pravin Halekar in 1983, the company got listed in 2011. The company has emerged as a specialty chemicals powerhouse with proprietary processes, strong R&D capabilities, integrated manufacturing facilities with high degree of self sufficiency. The company manufactures more than 200 products with specialized process patented catalyst and has an extreme clientele network both in India and globally. The company is a pioneer and one of the only manufacturers of many niche products in India. These products that the company manufactures fine applications in various industries like pharmaceuticals, chemicals, blast, cosmetics, ceramics, cattle and poultry feeds, fragrances and flavors, foods and nutraceuticals. Omkar has over 5 manufacturing units and one R&D

center. It is in-house, multiproduct manufacturing facilities with catalyst driven processes ensures better customized products and higher yields. The company also exports to around 38 countries including regulated markets of Europe, North America, China and other Asian countries.

Now, I would like to introduce you to the management participating with us in today's earnings call. We have with us Mr. Pravin Herlekar, Chairman and Managing Director, as well as Mr. Vaman Acharya, Senior Manager(Finance). Without much ado, I would like Mr. Pravin Herlekar to give his opening remarks. Thank you and over to you, sir.

**Pravin Herlekar:**

Thanks everyone for your participation over the Company's Q1 FY18 earning call. I will just briefly run through the financials for this quarter ended 30<sup>th</sup> of June. Our revenues have grown by approximately 7% to 86 crores year-on-year compared to similar period in FY17. While our EBITDA has grown by 22% to 15 crores and EBITDA margins have also improved to 17%. Our net profit has grown by 38% to 7.6 crores. In the normal course, we could have done still better, but for the slowdown which has happened in pharma sector as many of us know that pharma sector in domestic market is undergoing certain issues like particularly regulatory matters pertaining to US FDA and the like. But in spite of this, we have been able to maintain and grow the revenues mainly on account of our product mix which caters to lot of other segments like glass ceramics and recently added segments like fragrance, flavors etc. And we hope to do much better in the coming quarters based on the diversified portfolio of products.

Since our capacities are all fungible, it enables us to switch over from particular product mix to other product mix and we are always in the process of maximizing our gains by way of selecting the right product mix so that we do not suffer because of any slowdown in any particular sector. The company has already taken steps to diversify this product mix and enter into different product segments as notified by us recently. The necessary announcements were also made on the exchanges. Sectors like ceramics, flavors and fragrances are quite promising for the company wherein company has already developed about 6 to 7 new products which have been launched and now the company is looking forward for scale up of these products on a larger scale not only for the domestic market but for the global requirements for which necessary tie-ups with the major customers are already in place.

With this brief introduction, I would throw open this forum for question and answers. Thank you.

**Moderator:**

Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. We will take the first question from the line of Punit Mittal from Global Core Capital. Please go ahead.

**Punit Mittal:**

I recently saw the announcement from the company regarding foray into the FMCG sector. And you did mention that you have developed products and tied up with some multinational

company. A little bit more color in terms of what kind of products are you developing, what is the opportunity size of this market? How do you plan to scale up and ramp up that business would be very helpful.

**Pravin Herlekar:** As we have mentioned, we have already developed number of products, to be precise about 6 to 7 new products which are consumed in these segments. Now these are products which are used basic ingredients. We do not manufacture any perfumes or fragrances. But chemicals which are used as key ingredients for such type of fragrances etc. So like application wise, I can mention that the products what we make will be going in for enhancing the performance of the perfumes or fragrances, then it also goes for fixation of the fragrance etc. So these are very important ingredients which are required for fragrances, items like perfumes, sprays and agarbathis, dhoop sticks etc. And there is a worldwide demand for these products. And then there are many multinationals who are engaged in the distribution of these products. So we are already in collaboration with them and then the products have been approved. We have already launched these products and now we are awaiting the scale up for these products which will happen in coming quarters.

**Punit Mittal:** Do you know the opportunity, the revenue size, for say next 3 years?

**Pravin Herlekar:** The product in which we are working, they have huge opportunity. On the global scenario, it will be to the tune of close to about 500 crores I can say in terms of INR.

**Punit Mittal:** The second question is I think you did make an announcement for the capital structuring in terms of the rights issue, what is the status with that or their change of plans in terms of the capital structuring?

