



OMKAR SPECIALITY CHEMICALS LIMITED

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Date: November 14, 2016

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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Ref.: Transcript of Conference Call – Reg. 30

Dear Sir / Madam,

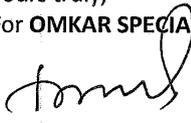
In furtherance of our letter dated November 07, 2016, Ref.: No.: OSCL/SE/2016-17/110, we are enclosing Transcript of Conference Call held on Tuesday, November 08, 2016, at 11.30 a.m. to discuss stake sale and de-pledging exercise by the Promoters.

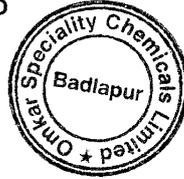
This is for your record and reference.

Thanking You,

Yours truly,

For **OMKAR SPECIALITY CHEMICALS LIMITED**


PRAVIN S. HERLEKAR
CHAIRMAN & MANAGING DIRECTOR
(DIN: 00525610)



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“Omkar Specialty Chemicals Limited Conference Call to Discuss the Recent De-pledging of Shares by the Promoters”

November 8, 2016

MANAGEMENT: MR. PRAVIN HERLEKAR - CHAIRMAN AND MANAGING DIRECTOR, OMKAR SPECIALITY CHEMICALS LIMITED
MR. PRAVIN AGARWAL - CFO, OMKAR SPECIALITY CHEMICALS LIMITED
MR. SUNNY PAGARE – SECRETARY, OMKAR SPECIALITY CHEMICALS LIMITED
MR. VAMAN ACHARYA – SENIOR FINANCE MANAGER, OMKAR SPECIALITY CHEMICALS LIMITED



Moderator: Good day ladies and gentlemen and welcome to the Omkar Speciality Chemicals Limited Conference Call to Discuss the Recent De-Pledging of Shares by the Promoters. 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 the operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Mr. Pravin Agarwal - CFO of Omkar Specialty Chemicals Limited. Thank you and over to you Mr. Agarwal.

Pravin Agarwal: Good morning everyone, we welcome to this conference call for de-pledging of shares by promoters group. I have with me Mr. Pravin Herlekar - Chairman and Managing Director of the company, Mr. Sunny Pagare – The Company Secretary, Mr. Vaman Acharya – Senior Finance Manager and our Investor Relations Team, Bridge Investor Relations.

On behalf of Omkar Speciality Chemicals, we would like to welcome you all to this conference call to discuss the recent sale of shares at the promoters group for the purpose of de-pledging. In the last conference call, after the first quarter results and also in the conference call after the first round of de-merger, we clearly indicated that we always wanted to get rid of pledge of shares as soon as possible. And internally we gave ourselves a timeframe for this. In the last 3 quarters, not only we but several other corporates have been feeling the heat of extra cautiousness of the banking sector due to negative developments which are known to all of us. We have been facing delays in disbursements of working capital funds which is necessity of the business.

As you are aware that in the previous conference call we mentioned that after the first round of de-pledging, there was cash lying with us which we were supposed to use for future de-pledging. In this regard, due to reasons that have been mentioned earlier, we have parked those funds in the company's account and this was being used for our working capital purpose as a stop gap arrangement. At the same time, we were committed towards moving ahead with our de-pledging plan in order to meet the timeline and due to lack of other funding resources; we thought it is right to sell a part of stake to raise the funds in order to release further shares from pledge. We sold 11, 50,797 shares amounting to 5.59% of shareholding. Against this, we could release 23, 40,000 shares amounting to 11.37% of shareholding. This brought the percentage of paid shares down to 26.9% from 38.28% of the overall shareholding. As stated, in earlier conference call, the company's operations are consistent on account of diversification in various niche products and wide customer base.

Moreover, the EBITDA margins are also reasonably strong and sustainable, hence we decided to make every attempt to reduce the pressure of high pledge, especially with the de-merger process moving ahead. At the end of this exercise, there is some part of pledge left but the promoter's holding will not go below the majority mark. Just to remind, this question-answer session on call will be restricted to that sale of shares and de-pledging of promoter's share. Investors are requested to restrict their queries to this purpose only; all other queries and questions will be answered by us after our Q2 results.

