



OMKAR
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OMKAR SPECIALITY CHEMICALS LIMITED

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Email : info@omkarchemicals.com Web. : www.omkarchemicals.com

CIN : L24110MH2005PLC151589

Ref: OSCL/SE/2020-21/17

Date: August 13, 2020

To,
Corporate Services Department
NATIONAL STOCK EXCHANGE OF INDIA LIMITED
Exchange Plaza, Bandra Kurla Complex,
Bandra (E), Mumbai – 400051.
NSE Symbol: OMKARCHEM

Dear Sir/Madam,

With reference to Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the company enclosing the disclosure of the Impact of Audit Qualifications is signed by the CFO of the company for the quarter ended March 31, 2020.

Kindly take the same on record.

Thanking you,

Yours sincerely,
For **OMKAR SPECIALITY CHEMICALS LIMITED**

SD/-
SUNNY PAGARE
COMPANY SECRETARY & COMPLIANCE OFFICER
(M.No. F8896)

ANNEXURE I

OMKAR SPECIALITY CHEMICALS LIMITED

CIN: L24110MH2005PLC151589

Statement on Impact of Audit Qualifications (for audit report with modified opinion) submitted
along-with Annual Audited Financial Results

Statement on Impact of Audit Qualifications for the Financial Results for the financial year ended March 31, 2020 (See Regulation 33 / 52 of the SEBI (LODR) (Amendment) Regulations, 2016)				
	Sr. No.	Particulars	Audited Figures (as reported before adjusting for qualifications) (In Lakhs)	Audited Figures (as reported after adjusting for qualifications) (In Lakhs)
I	1	Turnover/Total Income	5732.53	5732.53
	2	Total Expenditure (including Tax expenses Rs. 332.27 lakhs)	7196.16	7196.16
	3	Net Profit/(Loss)	(1463.63)	(1463.63)
	4	Earnings Per Share (in Rs)	(7.11)	(7.11)
	5	Total Assets	9727.55	9727.55
	6	Total Liabilities	25976.55	25976.55
	7	Net Worth (including revaluation reserve)	(16249.00)	(16249.00)
	8	Any other financials items(s) (as felt appropriate by the management)	-	-
II	Audit Qualification (each audit qualification separately):			
1	a) Details of Audit Qualification:			
	The Company has negative net worth of Rs. 16,249 lacs as on 31st March 2020. The financial statements have been prepared assuming that the Company will continue as a going concern. Also, the financial results do not include any adjustments that might result from the outcome of the qualifications as per the succeeding paragraphs.			
	b) Type of Audit Qualification: Qualified Opinion			
	c) Frequency of Qualification: Fourth Time			
	d) For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views: NA			
	e) For Audit Qualification(s) where the impact is not quantified by the auditor:			
	(i) Management's estimation on the impact of audit qualification:			
	The company has a sound business plan in terms of its diversified product profile and a wide customer base both on the domestic as well as international front. The business fundamentals are extremely strong and the company can progress with reasonable growth rate in coming years. The company has got sufficient orders on ongoing basis. The business in the recent past has been affected on account of Working Capital requirements and implications of COVID-19. However, the company has firmed up plans for improving the cash flows by infusion of Equity and also unlocking of business impacted by COVID-19.			
	In view of the above, in spite of having negative net worth the financial results have been prepared assuming that the company will continue as a going concern.			