**Pravin Herlekar:** See, about rights issue, the company's board has already taken an inprinciple decision that we should go for rights issue. However, we are working out exact strategies, how the issues, what should be the size of the issue, what should be the pricing, what should be the utilization for the funds etc. So maybe it will take some more time for us to visualize on these ideas and then as the moment we are ready with it, we will make the necessary announcements obviously.

**Punit Mittal:** If I may take one more question, in terms of the working capital requirements, would the working capital requirements for these new products different, would the working capital pain that we have in terms of the large working capital reduced with these new products or foray into the new sectors?

**Pravin Herlekar:** It is a very good question in the sense that the strategy in going in for this product is mainly on account of addressing over working capital issues. The products in which we are going are such that the working capital cycle is quite slow and payment cycle is quite faster as against our conventional pharma sector where the working capital cycles are delayed. So this is in a

way going to help us and in the margin wise also, these products are quite lucrative. So overall there will be a boost for the company's business.

**Punit Mittal:** Any number would you be able to give in terms of the working capital days or the margins for these new products?

**Pravin Herlekar:** For the new products, normally the payment cycles will be much faster like say may be instead of 90 days which is an adopted practice in pharma, here it will be either against deliveries or maybe 30 days type of payment cycle.

**Punit Mittal:** And margins?

**Pravin Herlekar:** Margins, sort of gross margins are typically we are selecting the products wherein the gross margins are normally in the range of about 32%-35%.

**Moderator:** Thank you. We will take the next question from the line of Aniket Thite, Individual Investor. Please go ahead.

**Aniket Thite:** Could you provide a breakup of the revenues with respect to pharma and the newly launched fragrances and food avenue?

**Pravin Herlekar:** Pharma sector has been conventionally our major sector in which we are operating. And we have been in the past, our business coming in from pharma used to be about 82%-85% which has recently come down to about 76% and we hope to reduce it further to maybe around 70% in near future, though of course there will be a growth in pharma business, but since the other products will be contributing more, the dependence on pharma will get reduced.

**Aniket Thite:** And about fragrances and food?

**Pravin Herlekar:** Fragrances and food, again since the launches have been made very recently, currently the contributions are maybe 1% or 2% only. But then with this scale up happening in coming quarters that will go to somewhere around 10% to begin with.

**Aniket Thite:** Okay. One more question, a lot of changes seem to be happening with the CFO, the ownership, the promoter cross holding, we hope that the business will not get impacted and as was envisaged would continue to grow. So could you shed some light, because there is an apprehension in the investor community and that aspect as well, so would you like to elaborate on that?

**Pravin Herlekar:** See, with the demerger happening recently, we have already demerged the veterinary business from the parent company. Now this rights is beginning when we have launched this veterinary business, the portfolio of products as well as customers for the veterinary business were altogether different and business in the parent company, customer wise or product wise was entirely different. So with the demerger happening, there is no loss of business to

the parent company because both the businesses were absolutely independent. Now with the demerger happening, we are already in the managements of both the companies. Lasa Supergenerics which is the demerged entity is being looked after by Mr. Omkar Herlekar and he will be independently handling this business as you must be all aware Mr. Omkar is having more than 10 years' experience in the business, operations, production, R&D, so he is quite capable of leading Lasa Supergenerics and Omkar Speciality Chemicals, the parent company is being now continued to be handled by me and my other son Mr. Rishikesh who is also a technically qualified person. The business in Omkar Speciality as Mr. Anuj had mentioned sometime back, continues to be with pharma as a major segment and we have all the best of the pharmaceutical companies to support us in this regard. In addition, we have also diversified into other segments. So the company doesn't intent to depend on any particular segment and the growth has to be consistent that is the strategy for the company.

**Aniket Thite:** Okay. So basically there is, if I may touch on that there is no split in the family or the ownership that is the reason the crossholding is getting rationalized?

**Pravin Herlekar:** As I just explained to you, Omkar Herlekar will be leading Lasa Supergenerics because that is going to be a fulltime assignment and he will not be able to devote time on the Omkar Speciality, the parent company. Now Lasa itself has abundant opportunity to grow and so similarly Omkar Speciality also has because Omkar Speciality has no limitations as far as the product mix is concerned. It can work in any segment and there are lots of opportunities for the parent company to grow which will definitely happen in coming quarters.

**Aniket Thite:** So essentially then around 10% holding that Omkar Speciality Chemicals will have in Lasa, that will not change, how would you, may be shed some light on that?