Thank you, you can now open the floor for question and answer.

Moderator: Thank you very much, we will now begin with the question and answer session. The first question is from the line of Sudhir Beda from Right Time Consultancy Services Pvt. Ltd., please go ahead.

Sudhir Beda: Good morning Sir. In last conference call, I think that was done somewhere in July, you have mentioned that our shareholding will not go below 58% and that was comprehensively stated and then again you have started selling and you have brought down to 52%. And one more thing, when communicating to BSE you have mentioned that your shareholding as of 30th September is 53%, I think. While you have stated in the press release, just released yesterday that your holding is 58% as on 30th September, so there is a mismatch between the communication to BSE, which is available on the BSE site, shareholding pattern where your holding is around 53% and in your press, release it is 58%, so is there some typographical mistake or something?

Pravin Herlekar: Yes I will address this.

Sudhir Beda: And one more thing, the entire money is not brought into the company or you have some proceeds from the pledge you utilize for the personal purpose also?

Pravin Herlekar: The first thing; your last issue that the entire proceeds have not been brought into the company which is not correct. The entire proceeds, in the first round of de-pledging, I mean the sale of shares as well as in the second round which has happened now. The entire proceeds right up to the final rupee have come into the company and they are very much recorded in books of the company. Secondly, as regards the discrepancy, apparent discrepancy in the notification on the exchanges, the 53% as declared by the end of September, there is an element of 5% shares which are under encumbrance. So, the total holding was 58% only, not 53% and this is already mentioned in one of the foot notes in the announcement what we have done as of 30th September. So, I request you to kindly go through that entire disclosure, you will find the notification over there about this 5%. So, the holding as of 30th September was 58%. And after this 58%, now that second round it has gone to 52% and odd. Now your first question that we did say that when it was 58%, we did not want to and no promoter will otherwise like to sell the shares and bring down his holding. I mean that is quite obvious and natural, but then this decision was taken by us and we wanted to abide by that however, as you will appreciate, the decisions are subject to reviews periodically and one has to take most practical call on various issues on a holistic matter, means holistic basis that what is the appropriate step one has to take considering the various issues; internal as well as external. So, as Mr. Pravin Agarwal stated in the opening remark that we wanted to hold on to this 58% and then whatever money we had parked in the company by way of sale of shares, we wanted to use it for the second round of de-pledging and that money is still there in the company and it is deployed for working capital requirements. Now I would like to just go back a couple of years; how we got into the pledging requirement? I will come to that little later but then firstly I just wanted to say that this money is already there in the company and being used for working capital. Last time when we mentioned that we will not come down

on 58%, we had anticipated that our working capital requirements which are getting tied up with the banks will be, you know the matter will be closed by October but however, the things as Mr. Agarwal mentioned about it, the things are not all that smooth in the banking sector and there are delays happening, so the process was getting delayed. And in any case, we did not want to continue with the pledge for the long run and de-pledging was one of the topmost priority on our hands and that is why we have taken a call to sell the pledge of shares and release part of our pledge. So, that was a review taken by us on our earlier decision and it was discussed internally thoroughly, we had a long debate on that but then considering the overall interest in the long run for all the investors in general, we decided to off load part of the stake. So now as Mr. Agarwal mentioned, the earlier percentage of pledge which was around 38%, has now come down to 26% or so, exact figure I do not know.

Sudhir Beda: Just one question; whether your environment clearance you have got for the Unit 5, this production is started? So, that is why your working capital requirement is going up and then hence it ...

Pravin Herlekar: The environment clearance we already got but that unit has not yet started but that is not harming our growth in any way as of now because all our other units are become operational.

Sudhir Beda: So your 20%, 25% kind of growth is there and that is why you require more amount.

Pravin Herlekar: Yes, it is there because our Unit #1, 2, 3, 4 they are all operative. In fact, last quarter we had some additional incremental capacity coming in, in our Unit #1 in Badlapur, then our Unit #2 also we had added some capacities, Unit #6 at Chiplun has already gone in production in the second half of last year; that has started generation of revenues. Even the Units at Lasa and Urdhwa which are our subsidiaries, they are working at full capacity so that has increased the revenues and then correspondingly the requirement of working capital has gone up. Now coming back to this working capital issue, let me inform you that in the parent company, since 2012 we have not gone for any enhancement in working capital. Whatever limits were sanctioned was in 2012, we have been working with the same limits even as of now. And we have all the justification for getting enhancement in working capital and the banks are considering in totality and shortly we will be getting that. It is a matter of a month or two and we did not want to prolong this pledge for more time, that is why ..