	(ii) If management is unable to estimate the impact, reason for the same: Not Applicable															
	(iii) Auditors Comments on (i) or (ii) above: Included in details of audit qualification.															
2	<p>a) Details of Audit Qualification:</p> <p>The Company has shown the following particulars pertaining to the loss due to fire, as insurance claim receivable under loans and advances of the Company, as per note no.4 (Four) to the financial results -</p> <table border="1"> <thead> <tr> <th>Sr.no.</th> <th>Particulars of loss</th> <th>Amount of loss as per the books of accounts of the Company (Rs. in lacs.)</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Loss of Fixed Assets</td> <td>839.33</td> </tr> <tr> <td>2</td> <td>Loss of inventories</td> <td>354.89</td> </tr> <tr> <td>3</td> <td>Loss arising due to public liabilities</td> <td>157.50</td> </tr> <tr> <td></td> <td>Total</td> <td>1351.72</td> </tr> </tbody> </table> <p>As per Para 68 of IND AS 16-Property, Plant and Equipment, the gain or loss arising from the de-recognition of property, plant and equipment shall be included in the profit or loss when the item is derecognized. The Company has not made the requisite de-recognition in profit and loss in line with the abovementioned para for the fixed assets derecognized as per note 4 to the financial results and above table. Further, an amount of Rs.1351.72 lacs has been recorded by the Company as a current asset towards insurance claim receivable under loans and advances. As amount of the insurance claim receivable is contingent upon the submission of insurance claim by the Company and the confirmation of the same by the insurer, the treatment is contrary with the provisions of IND AS 37-Provisions, Contingent Liabilities and Contingent Assets. Due to the non-provision of the above loss due to fire and recognition of insurance claim receivable, the loss for the year ended 31st March 2020 is understated by Rs.1351.72 lacs and the current assets of the Company are overstated by Rs.1351.72 lacs. Therefore, the net worth of the Company as on 31st March 2020 has been overstated by Rs.1351.72 lacs. Therefore, the net loss after tax (before Other Comprehensive Income) would have been Rs. 2815.35 lacs for the year ended on 31st March 2020 and the negative net worth of the Company as on 31st March 2020 would have been Rs.17600.72 lacs, had the interest expenses (as per paragraph 1 above) and the loss due to fire to the fixed assets, inventories and public liabilities been provided.</p>	Sr.no.	Particulars of loss	Amount of loss as per the books of accounts of the Company (Rs. in lacs.)	1	Loss of Fixed Assets	839.33	2	Loss of inventories	354.89	3	Loss arising due to public liabilities	157.50		Total	1351.72
Sr.no.	Particulars of loss	Amount of loss as per the books of accounts of the Company (Rs. in lacs.)														
1	Loss of Fixed Assets	839.33														
2	Loss of inventories	354.89														
3	Loss arising due to public liabilities	157.50														
	Total	1351.72														
	b) Type of Audit Qualification: Qualified Opinion															
	c) Frequency of Qualification: First Time															
	<p>d) For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views:</p> <p>There has been a major fire break out on Nov 26, 2019 at factory located at Flot No. F-24, M.I.D.C., Badlaur, Dist: Thane, Maharashtra -421503 of the Company resulting in substantial damage of plant & machineries, factory building and Inventories. Intimation of fire has been given to insurer. The insurance claim of loss for damage of Plant and Machinery, Factory building & Inventories due to fire is yet to be assessed by the Insurer and claim settlement is under process. The policy is on reinstatement basis. As a result, book value of factory building, plant and machinery and other fixed assets other than leasehold land have been</p>															

	<p>reduced from net block of property plant and equipment's amounting to Rs. 839.33 Lacs. Also the value of inventory destroyed due to fire in the said location amounting to Rs.354.89 Lacs have been reduced from closing stock of inventory with the company. The estimated insurance claim receivable for the book value of fixed assets and inventory destroyed is shown as claim receivable under loans and advances. Further, amount paid till 31st March 2020 of Rs.157.50 lacs towards public liability is also shown under loans and advances as part of claim receivable. Fixed assets except the said damaged assets have been verified & valued as per applicable accounting standards as well as existing accounting policies of the Company, with no material discrepancy. The process of submission of claim has been delayed on account of the ongoing lockdown due to COVID-19 situation.</p>
	e) For Audit Qualification(s) where the impact is not quantified by the auditor:
	(i) Management's estimation on the impact of audit qualification: Not Quantified
	(ii) If management is unable to estimate the impact, reason for the same: NA
	(iii) Auditors Comments on (i) or (ii) above: Included in audit qualification.
3	<p>a) Details of Audit Qualification:</p> <p>We draw attention to note 3 (Three) of the accompanying Statement, with regard to non-recognition of interest expense on borrowings and reversal of accrued and due interest expenses of the Company. On 30th March 2018, one of the bankers providing long term and working capital finance namely Bank of Baroda, has classified all the facilities being extended to the Company as 'Non-Performing Assets'. During the year ended 31st March 2020, the Company has not provided interest expenses amounting to Rs. 525.35 lacs and Rs. 2101.51 lacs for the quarter ended and year ended on 31st March 2020 respectively, on various credit facilities/loans which is not in accordance with the requirement of Ind AS 23: 'Borrowing Cost' read with Ind AS 109: 'Financial Instruments'. Due to this, loss for the quarter ended 31st March 2020 and year ended on 31st March 2020 has been understated by Rs. 525.35 lacs and Rs.2101.51 lacs respectively. The net worth of the Company as on 31st March 2020 has been overstated by Rs.2101.51 lacs. Therefore, the net loss after tax (Before other comprehensive income) would have been Rs. 3565.14 lacs for the year ended on 31st March 2020 and Rs. 1067.13 lacs for the quarter ended on 31st March 2020 and the negative net worth of the Company as on 31st March 2020 would have been Rs.18350.51 lacs.</p>
	b) Type of Audit Qualification: Qualified Opinion
	c) Frequency of Qualification: Seventh Time
	d) For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views:
	<p>Our account has been classified as non-performing asset by our lenders, the Company is in discussion with its Bankers for settlement of the dues(inclusive of interest and other charges, if any) by way of suitable structures. Bank of Baroda and Axis Bank have not debited any interest pending the said proposal. Hence, the Company has not provided for interest amounting to Rs.2101.51 lakhs and Rs.525.35 lakhs during the year March 31, 2020 and current quarter on various credit facilities/loans from the said Banks. The Statutory Auditors have qualified their Review Report in respect of the said matter. The necessary net effect shall be given in the books once the banks conclude decision on our proposal</p>
	e) For Audit Qualification(s) where the impact is not quantified by the auditor:
	(i) Management's estimation on the impact of audit qualification: Not Quantified
	(ii) If management is unable to estimate the impact, reason for the same: NA
	(iii) Auditors Comments on (i) or (ii) above: Included in audit qualification.