**Pravin Herlekar:** Investment of Omkar Speciality Chemicals, these shares have been granted to Omkar Speciality. Since this Lasa Supergenerics was originally when it was acquired, Omkar Speciality the parent company had done all the best to nurture this company and bring it to a particular level. So as a part of compensation, Lasa Supergenerics has allotted 10% equity to Omkar Speciality.

**Aniket Thite:** Okay. So in this rationalization of the individual, the promoter holding, the 10% stake that stays as it is. There will not be any change in the near future.

**Pravin Herlekar:** 10% will be an investment for Omkar Speciality.

**Aniket Thite:** Okay. Just a final question sir. The stronger dollar that we are seeing right now, would it impact negatively the export materially or would that be very marginal impact?

**Pravin Herlekar:** We are working in products which are very niche and there are either very limited global players who are in our products or there are nil competitors. So more or less, we do not see any difficulties in getting the dollar stronger for exports of our products.

**Moderator:** Thank you. We will take the next question from the line of Shekhar Singh from Excelsyor Capital. Please go ahead.

**Shekhar Singh:** Just wanted to know like, now a bit more focus coming on to Omkar Speciality Chemicals after a demerger. Do you have some sort of a guidance or roadmap in terms of what is the sort of revenue that we can achieve over 2-year, 3-year period along with the profitability?

**Pravin Herlekar:** If the company has history or track record for more than 3 decades, so the business is quite stable. On the contrary, every quarter there are certain new additions in the products or the customer base, so the business is anyway fundamentally strong and what is important is it is consistent. So ups and downs in the markets particularly in some segment does not materially affect the business of the company because the company can always make good for some loss of revenue in one sector by compensating it with some other business. So that type of consistency is there. Another important point is because of the nature of products what we manufacture and since these products are backed up by high technology, innovative processes and all that, more importantly, the customers are regulatory with whom we have all the necessary approvals in place. So there is a limited competition, I should say and there are lot of entry barriers in the business for any new entrants to come in. That somehow protects our business and protects our margins importantly and that is what gives us the comfort and I would like to assure all the investors that the same trend will continue in future also and margins will be protected plus the revenues also will grow with the addition of new segments.

**Shekhar Singh:** And sir any guidance that you want to give for revenue growth?

**Pravin Herlekar:** There are times in the history of the company that the company has posted 100% growth also. But then I would not like to make any forward looking statement and about say 15% growth year-on-year is comfortable and we can count on that.

**Shekhar Singh:** So the only reason for asking the guidance like pharma is going through such a bad phase, that very well established companies, their stock have halved, so that was the only reason to...?

**Pravin Herlekar:** You are right, but then these are all temporary issues. Actually it is not because of demand. The demand is always there in pharma products because of the populations and in the lifestyles etc. So there will always be demand and the growth will come in pharma sector. But whatever we are experiencing currently, these are all temporary issues and I am sure our company's all major corporates will come out of this situation very shortly.

**Shekhar Singh:** And sir in terms of CAPEX, what is the plan for the company?

**Pravin Herlekar:** We have already done the CAPEX in the previous years. So now we are not looking for any major CAPEX. It could be a maintenance CAPEX only to the tune of about say 4 crores – 5 crores, that is all.

**Shekhar Singh:** So this rights issue that you are planning to do, where will the funds be used?

**Pravin Herlekar:** See as I just mentioned some time back, there is no final decision taken on the rights issue. We are exploring all possibilities and we will take the call. Whenever we take the call on this, we will notify the same and we will definitely ensure that the rights issue, whatever dilution happens by way of rights issue if any will be definitely compensated by the revenue growth and then the profitability getting enhanced. So we will like to ensure that the investors at large will not be affected. The call whenever we take, we will notify that.

**Shekhar Singh:** So sir any idea that you can give, when is Lasa Supergenerics getting listed?

**Pravin Herlekar:** Well, from the company side we have already submitted all the papers to the exchanges and the approvals have already come. It is a procedure which is pending with the exchanges which should happen, now the listing can happen anytime as soon as the exchanges are ready to give us a date on that.

**Moderator:** Thank you. We will take the next question from the line of Amil Shah, individual investor. Please go ahead.

**Amil Shah:** Sir you mentioned that 80% to 85% of your revenues were from pharma in the earlier years, did it include Lasa or was it on a parent level company?

