Positives-

- India specialty chem industry growing well lead by outsourcing, & India benefitting from China's issues.
- Company running on 72% capacity utilization.
- Big expansion coming – Net block going to more than double. Environmental clearance needed.
- Working capital improved significantly.
- Good growth in API.
- 17% ROIC (ignoring CWIP in Invested Capital calculation)

Negatives-

- Iodine segment, 48% of sales, saw raw material price drop. Due to this, sales didn't grew for this segment.
- No salary growth for employees.
- Some interest on debt is being capitalized.

The Global Speciality Chemicals industry size is pegged at around USD 740 bn as per FICCI Speciality Chemical Report and 12th 5 year plan document accounting for roughly 22% of the Global Chemical Industry in general. Asia Pacific and Middle East countries are expected to contribute to the bulk of the future growth for this sector. The Indian Speciality Chemicals segment has emerged as one of the key beneficiary of high growth in end user industry and growth is likely to accelerate as India gains advantage over China.

As you are aware, OSCL has embarked upon the expansion of its capacities at various locations to cater to the increasing demands for its existing products as well as the new products which have been developed. Significant amount of capex has been done and practically all the Units of the Company including its subsidiaries have gone into operations except Unit No. V at Chiplun which is awaiting Environmental Clearance from the State Government. The proposal for this consent is now at fairly advance stage and we are quite hopeful to receive the clearance very shortly. This will enable the Company to enhance its capacities further to a significant extent during Current Year i.e. in FY 2015-16 itself. Further the delay in getting this clearance has resulted into delays for commissioning of this project and the Company's performance has been affected appreciably on account of the same.

Another issue faced by the Company was the continuing fall in the price of Iodine which happens to be one of the major raw-material for production of Iodine Derivatives which form almost 45-50% of Company's revenues. Even though the Company observed a volumetric growth of about 16% in production of these products, the topline achieved from this segment declined considerably.

The stressed Working Capital cycle was one another concern for the Company, which was highlighted in the Annual Report of FY 2013-14. The management had taken this as a major task and the Company has closely monitored the receivables as well as inventory levels and had taken all necessary steps to control the same. I am extremely happy to share with you that the Company has maneuvered this task very effectively and the Working Capital cycle has been brought under a control to a great extent. The management is confident to further improve upon this in coming quarters.

Despite the set-back received in the business in Iodine derivatives segment, the Company was able to post good profits mainly on account of launch of niche speciality molecules and growth in its API business which offer better margins.

During the Current Year i.e. FY2015-16, the focus of the Company will be to target products which will strive to yield better profitability as the fungibility of the facilities enable us to decide the product mix of our choice to maximize our gains. The management has also taken initiatives to cut down on various operational costs including the cost of finance.

Another important area which will help the Company in value addition is the Company's drive to go for backward and forward integrations of its value chain of products. These initiatives are making the Company fundamentally strong which will lead to sustainable growth in immediate future.

The speciality chemicals industry is a knowledge based sector competing on the basis of R&D capabilities and understanding of chemistry. Strong R&D capabilities backed by investment in complying pollution norms to bear fruit in future. Customer approval system and processes in this industry are highly elongated, as the customers need to be certain about the quality of product and consistency of order delivery. Based on the market

contribution in the global market. The faster revenue growth can be achieved by sustaining capex in augmenting capacities both by means of setting up new capacities and de-bottlenecking existing capacities. With this, we embarked on capitalizing our efforts in increasing the manufacturing capacities for catering the requirements of the global market. The Company has invested aggressively on building up and expanding its capacities to get equipped for meeting the growing demands for its existing products and products newly developed.

The major part of CWIP happens to be for Unit V of the Company located at Chiplun which is awaiting Environmental clearance from the State Government and the Management of the Company is quite hopeful to launch this project in coming quarters of the FY 2015-16. Further, the phase II expansions at the Unit No. VI, Unit of Lasa Laboratory Private Limited and Unit of Urdhwa Chemicals Company Private Limited are underway and running as per the schedule timelines. With the

Pursuant to the market study reports, the contribution of China in the global speciality chemicals segment is declining due to increasing cost pressure in China. The factors such as increasing cost of labour and power along with tightening pollution control norms have diluted the cost advantages enjoyed by the Chinese manufactures earlier. India is rightly placed to benefit from this emerging opportunity and can register multifold growth in exports market going forward.

revenues on the consolidated financials basis. For the Company, the Iodine Derivatives continue to maintain the leading position with its contribution of 48.81% in net sales of FY 2014-15. It

sustainable growth. The inventive approach, long-term planning and a rich product pipeline will automatically help the Company in keeping up a positive growth trajectory and earnings prospects.