Sudhir Beda: After you get the sanction, you will be de-pledging the entire holding, that is what ..

Pravin Herlekar: Obviously because whatever money is parked with us; that will get release and out of that it is about Rs. 27 crores or little more which is already parked, so that is more than sufficient. Today my total pledge loan stands at Rs. 19 crores, so whatever money we have, can easily take care of the pledge amount and our entire number of shares will be de-pledged.

Moderator: Thank you. We will move to our next question, which is from the line of Mohit Bansal from Ajinkya MPL, please go ahead.

- Mohit Bansal:** My question is for Mr. Herlekar. Sir, I just wanted to understand what is the situation of working capital now? I mean have the bank released or have sanctioned your limits or what is the scenario?
- Pravin Herlekar:** Bank has already assessed our requirements and they have okayed the requirements. Now the final sanction is in the process. And in all probability, considering the situations in the bank we expect that by the end of this month or by mid of December, we should get the final clearance and the disbursement will follow.
- Mohit Bansal:** Now what is this limit that we are looking at Sir, what is the amount that we are looking at, for sanction?
- Pravin Herlekar:** It is about Rs. 50 crores.
- Mohit Bansal:** What is the loan outstanding against pledge shares now?
- Pravin Herlekar:** Rs. 19 crores.
- Mohit Bansal:** Okay, from Rs. 35 crores, we have got it down to Rs. 19 crores now.
- Pravin Herlekar:** Yes, in fact it was Rs. 55 crores. In the month of January, it was Rs. 55 crores; from Rs. 55 crores it came to Rs. 35 crores and from Rs. 35 crores, it has come to Rs. 19 crores.
- Mohit Bansal:** And how do we see the situation on this Rs. 19 crores going ahead?
- Pravin Herlekar:** See now the situation is absolutely under control. It is only Rs. 19 crores for which we already have money in our account; Rs. 57 crores which we have transferred from the first round of de-pledging and as the limits from the banks gets released, we will be very comfortable with respect to working capital. So out of that Rs. 27 crores, we can comfortably pay Rs. 19 crores of the loan amount against it.
- Mohit Bansal:** So, the moment we are sanctioned the additional limits, we will utilize that money to de-pledge the shares?
- Pravin Herlekar:** Of course,.
- Mohit Bansal:** So we will go back to the original stand that the last round of our share sale money will be utilized to completely ..
- Pravin Herlekar:** Exactly, we stand by that. I mean, that is the purpose.
- Mohit Bansal:** How do we address this trust deficit Sir because I know it is a wrong question to may be ask but what is happening is, you know in the last 2, 3 months every time you have come on a conference call, said something and we have completely reversed the situation in hardly 15, 20 days' time.

So, for investors, it is a very long call but in every 15, 20 days we are changing what we are saying to the investor community. How do we address this situation?

Pravin Herlekar: Can I request you one thing?

Mohit Bansal: Yes.

Pravin Herlekar: Apart from the pledge issue, is there anything on which we have reversed our decision or situation?

Mohit Bansal: Well I will tell you what Sir. In the first conference call on the de-pledging, you had said that in 15 days' time we will utilize that money and de-pledge. In the second conference call, post the quarterly earning you said that we will release it after October end in that conference call, you have never said that we are in a stretch scenario from the bank side on our working capital limits. We had said that we will utilize, the money is lying in our account and we will utilize that money to de-pledge, right this happened in July or August. And in two months' time, we are again saying that banks have not sanctioned the limits and we had to sell again to de-pledge. So, something is missing here.

Pravin Herlekar: Essentially, you are talking about only de-pledging. There is no other decision, what the management has taken related to the business; we have gone back on that. It is only related to pledge of shares, de-pledging of shares, am I correct?

Mohit Bansal: Yes.

