

Omkar Speciality Chemicals Ltd (Omkar)

February-13

Industry: Specialty Chemicals

CMP: 128

Recommendation: Buy

Target Rs: 165

Recommendation since Rs 55 (January 2012)

Upside 29%

Key Data

BSE Code	533317
NSE Code	OMKARCHEM
52 Week High (Rs)	150
52 Week Low (Rs)	50
Market Cap (Rs Cr)	251
Face Value	10

About the Company:

Omkar Speciality chemicals Ltd (OSCL) is a Mumbai based leading Manufacturer and Producer of Specialty Chemical Intermediates, promoter by Mr Pravin. Herlerkar. It has a diverse portfolio of over 100 products, both organic and inorganic compounds used in different industries like pharmaceutical, glass, agrochemicals, poultry, paints and dyes, electroplating, textiles, cosmetics and ceramic. The company is a leader in niche value-added organic as well as inorganic chemicals derived from iodine, molybdenum, selenium, cobalt and tartaric acid.

Result Update Q3FY13

Omkar speciality has reported a better than expected performance for the Q3FY13, which was inline with our expectations. Topline grew up by 12% to Rs 56.99 Cr from Rs 50.68 Cr on QoQ basis mainly on the back of increase in export revenue.

Industry Snapshot

Customers	Open
Market Presence	GLOBAL
Govt Regulations	Medium
M-View	Positive

EBITDA remained flat in value terms from Rs 9.50 cr to Rs 9.51 Cr while margins witnessed pressure from 18.7% to 16.7% which is mainly due to higher employee cost up by 34% (QoQ). Higher employee cost was mainly on the back of adding up human resources in new Chiplun plant. PAT margins also witnessed pressure mainly on the back of higher depreciation and financial cost. Margins were about 9.3% vs 11.6% on QoQ basis.

Shareholding as on Dec 12

Promoters	60%
Foreign	2%
DII	4%
Public & Others	34%

Increase in export revenue helps Omkar to maintain growth: To keep the pace on, Omkar has lined up plans to launch 2-3 more export oriented products every quarter from the newly commissioned plants which will drive the revenue from export segment in FY13E & FY14E. On 9 month basis it has reported revenue of Rs 43 Cr vs Rs 17 Cr and expects to be around Rs 65-70 Cr for full year for 2013E.

Promoters/ Management

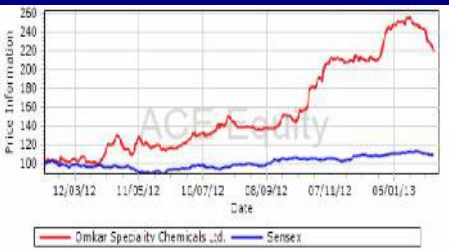
Mr Pravin S Herlekar	Chairman
Mr Omkar P Herlekar	WT Director
Mr Siddharth S Sinkar	NE Director
Mr Suhas M Rane	NE Director
Mr Amit A Pandit	NE Director
Mr Subhash P Mali	NE Director
Mr Vikas N Telvekar	NE Director

New capacity to add value going forward: OSCL has commissioned new plant at Chiplun in Dec2012 with a capacity of 2800 MTPA. This plant will manufacture high value intermediaries for pharma industry catering to essential life saving drugs on the export front. This facility will also open up opportunities fro forward and backward integration for some of the products being currently manufactured under OSCL in its existing facilities. With the commissioning of the above capacity as a whole OSCL has 4600 MTPA (Badlapur 1700 + Mahad 100 + Chiplun 2800). The company's capacity addition plans are set to boost its earnings in the coming quarters.

Mview

Going forward we believe that the performance will be backed by capacity growth which is inline with our expectations. We see very less small pharma intermediaries having fundamental growth potential to grow more than the industrial growth and Omkar is one among the best. On valuation parse at the current market price of Rs 128, the stock is trading at PE of 9x times to its FY14E earnings of Rs 13.8. Considering the above rationale we expect the performance to translate healthy growth uarter by quarter. Having diversified products and diversified customer base growth phase will be inline with the expansion plans. Hence we continue to remain positive and expect healthy gains from the current levels with a target of Rs 165 with a 9-12 month investment perspective.

Price Charts



AVP Research

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Financial Performance (Rs.Cr)

	Dec-12	Sep-12	Jun-12	2013E	2014E
Net Sales	57.0	50.7	51.7	221	277
EBITDA	9.5	9.5	10.0	40.9	54.0
EBITDA margin (%)	16.7%	18.7%	19.3%	18.5%	19.5%
Net Profit	5.3	5.9	4.9	21.0	27.1
PAT Margins (%)	9.3%	11.6%	9.5%	9.5%	9.8%
EPS	2.71	3.00	2.49	10.71	13.81