4	<p>a) Details of Audit Qualification:</p> <p>In case the Company would have given the combined treatment of the effects discussed in point 2(a) and 3(a) above, the net loss after tax (Before other comprehensive income) would have been Rs.4916.86 for the year ended on 31st March 2020 and the negative net worth of the Company as on 31st March 2020 would have been Rs.19702.23.</p>
	b) Type of Audit Qualification: Qualified Opinion
	c) Frequency of Qualification: First Time
	<p>d) For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views:</p> <p>Please refer explanation given in point 2 (d) and 3(d)</p>
	e) For Audit Qualification(s) where the impact is not quantified by the auditor: NA
	(i) Management's estimation on the impact of audit qualification:
	(ii) If management is unable to estimate the impact, reason for the same: Not Applicable
	(iii) Auditors Comments on (i) or (ii) above: Included in details of audit qualification.
5	<p>a) Details of Audit Qualification:</p> <p>Bank of Baroda has recovered an amount of Rs.40.50 lacs from the Company in the year ended 31st March 2020. The Company has charged this amount to the statement of profit and loss and has classified this amount under Finance expenses during the year ended 31st March 2020. The Company has not provided us any documentary evidence to enable us to ascertain the nature of this amount. As the nature of this amount cannot be ascertained, we are unable to quantify its impact on the statement of profit and loss of the Company for the year ended 31st March 2020</p>
	b) Type of Audit Qualification: Qualified Opinion
	c) Frequency of Qualification: First Time
	d) For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views: NA
	e) For Audit Qualification(s) where the impact is not quantified by the auditor: NA
	(i) Management's estimation on the impact of audit qualification:
	<p>(ii) If management is unable to estimate the impact, reason for the same:</p> <p>The Bank of Baroda has recovered amount of Rs. 40.50 lacs from direct credit received in the accounts. The company pursuing the lender to get the documentary evidence to ascertain whether the same is related to recovery of principal amount of the loan or towards interest on loan and also the period to which the principal/interest recovery pertains to. In the interim, we have reported this recovered amount as finance cost pertaining to financial year 2019-20.</p>
	(iii) Auditors Comments on (i) or (ii) above: Included in details of audit qualification.

6	<p>a) Details of Audit Qualification:</p> <p>The Internal Financial Control over Financial Reporting (IFCR) in the Company is required to strengthen significantly. Adequate IFCR policies and procedures should be laid down, made operational and overall internal controls and operating effectiveness needs to be strengthened.</p>
	b) Type of Audit Qualification: Qualified Opinion
	c) Frequency of Qualification: Fourth Time
	d) For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views
	e) For Audit Qualification(s) where the impact is not quantified by the auditor:
	(i) Management's estimation on the impact of audit qualification: Not Quantified
	<p>(ii) If management is unable to estimate the impact, reason for the same:</p> <p>The management has taken due note of the observations relating to IFCR and has taken necessary steps to strengthen the system. The necessary SOPs in this regard are being formulated. The CFO of the Company with his team members are evaluating the gaps and are addressing the issue for ensuring a proper system in place. The company expects to bring the system to a respectably satisfactory level within one quarter</p>
	(iii) Auditors Comments on (i) or (ii) above: Included in audit qualification.

III Signatories:

For **Omkar Speciality Chemicals Limited**

PRAVIN
SHIVDAS
HERLEKAR

Digitally signed by PRAVIN SHIVDAS
HERLEKAR
DN: c=IN, o=Personal, postalCode=421503,
st=MAHARASHTRA,
serialNumber=14951bd8bae91f038661b2
0d98ae7aa47dfc07875ef2d8fa495ca3a0c
0554e1, cn=PRAVIN SHIVDAS HERLEKAR
Date: 2020.06.30 19:52:10 +05'30'

Pravin Herlekar
Chairman and Managing Director
Place: Badlapur
Date: 30-06-2020

For **Omkar Speciality Chemicals Limited**

Sd/-

Sanjivini Patare
Audit Committee Chairman

Refer our Audit Report dated June 30, 2020 on financial results of the company.

For **Desai Saksena & Associates**
Chartered Accountants
Firm's registration number: 102358W

SHASHANK
NARENDRA DESAI


Digitally signed by SHASHANK
NARENDRA DESAI
Date: 2020.06.30 20:39:11
+05'30'

Dr S.N. Desai
Partner
Membership number: 32546
Place: Mumbai

UDIN: **20032546AAAAAY8530**

Date: 30-06 2020

Vaman Acharya


Chief Financial Officer