**Pravin Herlekar:** Whatever we have been discussing it is for Omkar Speciality standalone.

**Amil Shah:** Okay. And can you probably give us a breakup in terms of export versus domestic for the entire revenue?

**Pravin Herlekar:** Sir, roughly about 20%.

**Amil Shah:** 20% would be exports?

**Pravin Herlekar:** And going forward the exports should increase.

**Amil Shah:** Increasing exports at the time of declining dollar strength, will it impact negatively the revenue growth rate or do we expect the volume growth to be much higher?

**Pravin Herlekar:** If dollar declines, then the price gets adjusted accordingly.

**Amil Shah:** So as in you have batch wise supplies or you have long-term agreement with a cost pass through with your key customers?



**Pravin Herlekar:** Early for this reason. So we will on spot basis only say, month-on-month basis only we...

**Amil Shah:** And in terms of your raw material inputs, how much would be the breakup between say domestic supplies that is supply from say China or any other country?

**Pravin Herlekar:** Of the total purchase of this thing, about 40% is imported, 60% is domestic.

**Amil Shah:** Given that, does any major component come from China, sir?

**Pravin Herlekar:** There is some component coming from China but the prices are very competitive. We have other options also. As long as we get better price from China, we can procure it from China, otherwise we have other options from Europe or from Japan also.

**Amil Shah:** My question was directed towards like, due to geopolitical issues, do you see any antidumping duty or any such sort of negative regulatory impact on any of our raw materials?

**Pravin Herlekar:** Then we have as I said, lot of other options. So supplies will not be affected.

**Amil Shah:** Good to know. Any target debt for say September quarter or March 2018, any target debt figures that you have in mind?

**Pravin Herlekar:** For the revenues you mean?

**Amil Shah:** No, debt levels. Net debt or gross debt levels?

**Pravin Herlekar:** Gradually come down only because the repayments are in place, so it will keep on coming down.

**Amil Shah:** Okay, that is helpful. And sir just last question regarding when can we expect the AGM or annual report to be out, any tentative timeline?

**Pravin Herlekar:** It is in process and maybe in another weeks' time or maybe 10 days the reports should be dispatchable to the investors.

**Moderator:** Thank you. We will take the next question from the line of Tejas Shah from Unique Stock Broking. Please go ahead.

**Tejas Shah:** There are two things. Last concall, basically you said there will be no other requirements or any pledging of shares. Just after 7 days, I think one or two times again we have pledged some shares, any?

**Pravin Herlekar:** The only reason is after the demerger our price was corrected because of the demerger and for making good for the reduction in the price, we had to pledge additional shares that was the only reason. We have not borrowed against that.

**Tejas Shah:** In this quarter, basically your depreciation and amortization expenses gone up and your other expenses have also gone up. Any particular reason?

**Pravin Herlekar:** Depreciation has gone up because we had done some CAPEX in the previous year and the capacity has increased by almost about 800 metric tonnes per annum. So that capitalization has been provided for depreciation and amortization. That is why the depreciation expense has gone up.

**Moderator:** Thank you. We have next question from the line of Kamal Ulpal, individual investor. Please go ahead.

**Kamal Ulpal:** I had a query on the patents that we hold. So pre-demerger I know we had about 17-18 filings, I wanted to know after the demerger, how many of the patents come in with Omkar and how many have gone to Lasa sir?

**Pravin Herlekar:** 11 patents which are with Omkar, out of which 4 have already been granted to us.

**Kamal Ulpal:** And sir follow up to that, of our total sales that Omkar is doing on a standalone basis, what is the percentage of sales that comes from our holding these patents?

**Pravin Herlekar:** Well, these patents of course are for couple of products, of which some products are already launched and some products will be launched maybe in coming quarters and we can say that we are in tune of about 25% of our revenues are coming from the patented products.

**Kamal Ulpal:** And going forward once the others are activated, what percentage of sales you all literally see would come from the patented business?

**Pravin Herlekar:** More than 30% should come from the patented.

**Kamal Ulpal:** Great. Sir I had one more question on our debt. I can see that the interest cost has gone down which is wonderful and very efficient if we see that, but what is that current actual debt at the moment which is external debt plus you all have also given a loan to the company, so what is the breakup and what is the total debt sir?

**Pravin Herlekar:** The total debt on the books is 204 crores.

**Kamal Ulpal:** And of that, how much is external and how much is promoter, can you breakup sir?

**Pravin Herlekar:** 60 crores is from the promoters which is unsecured.

**Kamal Ulpal:** And sir this interest cost that have come down in this quarter, are these on account of payment of the debts and at what pace are we paying them over the last quarter, what pace have we been..?