Pravin Herlekar: And we have adequately explained the reasons for that I believe. And as I am again reiterating, there is no concern on that, we have already explained to you the way out of this and the situation is absolutely under control now, after the second round the situation is very much under control.

Mohit Bansal: Okay and one question which is not related to de-pledging; is this EGM which happened for creditors' meeting Sir?

Pravin Herlekar: Yes.

Mohit Bansal: Creditors who were not present at the meeting, what is the status on that?

Pravin Herlekar: I will explain this. So, this CCM; Court Convened Meeting is called for the secured creditors, secured lenders which happened to be the banks. Now we have submitted the request for getting the NOC from the banks well in advance, sufficiently in advance and as soon as we got the date fixed by the court, we had submitted our request and we have proper acknowledgements from the banks. Thereafter, we have given the presentations to the bankers, they have understood the scheme in totality, they have given their consents on their acceptance of the scheme to us during our personal discussions but here again, please understand that there is a procedure which needs

to be followed at the banks' end. I mean it travels from the branch level to the regional office, then zonal office then goes to corporate office and then it finally goes to the approval committee which comprises of EDs and other board members. Now this procedure takes a very long time which is again happening in our sanctions for working capital and all that. This is a very delayed process, so when they have to attend the Court Convened Meeting and when they attend, they have to vote on this scheme whether 'yes' or 'no', whether they are agreeing or they are not agreeing. There is no in-between way in this. Now since they were not ready with the decision, though they have in-principally accepted this, they were not able to attend and then vote on this; 'yes' or 'no'. So what they have done; they have given us a letter that the scheme is under their consideration, active consideration and they will come up with the sanctioned requirement in due course of time. So they are not able to attend the meeting because the decision at the highest level is not yet come, that is why they have not attended. Their non-attendance does not mean that they are not giving their consent. It is only that they could not attend because they cannot say 'yes' or 'no' during the meeting though they have already given us a letter that this is under process and shortly it will come. Secondly, the court is also on vacation as of now. The court is re-opening I believe on 14th or 15th. So the moment court opens, we will be submitting this letter to the court and seek next date from the court and then inform the members accordingly and by that time mostly, these sanctions, all the NOCs should come and they will be submitted or they will attend the meeting and vote for the scheme; that is the steps. Am I clear?

- Mohit Bansal:** Okay, alright Sir. One last question actually; about the results. When are the results going to be declared Sir?
- Pravin Herlekar:** Results are I think, they have already made the announcements yesterday. Board meeting is on 14th and results will be announced on 14th and we will have a conference all post the results for discussing the business decisions.
- Moderator:** Thank you. The next question, which is from the line of Dimple Kotak from SKS Capital, please go ahead.
- Dimple Kotak:** What is the interest that we are paying on the loan on the against pledge?
- Pravin Herlekar:** Interest which we are paying on the pledged loan is around 17 or 18%.
- Dimple Kotak:** Okay and for the working capital which we are seeking from the bank what would be the tentative interest rate on that?
- Pravin Herlekar:** Roughly 12%.
- Dimple Kotak:** And sir any major issue that why the banks are not sanctioning the loan to us, any issue which you would like to highlight to us?

