



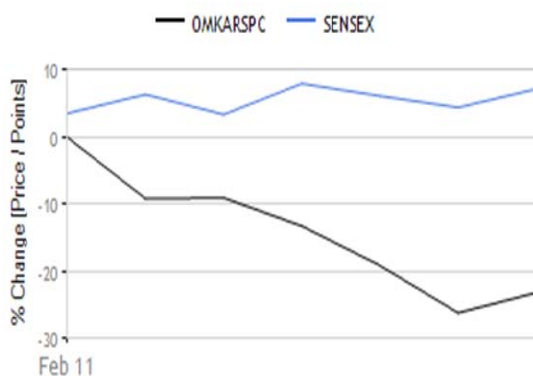
24th March 2011

Sector	: Specialty Chemicals	
CMP	: Rs. 27.20	
1 Year Target Price	: Rs. 45	
SENSEX	: 18350	
SENSEX P/E	: 19.80	
NIFTY	: 5522.40	
NIFTY P/E	: 20.15	
	Omkar	Industry
P/E	6.6	32.32
Script Details		
Market Cap	: Rs. 53 Crs	
Nominal Value	: Rs. 10/Share	
Book Value	: Rs. 56/Share	
Equity Share O/S	: 1.96 Crs	
52 Week H/L	: Rs 101/ Rs 26.65	
BSE Code	: 533317	
NSE Code	: OMKARCHEM	
Shareholding Pattern (%)		
	FEB 10	
Promoters	58.73	
FI's & MF's	16.95	
Public & Others	24.32	
TOTAL	100.00	

Investment Triggers

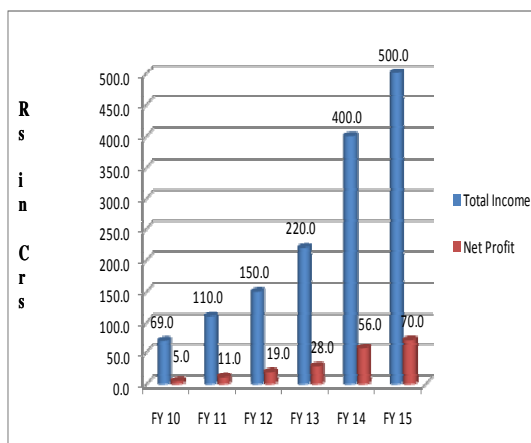
- **Omkar Speciality Chemicals Ltd. (Omkar), Promoted by Herlekar family in 1983, is a leader in the manufacturing and sale of wide variety of speciality chemicals used in Pharma Industry in India.**
- **Omkar has manufacturing plants located at M.I.D.C Badlapur, Maharashtra, has illustrious client base consisting of Global Pharma majors like Clariant- UK, Microbia-USA, Invitogen-USA, Hetero Pharma Ltd. and Indian Pharma majors like Dr Reddy's Laboratories Ltd., Cipla Pharmaceuticals Ltd, Glenmark Pharmaceuticals Ltd. Ranbaxy Laboratories Ltd., Pfizer Ltd., Biocon Ltd, and Asahi India Glass Ltd.**
- **Omkar has embarked upon ambitious capacity expansions plan to cater to the growing demand for its production and to part finance this requirement Omkar came up with IPO of Rs 80 Crs at Rs 98/Share in February 2011.**
- **The expansion plan will almost triple the Capacity of Omkar which will go on stream in phase wise manner from March 2012 to March 2014.**
- **Omkar's brand new plant built up from internal accruals and borrowings is scheduled to go on stream in April 2011 and almost 70% of Capacity of the plant has been exclusively reserved for Procter & Gamble (P&G).**
- **Omkar's Proposed new plant and new range of product would substantially contribute to the Topline to tune of Rs 25 Crs with a PAT margin as high as 25%.**
- **Omkar having Posted topline of Rs 69 Crs for the FY 2009-10 is expected to wind up current financial year with the topline of Rs 110+ Crs. and based on the huge expansion on hand, Omkar is likely to gross the topline exceeding RS 400 Crs by FY 2014-15.**

