Issue Snapshot:

Issue period January 24– January 27 2011

Price Band: Rs. 95 – Rs. 98

Issue Size: Rs. 76.95 crs – 79.38 crs

Issue Size: 81,00,000 equity shares

QIB	upto	40,50,000 eq sh
Retail	atleast	28,35,000 eq sh
Non Institutional	atleast	12,15,000 eq sh

Face Value: Rs 10

Book value: Rs 17.76 (September 30, 2010)

Bid size: 60 equity shares and in multiples thereof

100% Book built Issue

Capital Structure:

Pre Issue Equity:	Rs	11.52 crs
Post issue Equity:	Rs.	19.62 crs

Listing: BSE & NSE

Lead Manager: Almondz Global Securities Ltd.

Registrar to issue: Bigshare Services Pvt Ltd

Current Shareholding Pattern

Shareholding Pattern	Pre issue %	Post issue %
Promoters & Promoters Group	100.00	58.73
Public (incl Employees & others)	0.00	41.27
Total	**100.0**	**100.0**

CARE IPO grading: 3/5 indicating average fundamentals

Highlights of the issue:

Omkar Speciality Chemicals Ltd (OSCL) is mainly engaged in the manufacture and sale of speciality chemicals viz. selenium compounds, iodine compounds, molybdenum compounds etc. It has four units at MIDC, Badlapur (E), Thane, Maharashtra. At present, it carries out its manufacturing activities at its two units viz. Unit 1 & Unit 2. It took over the business of Omkar Chemicals, a proprietary concern in June, 2005. It was formed in the year 1983 with capacity of 6 MT per annum for manufacture of molybdenum derivatives. At the time of takeover in June, 2005, the installed capacity was 318 MT and the product range was cobalt, selenium & iodine derivatives in addition to molybdenum derivatives. In March, 2009, it set up a new manufacturing facility at plot no. F-24, MIDC, Badlapur (E), Thane, Maharashtra viz. Unit 2 with an installed capacity of 375 MT. With the setting up of Unit 2, its total installed capacity increased to 750 MT. It has recently set up a new manufacturing facility at B-34, MIDC, Badlapur, Thane, Maharashtra viz. Unit 3 with an installed capacity of 200 MT. The commercial production at Unit 3 is likely to start in the month of March 2011. With the set up of Unit 3, its total installed capacity will stand increased to 950 MT. In view of the proposed expansion, the total installed capacity of our Company would aggregate to 3650 MT per annum from the existing installed capacity of 950 MT per annum

OSCL is primarily involved in the production of speciality chemicals and pharma intermediates. It manufactures a range of organic, inorganic and organo inorganic intermediates. The inorganic intermediates include Molybdenum derivatives, Selenium derivatives, Iodine derivatives, Cobalt derivatives, Bismuth & Tungsten derivatives and the organic intermediates include Tartaric acid derivatives and other intermediates. These products find applications in various industries like pharmaceutical industry, chemical industry, glass industry, cosmetics, ceramic pigments and cattle & poultry feeds. Iodine & Selenium derivatives are its key category of products contributing 88.23% to its gross sales during the year 2009-10. It is exporting its products to Europe, North America, Asia, South America & Australia. The total exports constituted 8.69%, 12.35% and 7.97% of gross sales during FY 2008, FY 2009 and FY 2010 respectively. It carries out research & development activities at Badlapur, Maharashtra. The research is carried out for improving the quality of existing products and development of new processes for the existing products.

Objects of Issue:

The objects of the Issue are:

- Setting up of new manufacturing facility at Unit 4 at Badlapur, Maharashtra
- Expansion of existing manufacturing facilities at Unit 1, Unit 2 & Unit 3 at Badlapur, Maharashtra
- Meeting Working Capital requirements
- General corporate purposes
- Issue expenses

Cost of Project: **Rs. Crs**

S. No.	Particulars	Total Amount
1	Setting up of new manufacturing facility at Unit 4 at Badlapur, Maharashtra	32.16
2	Expansion of existing manufacturing facilities at Unit 1, Unit 2 & Unit 3 at Badlapur, Maharashtra	14.62
3	Meeting Working Capital requirements	10.00
4	General corporate purposes	*
5	Issue expenses	*
	Total	*****

(Source: RHP)

Means of Finance
The entire fund requirement will be met from the proceeds of the Net issue and internal accruals. The commercial production out of the new / expanded facilities are expected to go on stream in Oct 2012.