FY 2014-15, our top 30 customers contributed less than 40% of the total sales, with the largest customer contributing 10% of the total sales. This shows that our customer base is diverse which makes us less susceptible to market volatilities.

meeting held on 30th August, 2014, approved, issued and allotted 9,50,000 equity shares of Rs. 10/- each at a premium of Rs. 140/- per share towards conversion of warrants issued and subscribed by the Promoters and Promoter Group of the Company. Consequently,

EXPENDITURE ON R&D:

(Rs in Lakhs)

Particulars	2014-15	2013-14
Capital Expenditure	308.76	37.92
Recurring Expenditure	45.97	297.29
Total	**354.73**	**335.21**

FOREIGN EXCHANGE EARNINGS AND OUTGO:

(Rs in Lakhs)

Particulars	2014-15	2013-14
Foreign Exchange Earned	5,362.95	5,487.33
Foreign Exchange Used	8,740.57	9,949.85

No increments were made to any Director, CFO, CEO or CS during the financial year 2014-15.

No increments were made to any employee during the financial year 2014-15.

There were 109 permanent employees on the rolls of the Company as on 31st March, 2015

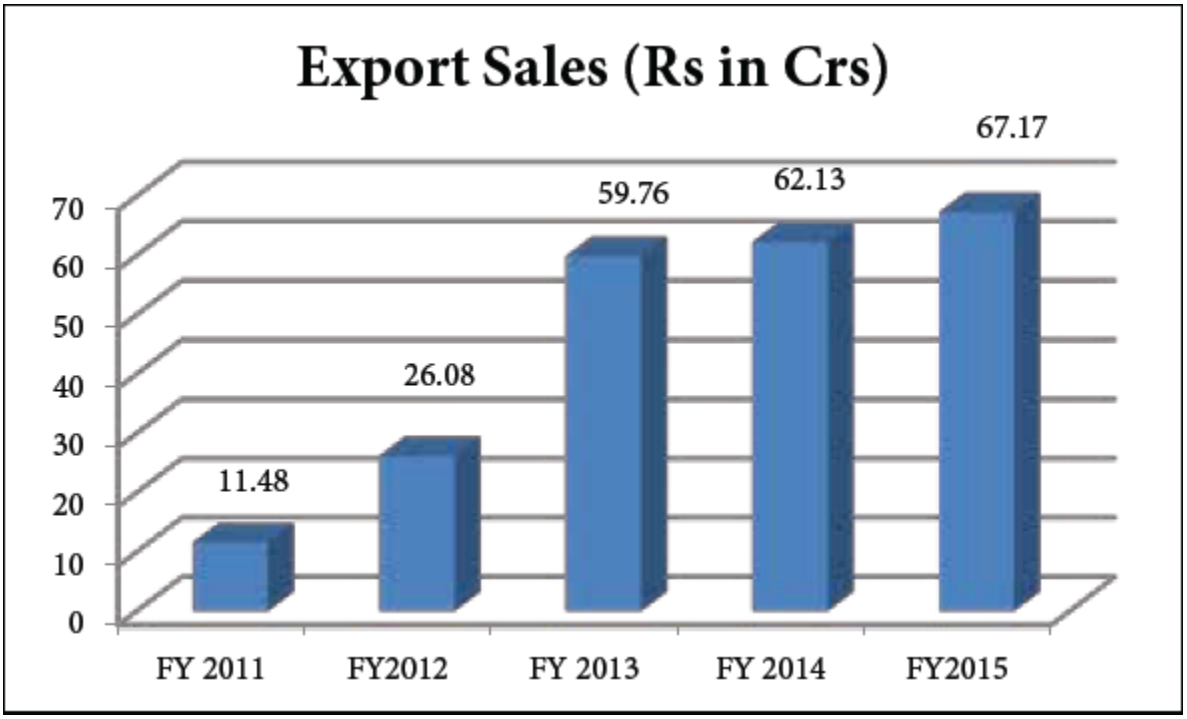
Chemical Industry is a knowledge as well as capital intensive industry.

