

Pravin Herlekar, the Chairman and Managing Director of the Company. He is one of the Promoters. He is a Bachelor of Technology in Chemical Engineering from Indian Institute of Technology (IIT), Bombay and is a post graduate in Management studies from Mumbai University. He has an overall experience of 38 years in the field of Product Development, Marketing and Administration.

Omkar Speciality Chemicals Limited (OSCL) is mainly engaged in the manufacture and sale of Speciality Chemicals and Intermediates for Chemical and Allied Industries. The Company took over the business of Omkar Chemicals, a proprietary concern in June, 2005 which was formed in the year 1983 with a capacity of 6 MT per annum for manufacture of molybdenum derivatives.

What inspired you to start this business?

During my graduation years, as a part of my internship, I was undergoing training at Excel Industries. There in a conversation with Mr. K.C Shroff, MD of Excel Industries, he asked me 'What I wanted to do after my graduation?' I said I would like to opt for a good job with some good brand or MNC. There, he said "That's all you want to do in life?" I looked at him thinking what to say and he then said "You must start a business of your own and it should be something unique." That was a path breaking suggestion for me. I thought over it again and again, and went ahead with idea of starting my own business.

In the process, I started looking for products ideas and the one which struck me was to manufacture import substitute, which did not have much presence in India. It was in the 1980s, where there were stringent government norms and restrictions on the imports. With all my determination I went ahead with the idea and started developing such import substitutes and that too in my Household kitchen! I did not have any lab at that time. It was in my household kitchen that I developed some molybdenum derivative and also selenium derivatives, which were not manufactured in India and were only imported. Hence, this marked the start of my career as an Entrepreneur.

Brief us about your R&D initiatives

We have a research & development department at Badlapur, Maharashtra. We mainly manufacture and sell speciality chemicals viz. selenium compounds, iodine compounds, molybdenum compounds etc. and pharma intermediates viz. Potassium Iodate, Bismuth Ammonium Citrate, Bromoform etc. Our main focus is Research and Development (R&D) in the product development space. In order to strengthen our research and development, we have acquired 99.82% stake in Rishichem Research Limited in 2010. We propose to concentrate our specialized research and development activities in Rishichem Research Limited by developing CRAMS business model wherein initial testing and trial of small quantities of product would be undertaken by Rishichem Research Limited and if the product is successful, it is commercialized and we procure their commercial rights.

Any new product developed recently?

Every year we develop 5-6 new molecules. We have developed processes for manufacture of products in a cost effective manner. Our R&D team is continuously working on the processes for our existing products in order to improve the production with optimum utilization of resources and cost saving. This provides us a competitive edge over others and helps us to widen our customer base.

In a recent research, it has been proved that when a drug goes into formulation, the chemical structures within it cause side effects. To explain, there are certain agents like resolving, which means when we are consuming a drug, often we hear complaints that there is a side effect. When a drug is synthesized, it has two types of structures. Chemically it is same but structure wise it has some difference, i.e there are two optical isomers, in layman's term it means it is just like our Left and Right hand, whose structures are different. Similarly, we have a few left handed drug and a right handed drugs.

In the process of formulation of a drug only one of the structures is effective in curing the disease while the other is not and hence causes side effects. This research has increased awareness among the pharma companies and they are isolating the two.

Our R&D team has developed a solution for this called 'resolving agents'. It means to separate the wanted and the unwanted. We are pioneers in product development and keep developing new molecules.

Do you have any new product on anvil?

At present our product portfolio comprises of more than 90 products in organic, inorganic and organo inorganic intermediates. With the implementation of the new unit 4 and the proposed expansion of our existing units we will be able to increase our product range and cater to the needs of customers from various industry segments viz. pharmaceutical, chemical, glass, cosmetics, ceramic pigments, etc. We would also be launching products in the higher margin speciality chemicals space. We have developed prototypes for that and have been accepted and validated, too.

Also, with the new unit coming in at Badlapur, we will be able to expand our product lines in Selenium, Molybdenum, Cobalt, Bismuth etc. Further, a new range of products in Metal oxides such as Cobalt Oxide, Molybdenum Trioxide, Molybdenum Disulfide, etc. will be added to our product portfolio after the proposed expansion of our manufacturing facilities.

We plan to roll out 20-25 new products by next 1-1.5 years. We would be commercializing them soon.

On the patent front: What is the status your patents or how many patents do you have? Have you applied for any new patent?

Earlier, we were not very much aware of the importance of patents. In the last 3-4 years, we have understood the importance of Intellectual Property Rights. Whatever products we develop, we file patents for the same. It is a step to protect ourselves by IPR.

We have are a number of patents to our credit. As of now also there are a few molecules which are being made by us. Currently, we have applied for 5-6 patents.

OSC has reported good numbers for the quarter. What was main driver for the strong financial results in FY11?

On an average we have been recording a growth of 45-50% year on year. The main driver for the robust number could be largely attributed to the launch of new molecules whose demand was immense and also the demand for the existing products added to the growth of the company.