Script Performance vis-à-vis Sensex



- **Omkar's IPO was successfully completed with oversubscription of 4.67 times, but due to the extremely volatile stock market the post listing performance has been very disastrous with the price plummeting from high of Rs 101 on listing day to Rs 27 now, bruising the IPO Investors very adversely.**
- **We believe this disaster has been an opportunity for long term investors and We recommend strong buy on Omkar at CMP of Rs 27 with 1 year Price target of Rs 45.**

Sales vis-à-vis Net Profit



Financial Performance

Rs in Crs

Particulars	Half Year Ended		Year Ended		% Change	Year Ended (E)			
	Sept'10	Mar'10	Mar'09	Y-o-Y		Mar'11	Mar'12	Mar'13	Mar'14
Total Income	52	69	51	36.1	110	150	220	400	500
EBIDTA	8	9	5	73.9	20	27	40	72	90
PBT	7	8	5	54.9	14	28	42	76	95
Net Profit	5	5	3	63.9	11	19	28	56	70
Equity Share Cap.	11.52	11.52	11.52	-	14.79*	19.62	19.62	19.62	19.62
Reserves	9	4	11	-	91	108	133	184	247
Net Worth	21	16	23	-	105	128	153	203	266
EPS (Rs/share)	4.4	4.5	2.7	63.9	7.4	9.7	14.3	28.5	35.7

* Note: The company made an IPO of 81,00,000 Equities Shares of Rs 10 each for cash at Premium of Rs. 88/share, therefore we have calculated the Equity Capital on a proportionate basis for FY2010-11.

Omkar Speciality Chemicals Ltd - The Company

OMKAR, Pioneer in Chemical research in India has been successful in launching a number of Molecules in India.

- **Omkar Speciality Chemicals Ltd (OMKAR)**, promoted by **Pravin Herlekar and Omkar Herlekar**, is mainly **engaged in the manufacture and sale of speciality chemicals** viz. selenium, compounds, iodine compounds, molybdenum compounds and Pharma intermediates viz. Potassium Iodate, Bismuth Ammonium Citrate and Bromoform.
- 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 derivatives**.
- These products find **applications in various industries like Pharmaceutical industry, Chemical industry, Glass industry, Cosmetics, Ceramic pigments and Cattle and Poultry feeds**.
- **OMKAR exports** its products to **Europe, Canada, Asia, South America & Australia**. **OMKAR's** association with leading organizations in **India and abroad** has enabled it to **broaden the business, to expand the existing product range and to develop new molecules as per the specific demands of customers**.
- Recently **OMKAR** had **acquired Rishichem Research** as a **wholly-owned subsidiary** which is **expected to provide a total R&D back-up** to the company for all its **future expansion and diversification programmers**.

At present OMKAR's product portfolio comprises of more than 90 products in organic, inorganic and organo inorganic intermediates.

OMKAR is undertaking aggressive capacity expansion from current capacity of 750 MT to 3650 MT by FY13.

Omkar Speciality Chemicals Ltd : The Promoters

- **OMKAR** is promoted by **Herlekar family** with **Mr. Pravin Herlekar**, being the **Chairman and Managing Director** of the company. He is a **Bachelor of Technology in Chemical Engineering** from the **Indian Institute of Technology (IIT), Bombay** and is a **post graduate in management studies** from the **Mumbai University**.
- **Mr. Pravin Herlekar** has an **overall experience of 27 years** in the field of **Product Development, Marketing and Administration**. Over the year he has been **successful in expanding the customer base in Europe, North America, Asia, South Africa and America**.
- **Mr. Shivdas Herlekar** (father of Mr. Pravin Herlekar), the **Executive Director of the company**, is a **Bachelor of Arts** from the **University of Bombay**. He has an **overall experience of about 60 years** in the field of **accounts, finance, policy matters & administration**.
- **Mr. Omkar Herlekar** is the **Whole time Director** of the company. He looks after the **research & Development activities** of the company and **supervises the entire factory operations**.