- Pravin Herlekar:** So, there is no issue why banks are not sanctioning to us. I mean there is nothing that banks has against us, in fact I can probably say that our account is one of the best account with the banks and they are willing to support us, however, as we missed out the reading in the papers and the overall economical situations and then there are lot of NPAs happening with the banks, lot of defaults happening and then banks getting the heat of that, lot of RBI restrictions having imposed on the banks for controlling the NPA accounts. So, banks in general have gone on the back foot or they have become very conservative in considering any proposal whatsoever, it is nothing in particular for us but in general, it is a common scenario as of now that there are procedural delays because they are scrutinizing it to the best possible extent the genuinity of the proposal and then accordingly decide on the issue. So, that is the reason why this is getting delayed and we feel that our proposals have been accepted by the bank. They have already assessed it, they are quite comfortable with us and it is a matter of time that it will go through.
- Dimple Kotak:** Okay sir as you commented in your initial commentary that you expect the banks to give you the working capital by the end of December at max, so can we expect by Q4 FY17 the entire de-pledging to come in?
- Pravin Herlekar:** I can say it is more than 100%.
- Dimple Kotak:** And we would not be required to sell further shares?
- Pravin Herlekar:** No Madam. I mean my target is to close this pledge issue before our demerger happens. And it should definitely happen before the end of the financial year.
- Moderator:** Thank you. The next question is from the line of Preet Nagar Seth from Wealthfund Wiser. Please go ahead.
- Preet Nagar Seth:** Sir I want to go back to the corporate governance issue that I think someone before raised and I want to give an example, when we were following up with I think the, CFO and with the management in the last month, the reason given to us for not completing the de-pledging was that the team was negotiating with the banks and if you de-pledge it earlier than the given date you will have to pay a penalty. Now right now what we are hearing is instead of the penalty the real fundamental issue is that your working capital is tied up, so again I think the issue that we as investors feel that there seems to be a lot of governance issue because the real reason from not being disclosed, could you please throw some light on this?
- Pravin Herlekar:** Whatever we had this pre-payment penalty, etc., was absolutely right and that was till end of October and we would not have been able to repay certain pledge amount to avoid this penalty. Now that phase is over and now we are awaiting for the working capital enhancement to happen. As I said the money is already lying in our regular operating accounts and the moment our banking limits get enhanced this will be utilized for de-pledge. And amount is more than the amount required for de-pledging.



- Preet Nagar Seth:** Okay, one last question is that do you feel that we are on track for completing the entire demerger process by May of 2017?
- Pravin Herlekar:** As I just addressed it in the last question our target is before the financial year closes, i.e. March'17.
- Preet Nagar Seth:** But even with the delays by the court....
- Pravin Herlekar:** That was expected, so even considering that we feel that it should happen somewhere February or latest by March because all the other compliance is already in place and we are on the track of following the requirements.
- Moderator:** Thank you the next question is from the line of Girish Deshpande, he is an Individual investor. Please go ahead.
- Girish Deshpande:** Sir my question is regarding the NOC from the banks, do you foresee any risk of not getting NOC?
- Pravin Herlekar:** No sir. This has been already discussed on two-three occasions; we also had a presentation made to the entire team of the senior executives in the bank, proper power point presentation in their headquarters. We have already explained to them, they have understood the scheme, they have gone into the details of the scheme and the scheme in general is not harming anybody's interest out of all these lenders. It is only some assets are getting transferred from one company to other along with the corresponding liability and the liabilities are backed up by proper assets. So banks in general have no concern on any of these issues. Secondly, it is not affecting any business in either company, like say the parent company there is no business which is going out of the parent company to the subsidiaries. Subsidiary has its own business which is already developed. So again from the business point of view banks have no concern.
- Girish Deshpande:** So, do we foresee any other risk to the demerger till March?
- Pravin Herlekar:** We do not foresee any risk, except for this procedural delays which happen but those procedural delays we had considered while working out the plan, so hopefully we feel that it should happen by Feb. I think we will be able to update you on this in our next con call maybe which will be scheduled somewhere in the month of January. We will of course have one con call post our Board meeting now, next week and then maybe in the month of January we will have another con call to update on this demerger.
- Girish Deshpande:** My last question is to Mr. Pravin Agarwal, I am asking little bit about the numbers, sorry about it but it is related to this issue of liquidity crunch or cash flow crunch, last year we had about Rs. 67 crore something cash flow from the operations, can Mr. Agarwal tell us what kind of cash flows we have generated in H1?

Pravin Agarwal: Quarter 1 and quarter 2?

Girish Deshpande: If you can tell about quarter 2?

Pravin Herlekar: Girish can I address the question because as I have the figures with me?

Girish Deshpande: Yes.