**Pravin Herlekar:** As I have mentioned in our earlier concalls, the sale of share, we had sold some promoter stake. That money was a reduction of high cost, so that I see it to the reduction in the debt plus of course there are some regular repayments which are happening which has brought down the cost.

**Kamal Ulpal:** 10-15 crores what you all were saying earlier, is that still happening every quarter sir?

**Pravin Herlekar:** Yes, every quarter.

**Kamal Ulpal:** 10-15 crores reduction in debt is happening?

**Pravin Herlekar:** 5 to 6 crores per quarter.

**Moderator:** Thank you. We will take the next question from the line of **Preet Nagar Sheth from Wealth Finviser**. Please go ahead.

**Preet:** Couple of questions. One is we have seen lot of selling by I think the Lasa by Omkar Herlekar. So, now that he has been denotified as a promoter, do we anticipate more selling coming in, that is number one. Number two is on Lasa side, could you give us color on when Unit 5 would get started or if that already has been started?

**Pravin Herlekar:** First thing is about the promoter stake. Omkar has been denotified from the promoter group of Omkar Speciality and he is holding say around 10% stake and then we are planning to have interstate transfers of this, it will happen in due course of time. So that is about stake held by Mr. Omkar. Secondly, your question on Unit #5, now since it has been transferred to Lasa Supergenerics, Lasa Supergenerics has already planned for certain products to be launched in Unit #5 and it will be managed by Lasa.

**Preet:** Got it. Good to know. So they have received the environmental clearances and then they are able to start production using it. Okay, thank you.

**Moderator:** Thank you. We will take the next question from the line of Diwahar, individual Investor. Please go ahead.

**Diwahar:** Sir, what kind of market we are seeing in this new business we have ventured into and what is the margin outlook for this?

**Pravin Herlekar:** I think I had addressed this sometime back. The products which we have freshly launched will have a gross margin of somewhere around 30%-35%. So it will help us in maintaining or maybe improving our EBITDA levels which we are currently enjoying.

**Diwahar:** So what is the market size of these products?

**Pravin Herlekar:** Global market size will be close to about 500-600 crores.

**Diwahar:** Sir, and about our base business, what is the average EBITDA margin we could see because I think it is bit volatile. So last quarter it was around 20 and this quarter it is around 17.5. So what are the margin levels we can expect in this base business?

**Pravin Herlekar:** If you have been tracking our company on regular basis, our EBITDA margins are ranging in same range about 17% to 18% and it depends on the product mix which is manufactured during the given quarter. And our objective is that, since our capacities are all fungible, our objective is always to maximize our margins by resorting to a proper product mix which will give us better contributions. The margins will be maintained, more or less.

**Diwahar:** In the level of 17%-18% in the base business. And sir one more thing. So last interview you have given regarding this acquisition plan. So in case if you are not able to go with the rights issue, are we planning to go for any debt for this acquisition and any concrete discussion on that?

**Pravin Herlekar:** We are already in the process of identifying and then I would not like to make any concrete announcement in this regard as of today, but the moment the things crystallize properly and then we are ready to make the announcement it will be notified.

**Diwahar:** And one more thing, what is the promoter shareholding as on date and is that going to be transfer from Mr. Omkar to the other promoters interstate transfer, so I just did not get it?

**Pravin Herlekar:** Just explained it sometime back. See there will be interstate transfers and promoter stake as of today is 38%.

**Moderator:** Thank you. We will take the next question from the line of Larsen Luis, individual investor. Please go ahead.

**Larsen Luis:** My question was with regards to the same Unit 5 production, that being something which is going to double up almost the production in Lasa, can you just help clarify is there any current bottleneck on the production for that to start?

**Pravin Herlekar:** There is no bottleneck. The unit has been recently transferred to Lasa by way of this demerger process and Lasa has already planned whatever products to be manufactured in that facility and it is again going to be a multipurpose facility. So the necessary announcement will be made by Lasa as soon as it gets...

**Moderator:** Thank you. We will take the next question from the line of Alok Ranjan from JM Financial. Please go ahead.

**Alok Ranjan:** My question is regarding the flavor and fragrances product that you are coming up with. So can you give us some sense on whether we will be providing ingredients or we will be acting as blenders?

