

OMKAR SPECIALITY CHEMICALS LIMITED

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CIN : L24110MH2005PLC151589

Ref.: OSCL/SE/2017-18/117

Date: February 12, 2018

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
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Dear Sir / Madam,

SUB: PRESS RELEASE – REG. 30

In furtherance of our letters bearing Ref. No.: OSCL/SE/2017-18/108 and OSCL/SE/2017-18/109 Dated: February 05, 2018 and pursuant to Regulation 30 (6) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, read with Para A of Part A of Schedule III thereto, please find enclosed herewith press release on the financial performance of the Company for the Q2 and Q3 FY17.

This is for your record and reference.

Thanking you,

Yours truly,

For **OMKAR SPECIALITY CHEMICALS LIMITED**



SUNNY PAGARE
COMPANY SECRETARY & COMPLIANCE OFFICER
M. No.: F8896



PRESS RELEASE

Mumbai, February 12, 2018: Omkar Speciality Chemicals Limited (BSE: 533317, NSE: OMKARCHEM), a leading player involved in the manufacturing of Speciality Chemicals, announced its un-audited results for the Q2 and Q3 FY17.

This is in response to various queries received by us from our valued investors and stakeholders in relation to the recent financial results posted by the Company. The management would like to submit clarifications and information for addressing the same and also to update on the current status of operations, challenges and opportunities for Omkar Speciality Chemicals Ltd. (OSCL).

- 1) The Company is known for its innovative products required for various industry segments and is pioneer in most of the products being manufactured by it. The Company has a track record of over 3 decades and during this period the Company has also established excellent goodwill among its customers.

The Company is managed by well qualified promoters, who are experienced professionals and over the past 30 years of operations, the promoters have added value to the Company in terms of innovative product launches, expanding the customer base and penetration in the global markets.

As you are aware, in order to address the financial issue, the promoters have infused substantial funds into the Company at the cost of liquidating part of their holding in the recent past. Needless to say that, the promoters are fully committed to grow the business of the Company and take it to a different height.

- 2) As all are aware, the Company has recently passed through the process of merger-demerger between parent company, OSCL and its subsidiaries. The scheme of arrangement was basically proposed to enhance the value for all shareholders, which was reasonably achieved by unlocking of the value of our vet API business which is now being headed under Lasa Supergenerics Ltd., an independent listed Company.

However, with this demerger, OSCL's plans to raise funds through equity to address its Working Capital and debt related issues got hampered. This has resulted into delays in launch of new products (including the patented products) which has adversely affected the operations.

In order to manage the business with existing Working Capital cycle, the Company had to go slow on the business even though there were plenty of opportunities to scale up the operations were available. As a consequence of the same, some of the inventories held by the Company deteriorated in quality which further worsened the situation. Ultimately, the management decided to liquidate all the inferior quality inventories at the best possible market price / realizable value and has also initiated the process to

recover the losses from the concerned suppliers and parties involved in the trade. This decision was taken in order to minimize the damage.

The company is known for its innovative products and is pioneer in most of the products it manufactures.

- 3) As a part of business strategy, company has been spending sizeable amounts on the Research and Development Activities on regular basis. This has benefitted the company in securing several process patents as well as developing many new products ready to launch in future. However, the stringent working capital situation coupled with the damage as mentioned herein above, the company's plans to launch new products were delayed considerably and also the margins have been adversely affected.
- 4) Various R&D costs incurred in the form of both Capital as well as product developments cost directly associated with patents granted and products developed were capitalized and the cost associated with the development of new products and patents yet to be commercialized was carried forwards as capital work in progress, as a matter of practice. However, in view of the IND AS provisions becoming mandatory effective from 1st April' 2017, we understand that all the fixed assets both tangible and intangible have to be restated at a fair market value or cost, whichever is lower. We understand that the valuation of intangible assets including "patents granted from time to time" and/ or "patent application filed but grant pending" already capitalized in the books is a very subjective matter. There are no specific parameters to value such patents in the books. As a result, the management has identified all the costs, assets etc. incurred and capitalized over years and have valued the same at "**Zero**", resulting into one time hit in the books.