Pravin Herlekar: Now, why this, can I go back two years ago explaining why there was a necessity of this pledging and other things? I will take a minute or so on that. It was like this that last two years we have been doing the CAPEX and the CAPEX was required for enhancement of capacities which again were required because new products were ready as suggested by customers and there was a pressure from the customers to supply that, so we have spent the money in that, it was backed up by proper requirements from various customers. So we have spent about close to Rs. 180 crores in last two years and that has gone into increase in capacities and the capacity has sizably expanded, except unit number 5 all have started operations, they have generated revenues as it was evident from our last year's results and this year again we are on the track for utilization and revenues are coming in. Now this Rs. 180 crores have been funded by us by different sources, out of which we have got term loans from banks that is one loan for Rs. 36 crores from Bank of Baroda and another term loan of Rs. 50 crores from Bank of Baroda, so it was somewhere around Rs. 86 crores we have borrowed from banks. Then we have got cash earnings, cash inflows for last two years which is there in our published information also that Rs. 74 crores we have generated during last 2 years i.e. FY15 and FY16. Now this Rs. 74 crores have been used for; one is our debt repayment, whatever earlier debts we had Rs. 35 crores we have utilized for debt repayments, in fact one of our loan which was around Rs. 21 crores is almost getting closed next month. Then we have spent Rs. 6 crores on dividend, so out of Rs. 74 crores of cash inflows, Rs. 41 crores we have utilized for debt repayment and dividend that leaves us with Rs. 33 crores of internal generation we have utilized partly for CAPEX and partly for working capital, so Rs. 86 crores have come from term loans from banks, Rs. 33 crores have come from internal accruals and that was leaving a gap of some capital expenditure which has been bridged by loan against shares and that was Rs. 55 crores, which I said Rs. 55 crores we had total loan against shares in the first round we reduced it to Rs. 35 crores and from Rs. 35 crores now we have come to Rs. 19 crores. So, cash inflows of Rs. 74 crores which was last year have been utilized partly in CAPEX as well as partly in the working capital. Am I clear sir?

Girish Deshpande: Yes.

Moderator: Thank you. We will move to our next question, which is from the line of Sudhir Beda from Right Time Consultancy Services Pvt. Ltd. Please go ahead.

Sudhir Beda: Sir just wanted to ask when you have got the enhancement that means your debt will go up and I think in one of the con-call you said that we will be debt free by next 3-4 years, so again your debt will go up I think? So how?



- Pravin Herlekar:** We will be getting enhancement of Rs. 50 crores, out of which with Rs. 19 crores of debt will go away. So out of Rs. 50 crores Rs. 19 crores, it will be Rs. 31 crores now in this Rs. 31 crores it will be partly cash credit facility and partly non-fund base LC facility. So, the loan amount will actually go up by hardly Rs. 25 crores and out of that again we want to close some loans from other banks pending, maybe to the tune of about Rs. 10-15 crores, so overall our debt level will marginally go up.
- Sudhir Beda:** And you standby by this thing, your company will be debt-free by next 3-4 years, I think you have mentioned somewhere in con-call?
- Pravin Herlekar:** See, as I can give you the chart it is every year we are repaying about Rs. 16-18 crores on the term loan. Every year we are doing the same.
- Sudhir Beda:** So, no fresh debt you will take next maybe couple of years?
- Pravin Herlekar:** No long-term debt will be required but working capital as the business of the company grows the working capital requirements will always be there for any company that is backed up by the stock, inventories, debts and all that.
- Sudhir Beda:** Your term loan you will be repaying by next 3-4 years?
- Pravin Herlekar:** Yes, exactly.
- Sudhir Beda:** Long term debt will be debt-free as far as long term loan is concerned?
- Pravin Herlekar:** Yes, exactly. We supposing maybe in next couple of years we can raise some equity and then we can even reduce on our working capital requirements also. That is also possible but then taking equity is again another call which sometimes investors like or they do not like because of dilution. So that call we can take later.
- Moderator:** Thank you. Ladies and gentlemen due to time constraints that was our last question. I would now like to hand the conference over to Mr. Pravin Herlekar for closing comments.
- Pravin Herlekar:** Thank you Ma'am for giving us a platform for debating on this issue. I believe we have been able to address most of the questions to the best possible satisfaction of the investors, I would further like to request all the gentlemen who have joined us that in case you have any further queries, we are still open to address back, you can send us an email on our company secretary's mail and we will try our best to address the same. Thank you so much for joining us.
- Moderator:** Thank you. On behalf of Omkar Specialty Chemicals that concludes this conference. Thank you for joining us and you may now disconnect your lines.