**Pravin Herlekar:** We will be providing ingredients. We are not formulators.

**Alok Ranjan:** And sir within the flavor and fragrances, can you specify what kind of ingredients we will be providing and which specific product segment we will be catering to?

**Pravin Herlekar:** I think I mentioned about this sometime back. It will be the basic ingredients which are used as fixers or say which enhance the retention value of the fragrance. These are basic ingredients which are used in the formulations of the fragrances.

**Alok Ranjan:** Yes sir. So in fragrances, you mentioned definitely but in flavors which kind of...?

**Pravin Herlekar:** Flavors, it is again in food processing, confectionaries, biscuits etc. even in soft drinks.

**Alok Ranjan:** And sir last question, whether this product will be catering to domestic players or it will be exported?

**Pravin Herlekar:** Both. It will be domestic as well as global.

**Alok Ranjan:** What will be the mix of that sir?

**Pravin Herlekar:** As of today, the survey and then the commitments we are getting, they are more on the export front.

**Alok Ranjan:** Last one more question, so you have mentioned on the PPT that you will be providing nutraceuticals also. So as far as my understanding goes, it is high margin product and are we entering into this product in the current financial year or what is the plan in regarding to that?

**Pravin Herlekar:** We have already launched this product earlier and then now we are looking forward for scale up of these products. Basically these products are nutraceuticals and then they go into nutrients, products go into formulation of multivitamin tablets etc. And certainly, they are high margin products.

**Moderator:** Thank you. We will take the next question from the line of Devansh Lakhani from NVS Brokerage. Please go ahead.

**Devansh Lakhani:** I just wanted to know on the taxation part, I think we are somewhere around 15%-18%, so just may I know any deduction or something that we are getting on our plants or investments or something?

**Vaman Acharya:** Yes. This last year we have reported business loss of 22 Cr and this business loss benefit was taken in this year for calculation of tax expense. Due to this, we have not taken any tax expenses in this quarter results.

**Devansh Lakhani:** Okay. So what is our actual tax rate, it is 30% only?

**Vaman Acharya:** 30%.

**Devansh Lakhani:** And just for my other sort of information, how much MAT credit would be we still be having, like unutilized, which we can utilize in the forthcoming quarters or years?

**Pravin Herlekar:** 6 crores.

**Moderator:** Thank you. We will take the next question from the line of **Wilson Charles Lewis from BSP**. Please go ahead.

**Wilson Lewis:** My main question is what regarding GST impacts during the current quarter, if any, kindly elaborate on it?

**Pravin Herlekar:** GST, overall there is going to be a benefit to us.

**Vaman Acharya:** Earlier, we are paying an excise duty of 12.5% and VAT of 6%, so ultimately we are paying statutory dues of around 18.5%. Now our GST is 18%, we are not paying any excess **taxes** to the government. This is favorable to our company.

**Wilson Lewis:** Yes sir. One more question is regarding Unit 5 has commenced the operations?

**Pravin Herlekar:** We have just addressed this question.

**Wilson Lewis:** Has it commenced?

**Pravin Herlekar:** It has not commenced because it has been recently transferred to Lasa Supergenerics. So Lasa is going to take a call on this.

**Moderator:** Thank you. We will take the next question from the line of Tejas Shah, Union Stock Broking. Please go ahead.

**Tejas Shah:** I did not hear the other expense part. So if you can just...

**Pravin Herlekar:** Other expense in the sense?

**Tejas Shah:** Last year it was 767, this quarter is 959, so year-on-year it has gone up and your interest cost has also come down, finance cost year-on-year. So I think year-on-year it is same, quarter-on-quarter it has come down. So is it that some loans have been repaid or what is the sense on that sir?

**Vaman Acharya:** Due to repayment of some long-term loans and whatever DOT taken in earlier period, that was repaid. Due to that, finance cost was reduced. And on the expenses part, this period we have sold non-dutiable goods to pharma companies. To that extent, excise duty was reduced.

**Tejas Shah:** And the interstate transfer what you are going to do, is there any price which is already fixed or how does it work?

**Pravin Herlekar:** I think it is irrespective of the price.

**Tejas Shah:** Because you will have to pay Rs. 150 or around 120 or whatever price that Lasa will give, your price is on lower side. So you will be purchasing at higher price, correct?