The details of various patents granted, pending for approval as well as new products developed but yet to be commercialized are as under:

Sr. No.	Patent No./ Application No.	Title (Product Common Name)	Status
1.	IN262739 (2307/MUM/2010)	PROCESS FOR PRODUCING 5-iodo-2-methylbenzoic acid	Grant date: 10/09/2014
2.	IN263298 (2308/MUM/2010)	A PROCESS FOR PRODUCING Benzeneseleninic anhydride	Grant date: 10/09/2014
3.	IN274805 (1825/MUM/2012)	PROCESS FOR PRODUCING 2-hydroxy-3, 5-diiodobenzoic acid	Grant date: 10/08/2016

Sr. No.	Patent No./ Application No.	Title (Product Common Name)	Status
4.	IN277828 (2007/MUM/2012)	PROCESS FOR PREPARATION OF HIGHER DERIVATIVES OF B-KETOESTER [E.g. Ethyl iso-butyryl acetate OR Methyl benzoyl acetate]	Grant date: 01/12/2016
5.	IN287455 (1684/MUM/2012)	PROCESS FOR TERMINAL DIHALOALKANE	Grant date: 18/09/2017
6.	IN937/MUM/2011	PROCESS FOR PREPARATION OF ALKALI METAL IODIDE [Sodium Iodide Or Potassium Iodide]	Grant date: 24/01/2018
7.	IN1482/MUM/2013	METHOD FOR PRODUCTION OF 2,3-DIHYDROXY-1,2-BENZISOTHIAZOL-3-ONE-1,1-DIOXIDE	Application Awaiting Examination
8.	IN775/MUM/2015	EFFICIENT IODINATION OF ALKANE	Published
9.	IN776/MUM/2015	A PROCESS FOR PREPARATION OF HALQUINOL PRODUCT	Application Awaiting Examination
10.	IN863/MUM/2015	EFFICIENT PROCESS FOR PREPARING COUMARIN	Published
11.	IN1886/MUM/2015	EFFICIENT, ECONOMIC AND ECO-FRIENDLY PROCESS FOR THE PREPARATION OF 4-BROMO-ORTHO-PHENYLENE-DIAMINE	Published
12.	201721023908	A NOVEL CATALYTIC PROCESS FOR PREPARATION OF COUMARIN TO OBTAIN HIGH YIELD AND SUPERFINE QUALITY PRODUCT [COUMARIN]	Not yet Published

- 5) Management is of the firm view that Company is going to derive huge benefits from such patents and new products in the years to come; however as a part of policy, company has valued all such costs at "**Zero**" or NIL and also decided to write off such expenses in the year, in which they are incurred. Further, the benefits/ incomes from the same shall be accounted as and when accrued.

Management is confident that the future benefits which will be derived from such products and patents are going to be much more than the amount spent and written off during the period under review.

Future Plans & strategy:

Management would like to bring to the attention of all the stakeholders that the most of the costs written off and charged to the Profit and Loss Account during the period under review are **sunk cost** or **past cost** and hence they will not have major negative impact on the current cash flows. However, any delay in recovery of claim on account of inferior quality of inventories or loss on account of such claim may adversely affect the ongoing business. In order to overcome all the possible adversities, management has planned for the following:

- a) Not to increase the borrowings beyond the current level of debt.
- b) Subject to regulatory and other approvals, management to convert the promoter's loan in the company to the tune of Rs. 40 crs into equity. This will improve the current networth of the company to some extent.
- c) Infuse adequate Equity Capital in the Company and also to get the existing bank borrowings restructured in order to make the networth of the Company positive at the earliest.
- d) To discontinue all the low margin business and recover all the blocked working capital funds. This may cause some temporary losses, but would help in commercializing high margin products at the earliest.
- e) To review all the products and continue only these products which have lesser working capital cycle and high margins.
- f) The stakeholders will be kept updated about any further developments from time to time.

We once again reiterate that, we value the association of all our stakeholders and assure you that the management will take all pragmatic and effective steps to continue to enhance the Company's reputation in near future.

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