For FY10, it reported net sales of Rs.68.35 cr and PAT of Rs.5.13 cr on standalone basis. The company reported net sales of Rs 51.10 cr for the quarter ended September 30, 2010, and PAT of Rs 5.04 cr on consolidated basis.

OSCL's strengths:

- Multi product capability.
- Diverse customer base.
- Existing Client Relationship.
- Cost advantage.
- Quality control
- Experienced management team.

OSCL's strategy:

- Expansion of its existing manufacturing facilities and setting up a new unit
- Increase its product range
- Enhancing focus on Research & Development
- Increase in Exports.

Risks & Concerns:

- OSCL's revenues are significantly dependent on sale of some of its products. Any factor adversely affecting these products will negatively impact its profitability.

- OSCL do not own the trademark "Omkar", logo of "Omkar" and two patents and unauthorized parties may infringe upon or misappropriate its intellectual property. This could have a material adverse effect on its business, which in turn adversely affect results of operations.

- OSCL has not entered into any supply agreement for the major raw materials required for manufacturing of its products and is exposed to risks relating to fluctuation in global commodity prices and shortage of raw material.

- OSCL has historically dependent on a relatively small number of customers for a significant portion of its sales, and it cannot be assured that it will be able to broaden its customer base in any future periods.

- OSCL has not entered into any long-term contracts with any of its customers and typically operate on the basis of purchase orders, which could adversely impact its revenues and profitability.

- Any delay or non-receipt of certain regulatory licenses or approvals could adversely affect the implementation schedule, which may adversely affect OSCL's growth plans.

- OSCL has planned capital expenditure, which may not yield the benefits intended.

- OSCL is subject to high working capital requirements and its inability to fund these requirements in a timely manner may adversely impact its financial performance.

- OSCL has entered into certain related party transactions and may continue to do so.

- There are restrictive covenants under OSCL's loan agreements, which could influence its ability to expand, in turn affecting its business and results of operations.

- All OSCL's present and proposed manufacturing facilities are geographically located in one area and therefore, any localized social unrest, natural disaster or breakdown of services or any other natural disaster in and around Maharashtra could have material adverse effect on its business and financial condition.

- The completion of the projects is dependent on performance of external agencies. Any shortfall in the performance of these external agencies may adversely affect its expansion plans.

- Anti dumping duty may be applicable to OSCL, which may adversely impact its financial condition.

- Inability to fulfill export obligations under advance license could result in potential custom duty liability, which in turn could affect OSCL's financial operations to that extent.

- OSCL's revenue and profits are difficult to predict and can vary significantly from quarter to quarter. This could cause its share price to fluctuate.

- OSCL faces competition in its business from both domestic and international competitors. Such competition would have an adverse impact on its business and development.

- Any inability on OSCL's part to maintain quality standards or keep pace with the technological development could adversely impact its business, results of operations and financial conditions.

- OSCL is exposed to the risk associated with the use of hazardous, poisonous and/or highly flammable chemicals in the production and/or transportation of its products and raw materials.

- OSCL is dependent on its research and development activities and the failure to develop new and improved products could adversely affect its business.

- OSCL faces exchange rate fluctuation risk. Its inability to hedge this foreign exchange exposure may result in an adverse impact on its financial condition.

Extract from grading rationale by CARE:

The grading derives strength from the experienced management team, multi-product capability and flexibility in its manufacturing facilities, strong Research & Development capabilities of the group, healthy profitability margins and long relations with reputed clientele.
The grading is however constrained by small scale of operation, long working capital cycle, project execution risk and raw material price risk.

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