Chemical Industry is also a human resource intensive industry :

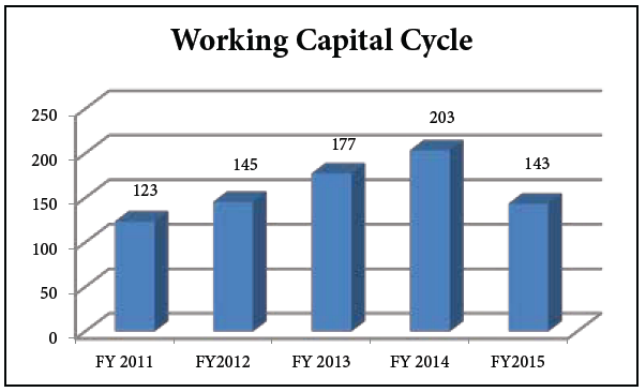
Pursuant to the provisions of the Companies Act, 2013, for calculating depreciation on the assets, which came in to force from 1st April, 2014, the Company has determined the expected useful life of the Assets, based on the factors like, their installation period, nature of manufacturing processes and other applicable factors involved in the processes, and on such basis the depreciation was calculated and charged to the profit and loss account. As a result of revision in the applicable rules for providing of depreciation, the cost of depreciation was recalculated which has resulted into decrease in the depreciation charge.

The Company is focusing on the backward and forward integration to add value to its operations and yield better performance. The focus on the backward and forward integration is enabling the Company to become cost competitive. This is giving the cost benefits not only by reducing cost of the intermediates, which otherwise it would have purchased from the market, but also enhance margins on APIs that are developed by using these in-house manufactured intermediates. This initiative by the Company will go a long way in improving its EBITDA margins and net profits of the Company and provide a strong foundation to its operations.

The Company's major expansion plans during FY 2014-15 got delayed and its Unit No. V could not be commissioned due to various reasons attributable mostly for getting statutory consents and clearances. During the FY 2015-16, the Company hopes to commence and streamline all these different production facilities of the Company.



The Company is continuously reviewing the status of stressed working capital cycle and the necessary steps are being taken for optimizing the cycle by maintaining minimum inventories, bring down the receivables by focusing more on the exports etc. The progress on the working capital cycle is captured herein below:



Production Units	Activity Undertaken	In Tonne Per Annum			Capacity Utilisation %age
		Volumetric Capacity	Rated Capacity	Production in FY15	
Total		5,250	2,070	1,496.19	72.28

Strengths & Opportunities

- Our capacities are multipurpose and fungible.
- We have a diverse customer base
- We constantly try to address customer needs around a spectrum of products.

Weaknesses, Risks and Concerns

chemicals industry is majorly driven by R&D activities pertaining to development of new molecules to cater to the needs of the customers. The Company deals with these challenges with a strong R&D backbone. The said nature of speciality chemicals

The Company is exposed to health, safety, security and environmental risks,

- The evolution of the regulatory environment

As on 31st March, 2015, 253 employees are on the Company's payroll, including its all wholly owned subsidiaries.

The manufacturing facility of Lasa Laboratory Private Limited, located at C-105, Mahad Industrial Area, MIDC, District Raigad. Lasa Laboratory Private Limited is one of the established players in the anthelmintics/veterinary API segment with state-of-the-art Good Manufacturing Practices (GMP) and FDA approved API manufacturing facility. Its turnover has increased from Rs. 3,421.92 lakhs in FY 2013-14 to Rs. 7,100.42 lakhs in FY 2014-15, recording a 108% jump.

Lasa Laboratory Private Limited has completed the phase I expansion of its existing manufacturing facilities and started commercial production from the said expanded facilities. This unit is undergoing a phase II of expansion to extend capacity which will be completed by FY 2016.

Particulars	Note No.	As at 31st March,2015	As at 31st March,2014
Long-term borrowings	3	6,062.20	6,511.75
Short-term borrowings	3	14,062.46	12,617.29
Trade payables	6	6,136.29	4,514.45
Tangible Assets	9	6,813.21	4,248.88
Capital Work-in-Progress	9	12,156.77	9,644.13
Inventories	12	8,875.55	8,445.57
Trade Receivables	13	7,678.19	9,425.48
Advances received from customers		169.45	2.91

TRADE RECEIVABLES		
(Unsecured and Considered Good)		
More than six months	1,589.88	1,028.00

Interest Expenses (Note-II)	2,114.91	1,586.26
Other Borrowing Costs	158.68	72.39
Applicable net gain/loss on foreign currency transactions and translation	(7.93)	52.60
Gross Total	**2,265.66**	**1,711.25**
Less: Interest Capitalised	817.31	275.52
Net Total	**1,448.35**	**1,435.73**