**Pravin Herlekar:** The transfer is happening in blood relation, part of a gift only. So the price tag attached to it.

**Tejas Shah:** So there is no monetary compensation which needs to be paid?

**Pravin Herlekar:** There is no monetary consideration.

**Moderator:** Thank you. We will take the next question from the line of Punit Mittal from Global Core Capital. Please go ahead.

**Punit Mittal:** Just a follow up question regarding the fragrance, flavors and you said that the market size is around 560 crores. Who are the other key players, whose is your competition in this space and how do you plan to take the market share from them?

**Pravin Herlekar:** Well as we all know, we are a company who works in niche area. Whenever we identify a product to be manufactured and sold, we always target products wherein either we are the pioneers or there is a very limited competition or there are lot of entry barriers. So, the products in which we are venturing or we have already ventured are qualifying for all these criteria and there is very limited competition domestically. There are certain global players, but then inherently, India has advantage over the costing because of our input cost being lower and we will definitely be able to be more competitive in the market. And which we are, rather. That is why we are getting a very good response in the international market.

**Punit Mittal:** And one more question. These products, are you supplying directly to the formulators or you basically distributing it through distributors?

**Pravin Herlekar:** There are certain areas where we supply directly. Wherever there could be payment issues like delayed payments and all that, we sell it through the distributors.

**Punit Mittal:** And I think one question which was asked before and I think I did not get that answered. What level do you see by the end of FY18?

**Pravin Herlekar:** As I mentioned on a conservative basis, the company will grow at about 15% year-on-year and margins of EBITDA etc. will be maintained more or less in a span of say 1% plus minus.

**Punit Mittal:** No, I was talking about debt.

**Pravin Herlekar:** Debt, okay. Now debt as we had mentioned that every quarter, there is a repayment happening to the tune of about 5 crores and gradually the debt level is coming down as it has happened recently and then the high cost debt has also been more or less repaid that is why the finance cost has also come down. So the same trend will continue.

**Punit Mittal:** So what is the average cost of the debt that we have on the books, now?

**Pravin Herlekar:** 12%-13%.

**Moderator:** Thank you. We will take the next question from the line of Sarvesh Gupta from Maximal Capital. Please go ahead.

**Sarvesh Gupta:** Sir my first question was regarding the payable days. I think in FY17, we saw huge spike-up in payables. So has it normalized now or what is the current situation?

**Pravin Herlekar:** The payable days used to be 94 in FY16-17 and today it stands at 91.

**Sarvesh Gupta:** Actually your FY16 balance sheet, the payable was 51 crores. Now in FY17, it was 96 crores.

**Pravin Herlekar:** I am talking about the number of days.

**Sarvesh Gupta:** But it had increased a lot in FY17, even though we excluded Lasa results. So I think FY16 over FY17, there was a lot of increase, is it?

**Pravin Herlekar:** If you see last three years trend, it has been around 90.

**Sarvesh Gupta:** And sir what is the cash on hand right now?

**Pravin Herlekar:** Including banks, it is around above 10 crores.

**Sarvesh Gupta:** And I do not know whether you have answered it previously, but your other expenses have moved up a lot on a Q-o-Q basis. While they have come down on a YoY basis, so any reasons why they have come down on a YoY basis and increased on a QoQ basis?

**Pravin Herlekar:** I think we have already answered this, but Vaman will...

**Vaman Acharya:** Yes, this question was already answered. The other expenses include excise duty and during this period, we have sold non-dutiable goods to pharma company. To that extent, excise duty was reduced that was resulted in reduction in other expenses.

**Sarvesh Gupta:** But it has increased on a QoQ basis?

**Vaman Acharya:** During Q1 2017, it was 12 Cr, now it is 9.5 Cr.

**Sarvesh Gupta:** But in last quarter, there was only 8 Cr, so any reason why last quarter it was lower?



**Vaman Acharya:** It depends on the sale of excisable goods and non-excisable goods and component of export and domestic sales.

**Moderator:** Thank you. That was the last question. I now hand the conference over to Mr. Pravin for closing comments.

**Pravin Herlekar:** Thank you all for joining us for today's event. In case you have any further queries, you can drop a mail to us either to Mr. Anuj or to our Company Secretary, [cs@omkarchemicals.com](mailto:cs@omkarchemicals.com). Thank you again for joining.

**Moderator:** Thank you. Ladies and gentlemen on behalf of Omkar Speciality Chemicals that concludes this call. Thank you for joining us and you may now disconnect the lines.