OMKAR intends to set up a new manufacturing facility with an installed capacity of 1250 tpa at its Unit 4 to produce new molecules.

Omkar Speciality Chemicals Ltd :Strength and Growth Drivers

➤ **Diverse product portfolio**

OMKAR has a **wide product range of more than 90 products**, comprising a mix of organic, inorganic and organo inorganic intermediates. **Iodine & Selenium derivatives** are **key category products** that **contributed 88.23% to its revenue during the year 2009-10**. It has **manufacturing facilities** which can **produce multiple products** using a combination of processes. This **helps in changing its product mix in response to changes in market demand**.

➤ **Diverse customer base**

OMKAR caters to **customers from different industry segments** like pharmaceutical, chemical, glass, cosmetics, ceramic pigments, and cattle & poultry feeds. **OMKAR** also **exports its products to various countries in Europe, Asia, North America, South America and Australia**. The **total exports constituted 8.69%, 12.35% and 7.97% of sales during FY 2008, FY 2009 and FY 2010 respectively**.

➤ **Quality control**

OMKAR performs **quality control activities** of collection and preparation of samples, **testing of raw materials and other process inputs inspection**, testing and **quality certification of finished products**, preparation of technical information sheet and issue of certificate of analysis. Its **laboratory are equipped with various equipments** such as **High Performance Liquid Chromatographs (HPLC)**, **Gas Chromatographs (GCs)**, **vacuum dryer**, **sonicator**, **Atomic Absorption Spectroscopy (AAS)**, and **spectrophotometer**. Its **Unit 2** has been **granted ISO 9001:2008** for its **quality management systems**.

➤ **Increase product range**

With the **proposed expansion**, the company **aims to expand its product lines in Selenium, Molybdenum, Cobalt, Bismuth**. Moreover, **Omkar intends to add a new range of products in Metal oxides** such as **Cobalt Oxide, Molybdenum Trioxide, Molybdenum Disulfide**. to its product portfolio.

➤ **Enhance Research & Development activities**

OMKAR acquired **Rishichem Research Limited** in **May 14, 2010** as a **wholly owned subsidiary** with the **aim to strengthen its research and development**. It is engaged in **manufacturing and R&D of Speciality chemicals and Pharma intermediates**. It **aims to concentrate its specialized research and development activities in Rishichem Research Limited by developing Contract Research and Manufacturing Services (CRAMS) business model** wherein initial testing and trial of small quantities of product would be undertaken by it and if the product is successful, it is **commercialized by procuring commercial rights**.

Omkar Speciality Chemicals Ltd: Solid Capacity Expansion

UNIT	Existing Installed Capacity	Proposed Expansions in Installed Capacity	Proposed Installed Capacity after Expansion
Unit 1	375	225	600
Unit 2	375	525	900
Unit 3	200	700	900
Unit 4	NIL	1250	1250
Total	950	2700	3650

- **OMKAR** proposes to **expand its existing manufacturing capacities** at Unit 1, Unit 2 and Unit 3 by **1450 tonne per annum (tpa)**.
- **OMKAR** also **intends to set up a new manufacturing facility** with an **installed capacity of 1250 tpa** at its **Unit 4** to produce **new molecules in the Iodine derivates and other Pharma intermediates** with **innovative technologies like catalytic high pressure reactions**.
- After the **proposed expansion and setting up of new facility**, its **total installed capacity will be 3,650 tpa** from existing **950 tpa**. **OMKAR** expects **commercial production from the expanded capacity from October 2012**.