For the fourth quarter, we recorded an increase of 73.26% in our net sales at Rs 311.4mn as against Rs 179.7mn last quarter. The profit after tax for the quarter ended March 31, 2011 stood at Rs. 29.7mn, resulting in an increase of 120.50%, as against Rs. 13.4mn in the corresponding period of the last quarter.

For the year as a whole, we saw an increase in net sales by an impressive 56.19% from Rs. 683.4mn to Rs. 1.06bn. The profit after tax for the year ended March 31, 2011 stood at Rs. 101.4mn, resulting in an increase of 95.68%, as against Rs. 51.8mn in the corresponding period of the last fiscal.

Further, with the launch of new products this year and with the Unit 3 becoming operational, we are confident of continuing with the trend. We are of reporting a topline of Rs 1.60-1.70 bn for FY12.

Amongst the speciality business, on which segment are you more bullish on?

Pharma is one the sectors on which I am bullish upon. We see a lot of government spending coming in for the Pharma sector.

Also, there are a number of drugs for which patent are going to expire and according to experts this business is going to come to India largely. Also studies suggest that India would emerge as the major exporter to the world for the next two-three years. In my perspective, we will definitely have a good opportunity to grow with the pharma sector.

OSCL is mainly into Pharma space. Do you have any plans to venture in the personal and home care (PHC) industry?

We are already into that segment to some extent. The size of PHC segment is ~10% of our total turnover, which is significantly quite small. We are supplier of selenium Sulphide, which goes into Anti-Dandruff shampoo and we mainly supply it to Pizer and Glenmark-uses it in their brand 'Candid'. We are in talks with other MNCs for this product. And with the new capacity coming in we will be catering to this segment to a greater extent. Also, we have the required license of USP label, which is needed to sell these products.

What is the revenue contribution form various segments?

Pharma is our main focus, as of today as it contributes ~70-75% to our revenues. Rest comes from Poultry and Vetnary, (these are used to improve their fertility and increase their weight), glass and ceramics, metal finishing and electroplating, water treatment, and niche molecules used in space research, and optical.

For the next few years we will be focusing on growing in these fields, we will dilute our focus from Pharma and grow in other sectors.

Do you face high client concentration risk?

No. We are multi-product-multi-segment and Multi-customer Company. We are not dependent on one particular product or segment. We are not only pharma centric we have diversified into various applications, as a measure to mitigate risk. We are a balanced company.

Brief us about the utilization of the IPO proceeds.

We have raised Rs783.9mn from the IPO. The IPO proceed have been deployed for capacity expansion plans. With the expansion of the existing manufacturing

capacities at Unit 1, Unit 2 and Unit 3, the capacity will increase by 1450 MT per annum. And the Unit 4 will have an installed capacity of 1250 MT per annum which will produce new molecules in the Iodine derivatives and other pharma intermediates with innovative technologies like catalytic high pressure reactions. Our total installed capacity will be 3650 MT per annum from existing 950 MT per annum.

~Rs 320mn will be invested in setting up the new unit, ~Rs 140mn will be utilized for upgrading the existing units wherein we will add capacity. ~Rs120mn and more will be used for working capital and general corporate purposes.

Brief us about your exports and imports?

We export to various countries in Europe, Asia, North America, South America and Australia. Today our exports are 15%-20% of our total turnover. In the coming 2-3 years it should be ~Rs400-450mn.

Our key raw material are Iodine which is imported from Chile, Selenium is imported from Japan and Molybdenum is imported from Europe. We import our raw material, as India does not have a source for it.

Europe was recently in turmoil; do you see any impact on your exports?
In my perspective there was no such impact seen. Fortunately, there were no delays and cost overruns seen.

Do you face any challenge from China?

Fortunately no, because China too has to import the raw material required to produce these molecules, as China has no source to produce iodine and Selenium.

Who are your competitors?

Competitors per se are none. Competitors exist in terms of separate segments for example a competitor may exist for the iodine derivative segment, selenium derivative segment, resolving agents and, Organo-inorganic metallic segment.

There is no competitor in totality. If there is any then they would be small in size as compared to us, also in terms of product range they offer just a small portfolio of products as against ours. We offer entire gamut of product range. We enjoy a distinct position in the market and command a market share of 70-75%.

What do you think B-Schools need to do to make their students ready for the job?

Business Management students are exposed to theoretical techniques and once they are aspiring for the job they should get ready for the practicalities of business.

Many a times, these management jargons and techniques do not apply to the Indian Business environment. It is way different from other countries. To apply those techniques to the Indian environment it is necessary to tune oneself to the local environment, principles and then fortify those techniques to improve the existing ones.

What are your hiring plans?

We are in the process of hiring for our new unit. We need to strengthen our workforce and our HR team is doing so. We are doing campus recruitments and are also recruiting students from various B-Schools.

What is your message to the investors?

The management is confident to report strong and sound financials as our performance has been very consistent. We are not deterred by the markets conditions and we are looking forward to a great future. The Multiproduct strategy is our greatest USP. We believe in creating wealth for our shareholders. With the upcoming manufacturing facilities we are confident to see the effect in the coming years.