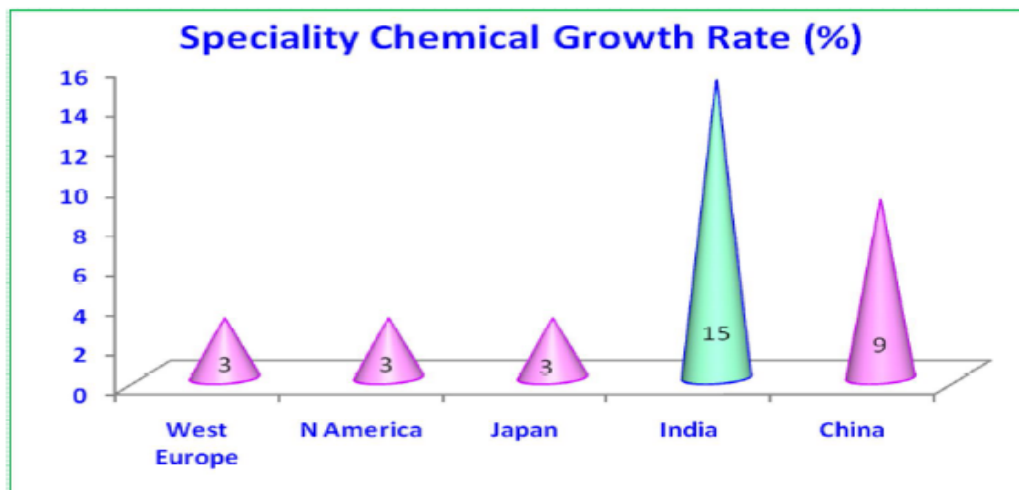
Anti HIV Drugs: A Trump Card up Omkar's Sleeves

- **OMKAR**, **Pioneer in launching number of molecules in India**, is **working intensively on Anti HIV Drugs** by **employing Green Technology to its fullest and by designing Environmentally benign routes for the Anti-HIV molecules**.
- **OMKAR** is **working on anti HIV molecules with research funding from the Clinton foundation USA**. We believe there is an acute need for Anti-HIV molecules and related treatment and **any break through in this anti Aids molecule would catapult the company in to different league all together**.

Omkar Speciality Chemicals Ltd : Strong Clientele Base

Dr. Reddy's Laboratories Ltd	Pfizer Ltd.
Cipla Pharmaceuticals Ltd.	Clariant- UK
Glenmark Pharmaceuticals Ltd	Invitogen-USA
Ranbaxy Laboratories Ltd	Teva Pharmaceuticals Ltd.
Biocon Ltd..	Microbia-USA
Asahi India Glass Ltd.	Hetero Pharma Ltd

Speciality Chemicals Industry: An Exciting Opportunity



- **Speciality Chemicals Industry** size is about US\$ 15bn and in **India**, the industry is recording a **rapid growth of approximate 15% y-o-y**. The Industry includes fine chemicals, organic chemicals and pharmaceutical intermediate. **Speciality Chemicals are relatively high value, low volume chemicals known for their end-use applications and catalyzing properties.**
- **Active Pharmaceutical Ingredients (API's)** are the **key ingredients for making drugs** and **India's** emergence as a hub for manufacturing of pharmaceuticals (APIs) has been the key driver for the growth in the Speciality Chemicals market. **Approximately 90% of the total APIs produced in India is exported to Europe, the US and Japan.**
- **Pharmaceutical intermediates** will account for over 2/3rd of the speciality chemicals market by the year 2012. The chemical industry in India is one of the most diversified and matured of all industrial sectors with thousands of commercial products. It **contributes significantly** towards industrial and economic growth of the nation, contributing approximately 3% to the GDP.
- The Industry primarily consists of basic chemicals and its products, petrochemicals, agrochemicals, speciality chemicals, pharmaceuticals & biotech, paints & varnishes, dyestuff & inks, alcohols.
- The usage of Speciality chemicals is found in multitude of industries like textiles, paints, inks, plastics, adhesives, flavours, fragrances and in paper industry. **Extensive applications** are also found in construction, automotive, electronics and water treatments whereas **Active Pharmaceutical Ingredients (API)** constitutes the largest segment of the speciality chemical industry.
- The **Indian Pharmaceutical Industry (IPI)** is one of the largest in the world and has grown to a US\$20 Bn (Rs 95,000 crore) industry backed by robust growth in terms of infrastructure development, technology base and a wide range of products. It is now the 3rd largest in the world in terms of volume and 14th largest in terms of value thereby accounting for around 10% of world's production by volume and 2% by value due to lower prices.
- The industry has been growing at a healthy rate of 11-12% y-o-y over the last few years with growth in exports outstripping steady growth in the domestic market. Export market which constitutes 41% of the total IPI/ API sales in FY2009 has shown a robust growth rate of nearly 22% y-o-y over the five year period ending FY2009.
- Approximately 55% of the total exports constitute of formulations and the other 45% comprises of bulk drugs. Indian exports are destined to more than 200 countries around the globe including highly regulated markets of US (21% export share), Europe (24% export share), Japan and Australia.

Recommendations and Valuations

- **OMKAR, a research based company is a pioneer in launching number of Molecules in India, these go into variety of life savings drugs like anti -cholesterol, anti-diabetic, anti-cancer and anti-HIV.**
- **OMKAR is working on anti HIV molecules with research funding from the Clinton foundation USA. We believe anti-HIV drug is an area with lot of potential worldwide and any break through in this Anti Aids molecule would catapult the company in to different league all together.**
- **The diversified product range and patents bagged by the company for the key products put OMKAR in a good stead gives the company an edge over its competitors.**
- **OMKAR is also drawing up on its vast knowledge of basic chemistry to develop applications for high quality adhesives and the automotive industries in the space of specialized lubricants namely Grease oil, Steering oil, break oil and various types of coolants.**
- **The Strong Clientele list of MNC Pharma leaders and Global Indian Pharma companies stands testimony to the fact that OMKAR is leader in its niche segment of Iodine, Selenium and Molybdenum derivatives.**
- **Due to the lack of organized players offering a wide range of products similar to OMKAR, the company is placed in the niche segment of the value chain. Its products finding usage in various industries like Pharma, glass and FMCG, promises the healthy growth potential going ahead.**
- **OMKAR with its highly experienced Promoters with strong research background in Organic chemistry and solid expansion plan is strategically poised to capture all the opportunities that the lucrative niche speciality chemical sector has to offer.**
- **OMKAR posted a rise of 36% in Total Income to Rs 69 Crs in FY2009-10 against Rs 51 Crs in FY2008-09, while PAT jumped by 64% to Rs 5 Crs in FY2009-10 against Rs 3 Crs for FY2008-09.**
- **The margins have shown a consistent improvement in the past three years on the back of improved operational efficiencies, stabilized operations and increasing capacity utilization. The EBITDA margins improved from 15% in FY08 to 19.2% in FY10. PAT margins improved from 6.3% in FY08 to 7.3% in FY10.**
- **OMKAR is on a huge expansion spree which will start contributing to topline and bottom-line of the company by FY 12-13. As per management guideline OMKAR would grow to over Rs 400 Crs total income from current Rs 100 Crs within next 3-5 years, similarly the profit is expected to jump to from Rs.11 Crs for FY 10-11 to Rs 55 Crs in next 3 years.**
- **We believe OMKAR offers an excellent opportunity for capital appreciation since it is available only at a fraction of its IPO Price of Rs 98/Share on 10th February, 2011. Omkar shares are available at only Rs 27 vis-à-vis IPO price of Rs 98.**
- **At CMP of Rs 27 /share, OMKAR is trading at P/B of 0.6x and forward PE of 6.6x its FY2010-11 earnings vis-a-vis Peer's P/E of 32x making it a highly undervalued Investment Opportunity for Long Term. We recommend our investor "STRONG BUY" with a 1-year price target of Rs 45 /share.**
- **Investor with a long term perspective can accumulate the stock gradually and buy at every dip We strongly recommend our Investors "Strong Buy" with long term price target of Rs 45.**
- **We strongly recommend all the individuals, HNIs and Institutional Investors to add OMKAR to their investment Portfolio with a one-year price target of Rs. 45/share.**



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